



Pension Scams

30 April 2021

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Agenda

- What is a statutory transfer?
- A short history of pension scams
- What do pension scams look like now?
- What are the common red flags?
- The due diligence process and actions
- How can you warn members?
- How do you report suspicions?
- What's the TPR's scam pledge?
- Future changes
- Useful resources
- Questions



Members have a statutory right to transfer

- 3 key conditions
 1. The member has accrued benefits in the scheme
 2. No “crystallisation” from benefits in the scheme
 3. They are no longer accruing rights (i.e. a deferred member) AND for DB benefits have stopped at least one year before Normal Retirement Age
- Transfers can still happen (subject to rules) but would be non-statutory

- 3 types of receiving scheme
 1. An occupational pension scheme
 2. A personal pension scheme
 3. An insurance company to purchase an annuity

- Since 2015 member transferring DB rights needs to take independent financial advice from an authorised individual if the transfer value is more than £30,000
- If a member wants to go they can go Hughes v Royal London



Brief History of Pension Scams

“Trust busting” or “Pensions Liberation” schemes

- Scams not new – their nature has changed
- Late 1990s early 2000s
- Scammers not pleased either:
 - Some financial outlay via loan
 - Risk of fine or imprisonment

Set up
occupational
pension scheme

Transfer in –
arrangement fee
of 20%/30%

Loan offered
against scheme
assets

Unauthorised
loan results in
40% tax charge

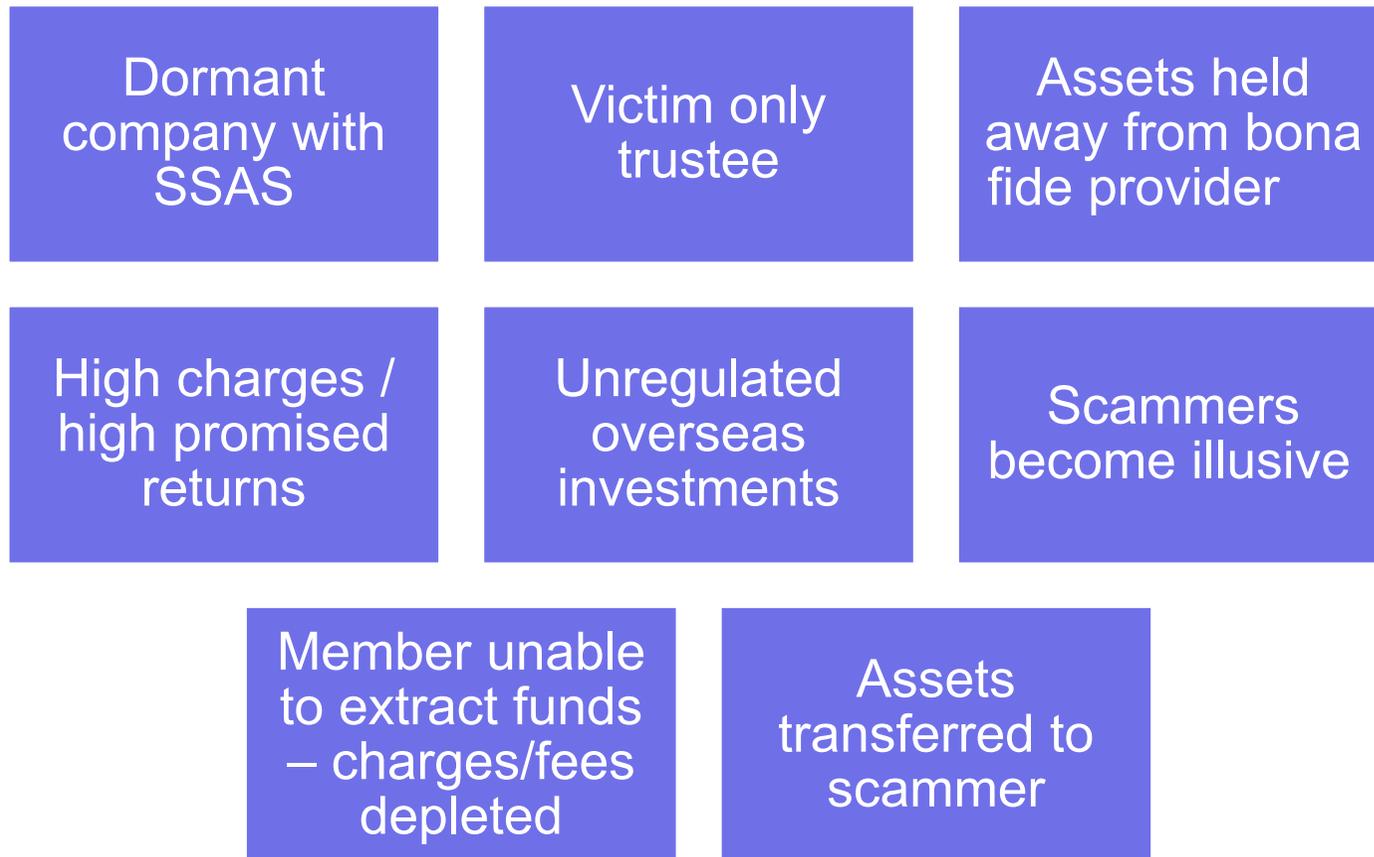
Assets
transferred to
scammer

Member will
have spent
everything

Brief History of Pension Scams

Small Self Administered Scheme

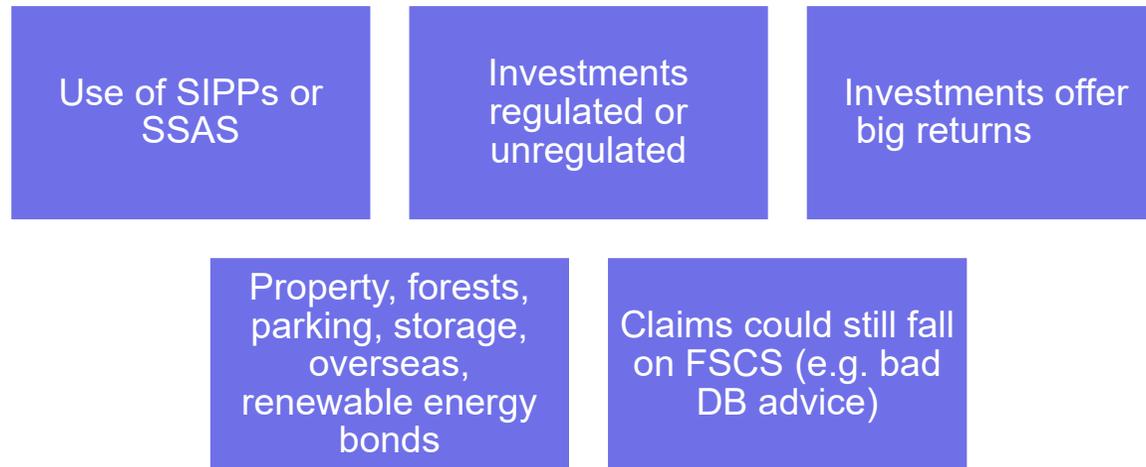
- A more recent development early 2010s
- New regulations to address this coming...



Brief History of Pension Scams

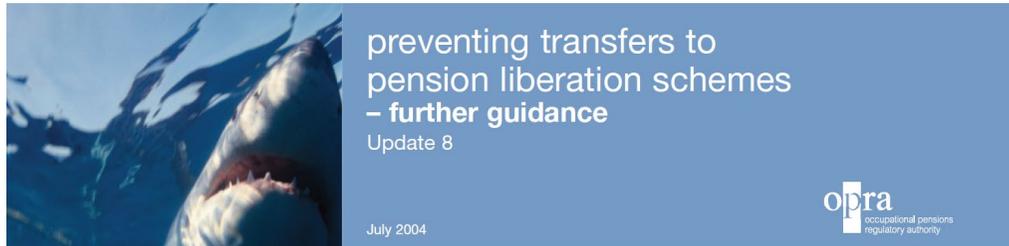
Current scams – things have changed

- SSAS scam becoming less common
- Investment scams now more common



- Gets worse!
- Newest scam Claims Management companies
 - Some “fishing” for issues via GDPR SDAR
 - Some set up by previous perpetrators under the guise of helping victims of previous scam

Initiatives to address scams



who can you contact

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
BN1 4DW

Customer Support

Phone: 0870 6063636
9am to 5pm
(Monday to Friday)

Textphone: 0870 2433123

Fax: 0870 2411144

Email: customersupport@thepensionsregulator.gov.uk

Website: www.thepensionsregulator.gov.uk

a word of warning...

**don't
risk
losing
your
pension
money**



Pension liberation fraud
The predators stalking pension transfers



Consequences of scam Savers/members

- Loss of all retirement savings/or significant amounts
- Stress and impact on physical and mental health
- In addition Tax charges as “unauthorised payments” made 40% of value of payment, possible extra 15%
- Extracts below from Work and Pensions Select Committee evidence

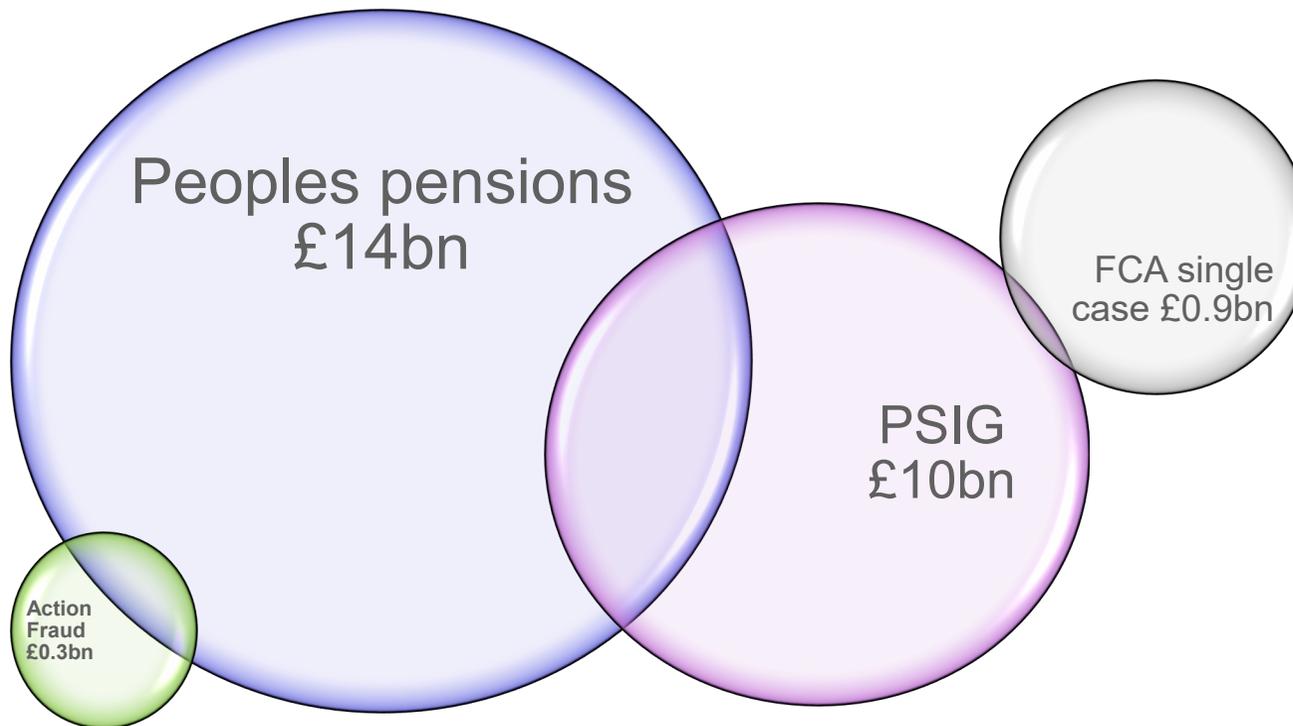
Victims are usually left feeling bewildered and helpless with attempts to report the scam to Action Fraud, the FCA etc, seemingly falling on deaf ears with no action taken. This makes victims particularly vulnerable to the Claims Management follow on scammers who are passed victims details

*As was referred to in other submissions made to this enquiry, apart from the **stress and trauma** this experience has vested on me for the last so many years, this pension scam nearly **destroyed any financial security** in retirement that I had worked so hard for. Despite my win in court, I have no hope of an equivalent pension to my DB schemes.*

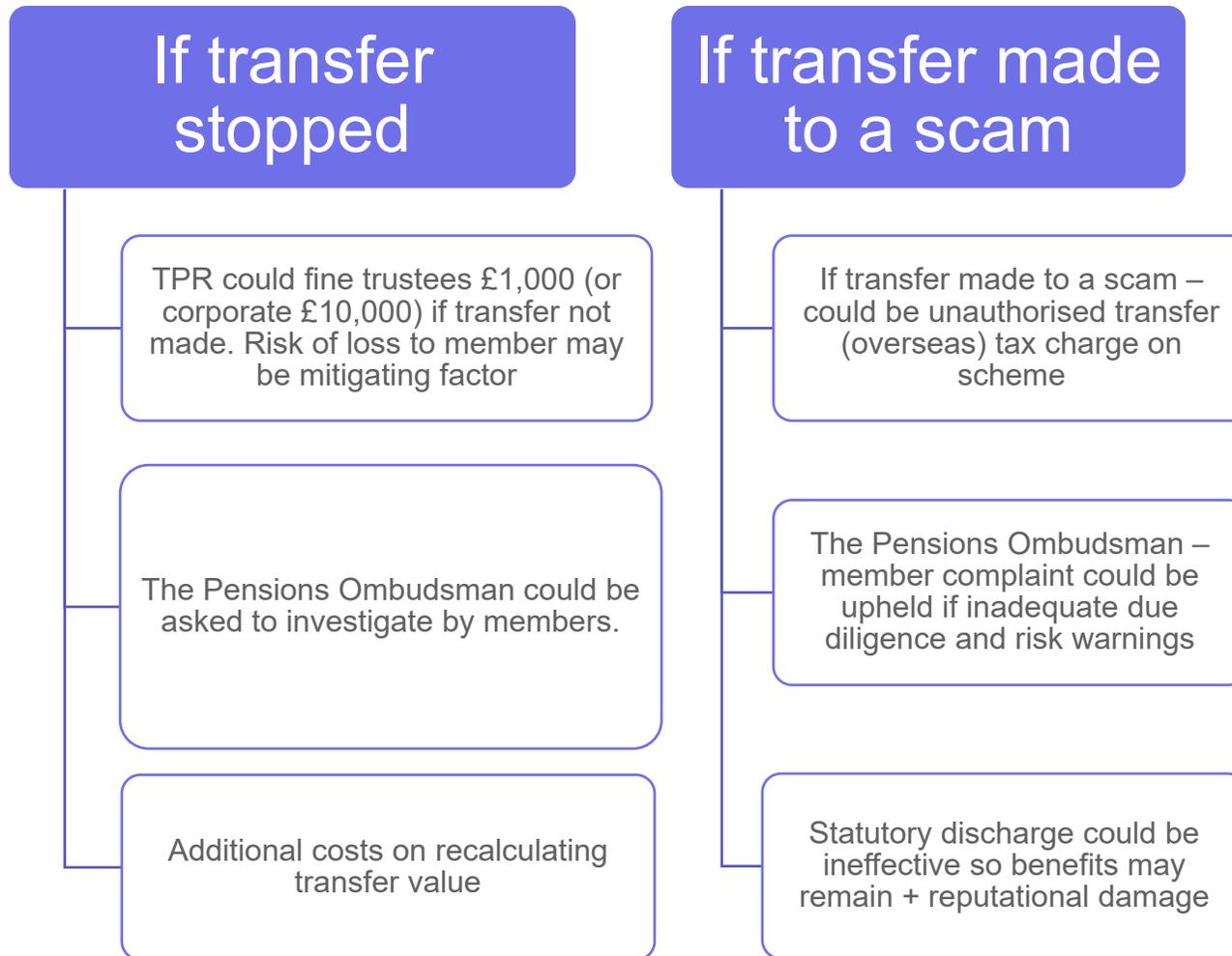
*In my case, **ignorance was the primary factor** that contributed to my being caught in a scam. I was not prepared for what ensued. In my opinion, ignorance is probably the single biggest reason people get snared by scammers – not greed and not stupidity, as is often the accusation.*

How big is the scam problem?

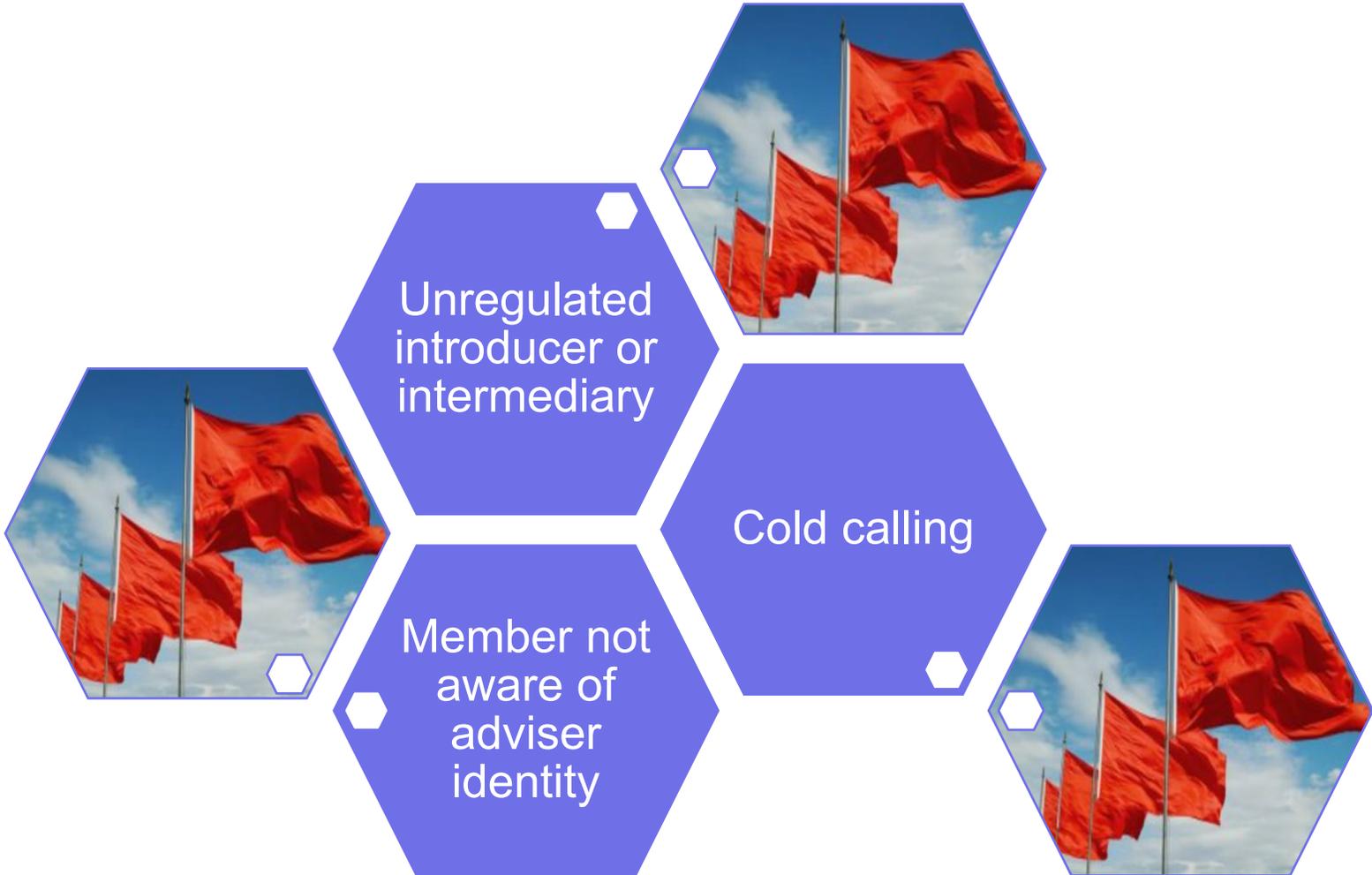
- Can be difficult to quantify as many victims may not be aware
- Minority of cases even reported



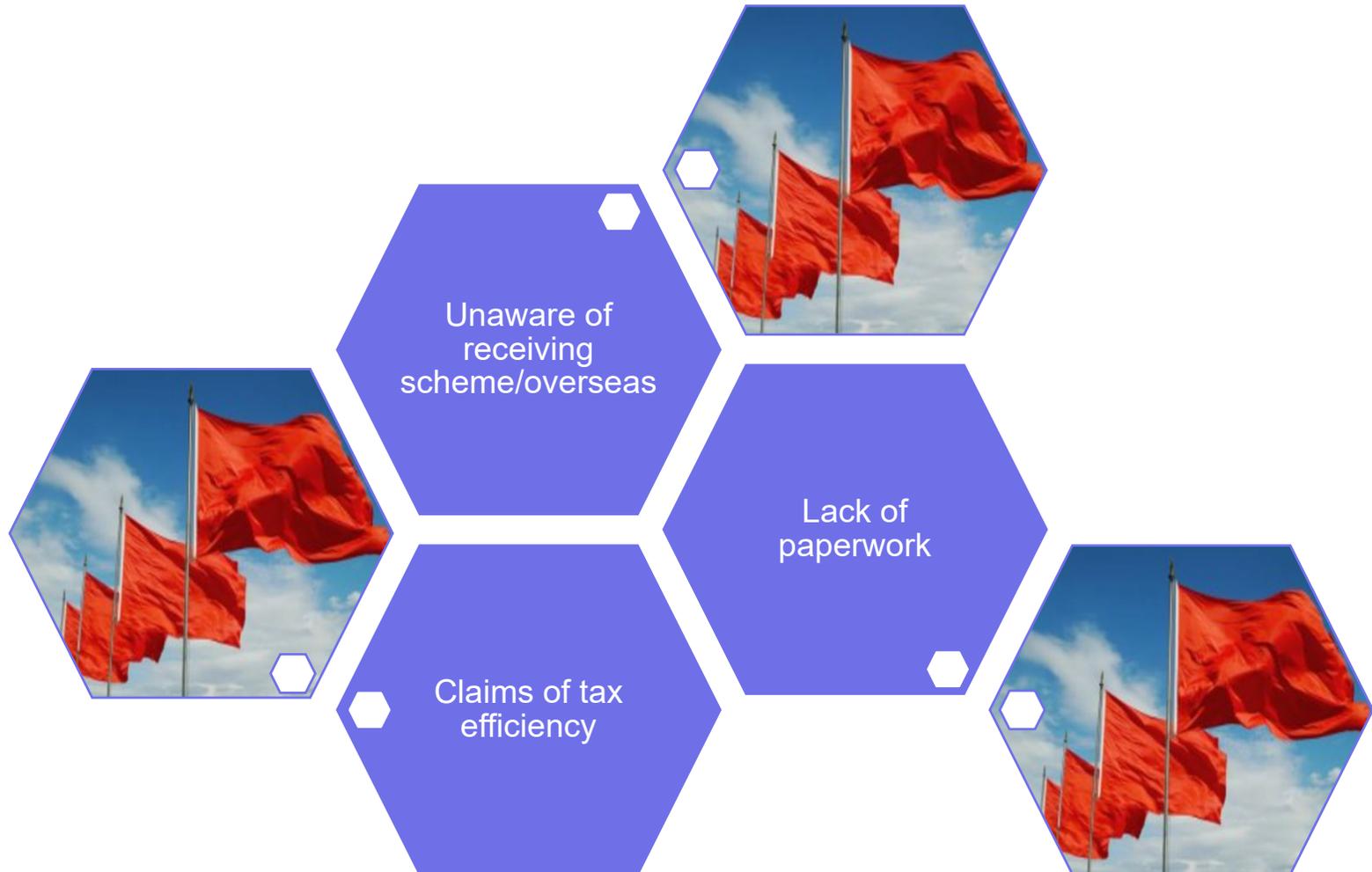
Implications for Trustees



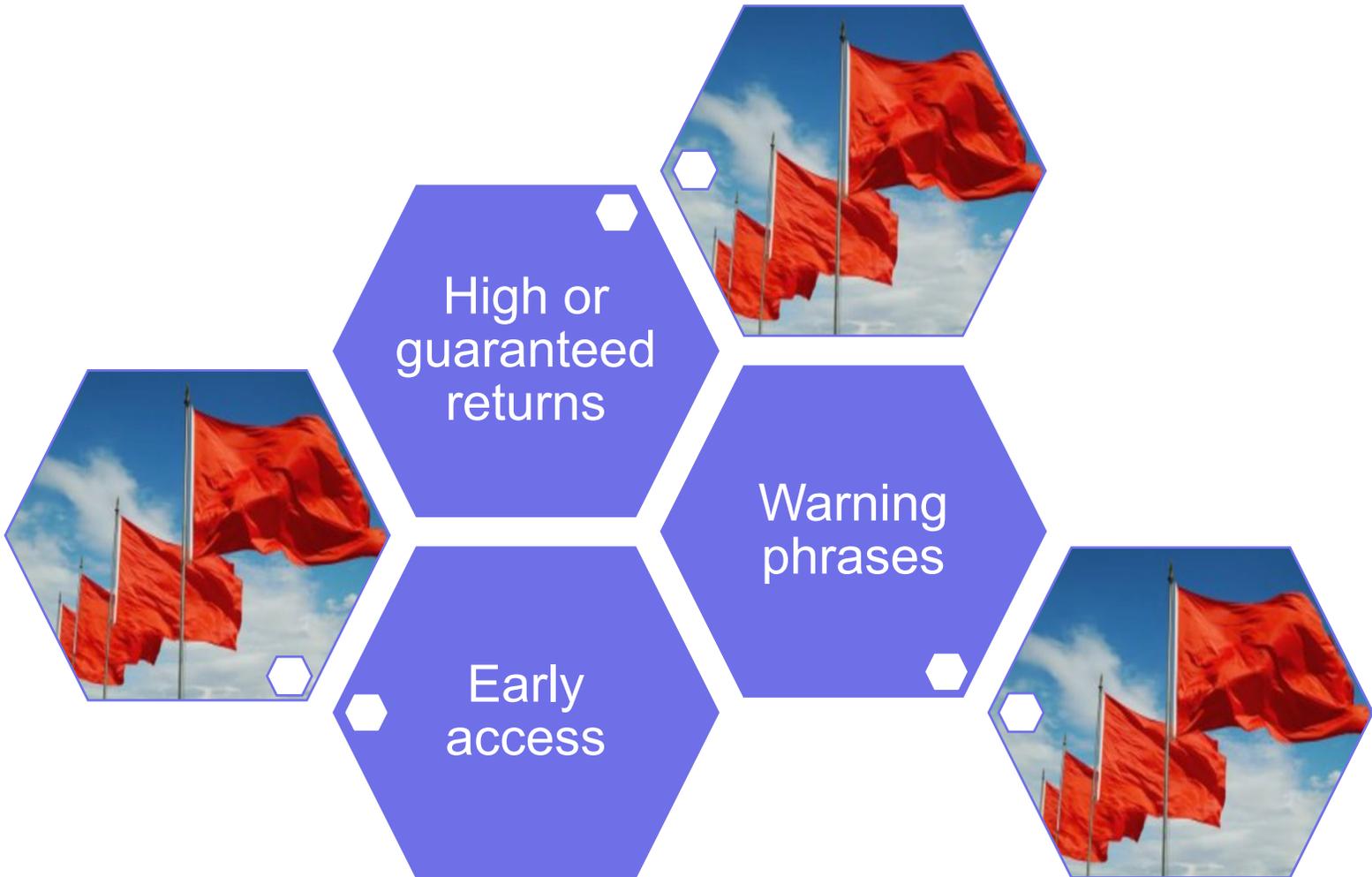
Common red flags



Common red flags



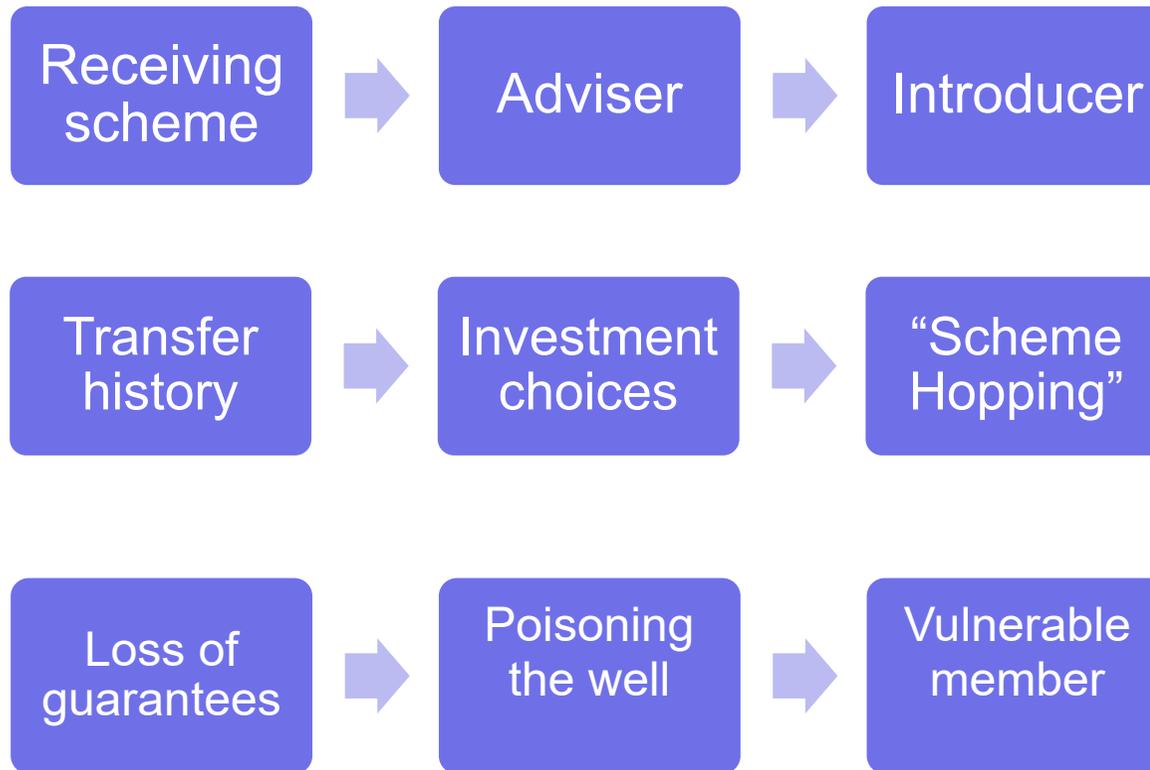
Common red flags



Common red flags

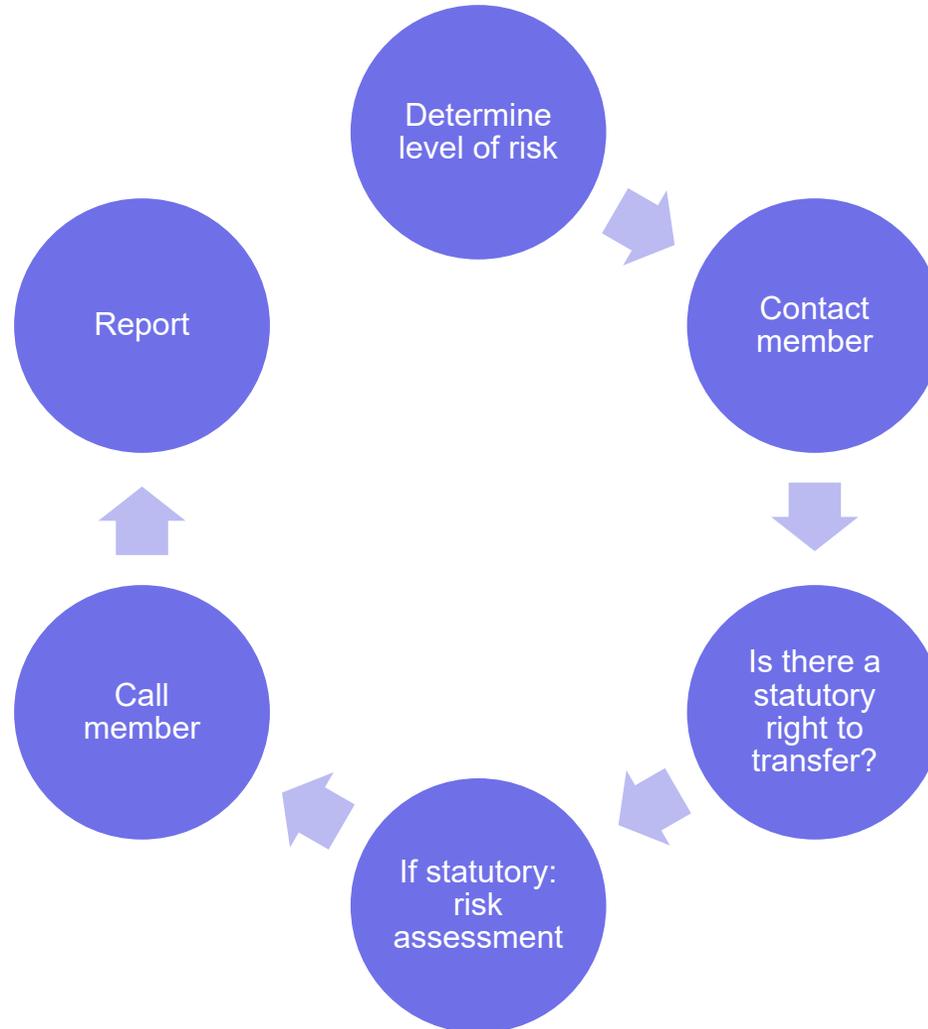


Trustee/Administrator due diligence



Trustee/Administrator due diligence

Follow up actions



Regularly Warning members and support

- Risk of scams included when communicating with members about transfers including:
 - Links to ScamSmart
 - Links to TPR material
 - FCA information on DB transfer considerations (DB transfers only)
 - Details on where to access to impartial guidance
- Scam information also to be included
 - Member or scheme website
 - Regular member communications e.g. Summary Funding Statement, Newsletter or member forum
- Trustees can signpost advisers
 - FCA/TPR/TPO recently written about this
 - Tesco Pension Scheme one of the most famous that does – could act as protection
 - Controversial area following experience of British Steel Pension Schemes
 - British Steel less about scams but certainly inappropriate transfers



Reporting to authorities

- Project Bloom is the multi-disciplinary body responsible for scams
- Police
 - Action Fraud – <https://reporting.actionfraud.police.uk/login>
 - 0300 123 2040
 - NFIB-Intelligence@citylondon.pnn.polic.uk to upload information
 - Scotland – call 101 for Police Scotland
 - Professional bodies should submit information report
 - Victim can make a crime report
- FCA
 - <https://www.fca.org.uk/consumers/report-scam-us>
 - IntelligenceConsumerHarm@fca.org.uk if you have concerns
- TPR
 - wb@tpr.gov.uk if you're holding back a statutory transfer
 - Breaches of Law Code of Practice if you believe law broken
- National Crime Agency – contacted where overseas advisers acting without permissions
- National Economic Crime Centre where websites are cause of concern



TPR's Scam Pledge



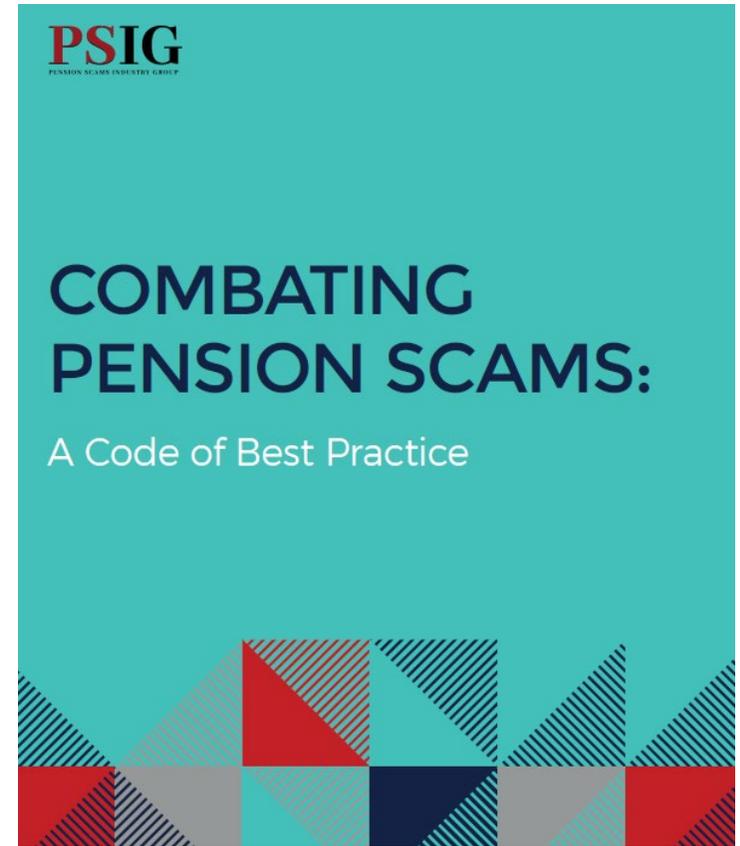
TPR's Scam Pledge

- TPR asking Trustees to:
 1. Take the pledge – intention to put the actions into practice
 2. Self-certify - when can take the key actions
- Can be done via the website
- Trustees being asked to this as they have responsibility
- Acknowledge that administrators will have delegated duty
- Broadstone is able to reassure schemes they can sign pledge and self-certify



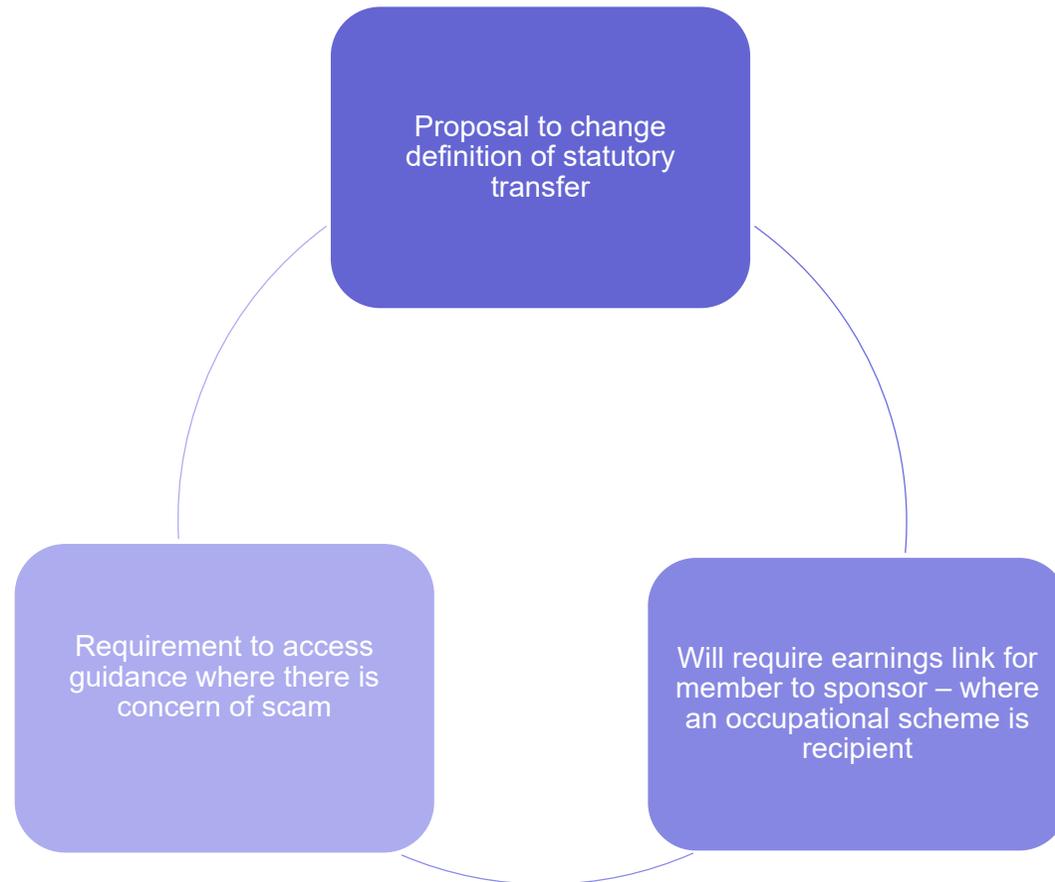
Pension Scam Industry Group

- Less a code more of a resource pack
 - Information, template communications, due diligence and reporting
 - No legal standing but key part of helping trustees and administrators prevent scams
 - 3 core principles in helping members avoid liberation/investment scam
1. Raise awareness
 2. Robust, proportionate and compliant processes to identify a scam and respond
 3. Be generally aware of the current strategies



Changes to the rules coming through soon

Pension Schemes Act 2021



Work and Pensions Committee Report

- Covered recording and reporting, prevention, enforcement and supporting pension scam victims
- Heart breaking personal testimony
- Key points:
 - Pension Freedoms has increased the risk
 - Enforcement is a mess – Project Bloom to be reviewed with statutory footing and clearer name
 - Action Fraud reputation in tatters
 - Challenge to tech companies that host adverts. Accused of being immoral. Online Safety Bill current excludes financial harm
 - Get people in front of guidance – perhaps a nudge or more guidance “limited advice”
 - Increase pension advice allowance from £500pa to £1,500 overall
 - The government will need to respond – fingers crossed



House of Commons

Work and Pensions Committee

Protecting pension savers—five years on from the pension freedoms: Pension scams

Fifth Report of Session 2019–21

Key messages

Be aware of scam risk

Inform members of risk

Check processes in place

You may be powerless

TPR Scam pledge

Report suspicions



Some resources

- Pension Scams Industry Group – Code of Good Practice - <http://www.combatingpensionscams.org.uk/>
- TPR Resources - <https://www.thepensionsregulator.gov.uk/en/pension-scams>
- The Pledge - <https://www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams>
- FCA – Warning on high risk investments - <https://www.fca.org.uk/consumers/high-return-investments>
- FCA Warning list - <https://www.fca.org.uk/scamsmart/warning-list>
- FCA register - <https://www.fca.org.uk/firms/financial-services-register>
- How to find an adviser - <https://www.moneyadvice.service.org.uk/en/articles/choosing-a-financial-adviser#how-to-find-a-financial-adviser>



Questions?

