

PENSION SCAMS – DON'T BE A VICTIM

Introduction

The subject of people being scammed out of their savings and pensions is one that regularly features on our TV screens and in the media.

You may even have been approached by someone who has tried to convince you to cash in your pension and transfer it to another scheme or an investment from which you would get a return.

For some people, those offers seem too good to be true and they jump in readily whilst others have pressure applied as they waiver, only to succumb as they become convinced they would benefit from what is on offer. The outcome is the same, however, as individuals in these circumstances realise that instead of gaining from transferring their pension savings, they have actually been scammed and have lost some or all of what they have put aside for their retirement.

Scamming people out of their pension savings is a lucrative business for the criminals who attempt to carry it out. In 2020, the Financial Conduct Authority (FCA) highlighted¹ Action Fraud figures, based on complaints to that body, which showed that between 2017 and 2020, over £30m of pension savings had been lost to scammers.

Separately, in a submission² to a House of Commons Work and Pensions Select Committee inquiry, The Pensions Regulator (TPR) estimated that the Action Fraud figures are likely to be much higher in reality because of under reporting as “Victims may be too embarrassed to come forward or they may not even realise they have been scammed until years later.” From information that TPR had gathered, victims have “reported losses ranging from under £1,000 to as much as £500,000.”

In this Bulletin we will be looking at the subject of Pension Scams, what you should look out for, what action the authorities are taking and, if you think you have been scammed, what you can do.

¹ <https://www.fca.org.uk/news/press-releases/pension-savers-claim-over-ps30-million-lost-scams-regulators-urge-footie-fans-show-scammers-red-card>

² Available to download from: <https://www.thepensionsregulator.gov.uk/en/document-library/strategy-and-policy/our-strategy-to-combat-pension-scams>

What is a pension scam?

TPR use the following definition³ which includes reference to some of the techniques used by scammers:

“The marketing of products and arrangements and successful or unsuccessful attempts by a party (the “scammer”) to:

- release funds from an HMRC-registered pension scheme, often resulting in a tax charge that is not anticipated by the member
- persuade individuals over the normal minimum pension age to flexibly access their pension savings in order to invest in inappropriate investments
- persuade individuals to transfer their pension savings in order to invest in inappropriate investments

where the scammer has misled the individual about the nature of, or risks attached to, the purported investment(s), or their appropriateness for that individual investor.”

In a July 2022 publication⁴, TPR has also warned that:

“Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing.

Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.”

What should I watch out for?

As you would expect, TPR has a great deal of information about Pension Scams, including what to watch out for as a sign of a potential scam. The following are identified as common signs of a pension scam: ⁵

- Cold calling about pensions is illegal and is likely to be a scam
- Use of phrases like ‘free pension review’, ‘pension liberation’, ‘loan’, ‘loophole’, ‘savings advance’, ‘one-off investment’, ‘cashback’
- Making guarantees they can get better returns on pension savings
- Offering to help to release cash from a pension before the age of 55, with no mention of the HMRC tax bill that can arise
- Using high pressure sales tactics – time limited offers to get the best deal; using couriers to send documents, who wait until they’re signed
- Suggesting unusual high-risk investments, which tend to be overseas, unregulated, with no consumer protections

³ See Note 2.

⁴ TPR leaflet “Don’t let a scammer enjoy your retirement” July 2022, downloadable from <https://www.thepensionsregulator.gov.uk/en/pension-scams#a0904923b42a44d2878c04aa1c6638fa>

⁵ TPR webpage: “Avoid pension scams” viewed at 1245, 9th August 2022 and available at the link in Note 4.

- Having complicated investment structures
- Encouraging long-term pension investments – which often means people who transfer in do not realise something is wrong for several years.

As reported in Reps Bulletin PEN047 July 2022, new regulations were introduced in November 2021 which mean that trustees, scheme managers and administrators have to carry out various checks before allowing a transfer to go through. TPR states that many of the items listed on the previous page are common signs of a pension scam and should lead pension schemes to allocate Red or Yellow Flags which could result in transfers being refused.

What is being done about pension scams?

Pension scams have become a major topic for regulators, police forces and the pension industry, especially since the introduction of pension liberation arrangements which now mean that savers can draw down some or all of their DC (Defined Contribution) pension pots or transfer money from DB (Defined Benefit) schemes⁶.

In 2014, the Pension Scams Industry Group was formed. Its website⁷ describes it as a “voluntary industry body set up to combat pension scams through defining good practice for trustees, providers and administrators.” The Group is involved in data sharing on scams and has produced a Code of Practice to deal with the issue.

In 2015, Project Bloom was set up in order to tackle pension liberation scams. The Project is led by the National Crime Agency and includes the Department for Work and Pensions, TPR, FCA, HM Revenue & Customs, Serious Fraud Office and the National Fraud Intelligence Bureau. Its work was initially around raising awareness about pension scams whilst HMRC tightened up regulations regarding the registration of pension schemes, .

Other measures have been introduced by the Government including those previously mentioned in this Bulletin and the Stronger Nudge to Guidance described in TSSA’s Pension Update Bulletin (PEN047/July 2022) .

On 3rd August 2022 The Pensions Regulator launched a new three year strategy⁸ aimed at combatting pension scams by a series of practical measures, the outcome of which are aimed to ensure that :

- all savers are made aware of the risk of scams
- the vast majority of savers are in schemes which provide gold-standard, Pledge-compliant scam protections
- schemes report potential fraud activity to authorities
- creation of a hostile environment for those seeking to defraud savers using improved data

⁶ Members of DB pension schemes have been subject to certain conditions since the Pension Freedoms were introduced in 2016

⁷ See: <https://pensionscamsindustrygroup.co.uk/>

⁸ <https://www.thepensionsregulator.gov.uk/en/document-library/strategy-and-policy/our-strategy-to-combat-pension-scams>

More information about the new TPR strategy can be found on their website⁹

TPR's strategy is part of a wider campaign being run by the Pensions Scams Action Group (formerly Project Bloom) which has received additional funding for its activities.

What can I do if I think I am being scammed?

The FCA is running a ScamSmart Campaign which includes a pension section that gives a lot of information about what to look out for in identifying scams. It then proposes "Four Simple Actions you can take":¹⁰

- Step 1 – Reject unexpected offers
- Step 2 – Check who you are dealing with
- Step 3 – Don't be rushed or pressured
- Step 4 – Get impartial information or advice

Each of the steps on the FCA's website contain practical actions that you can take.

Is there anything I can do if I have been scammed?

The FCA propose that you should:

- Contact their consumer helpline (0800 111 6768) and make a report. There is also a report form available on their website¹¹
- Contact your pension provider in case they are able to stop the transfer before it takes place
- Report the matter to ActionFraud at : <https://www.actionfraud.police.uk/> or by calling :0300123 2040

Reps' Action

TSSA reps are recommended to make the contents of this Bulletin available to all members and colleagues, especially those approaching retirement. All of us need to know what signs to look out for in case we find ourselves the subject of a scammer's attention. You may also have a colleague who has been the victim of a scam but is too embarrassed to reveal that news to other people in which case they may find the final section useful.

Acknowledgements and references

This Bulletin has been prepared using the information contained in the websites appearing in the footnotes. In particular, we want to acknowledge the online material available on The Pensions Regulator's website and that of the Financial Conduct Authority.

⁹ <https://www.thepensionsregulator.gov.uk/en/document-library/strategy-and-policy/our-strategy-to-combat-pension-scams>

¹⁰ See: <https://www.fca.org.uk/scamsmart/how-avoid-pension-scams>

¹¹ <https://www.fca.org.uk/consumers/report-scam-us>