



Pension Scams

24 May 2023
David Brooks



Agenda:

- A brief history of scams
- Legal moves to address scams
- What can Trustees and administrators
- Some resources
- Q&A

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

Set up
occupational
pension scheme

Transfer in –
arrangement fee
of 20%/30%

Loan offered
against scheme
assets

Unauthorised
loan results in
40% tax charge

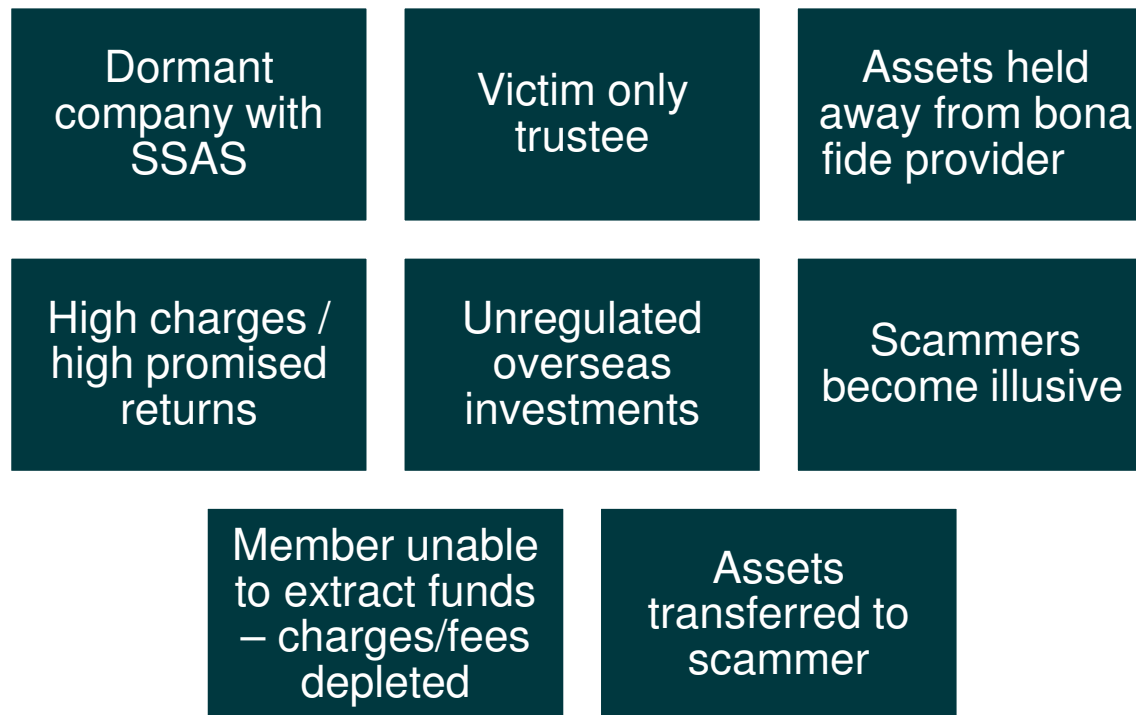
Assets
transferred to
scammer

Member will
have spent
everything

Brief History of Pension Scams

Small Self Administered Scheme

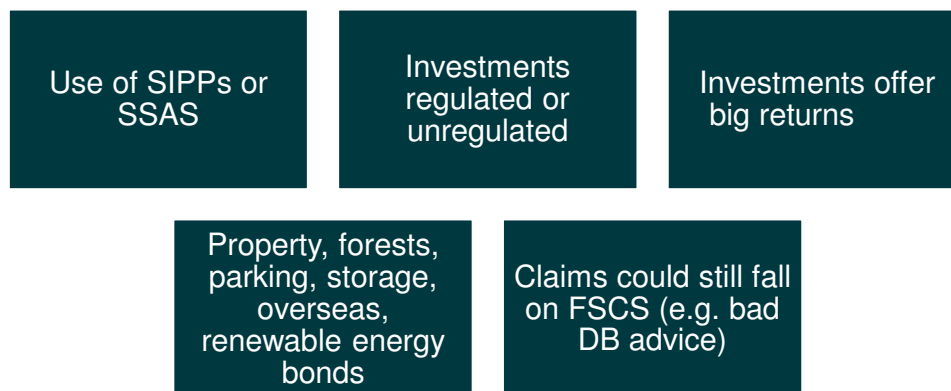
- A more recent development early 2010s
- New regulations design to address this



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

Consequences of scam

Savers/members

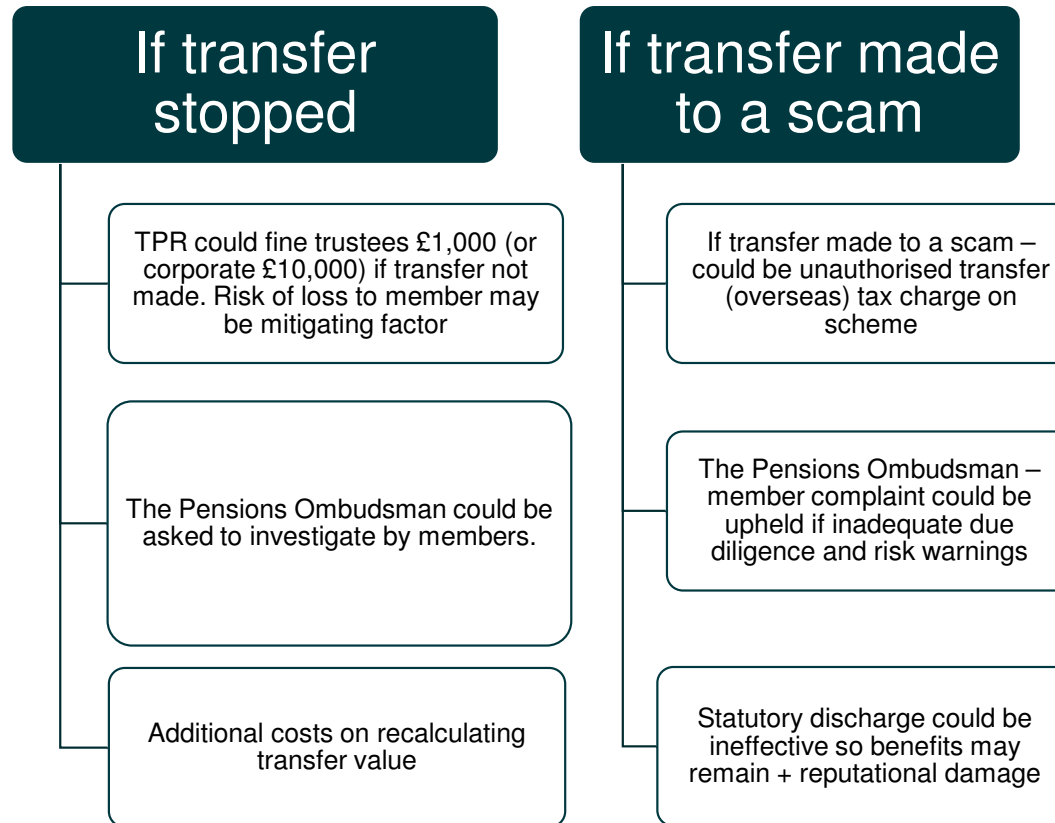
- Loss of all retirement savings/or significant amounts
- Stress and impact on physical and mental health
- In addition Tax charges as “unauthorised payments” made 40% of value of payment, possible extra 15%
- Extracts below from Work and Pensions Select Committee evidence

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.*

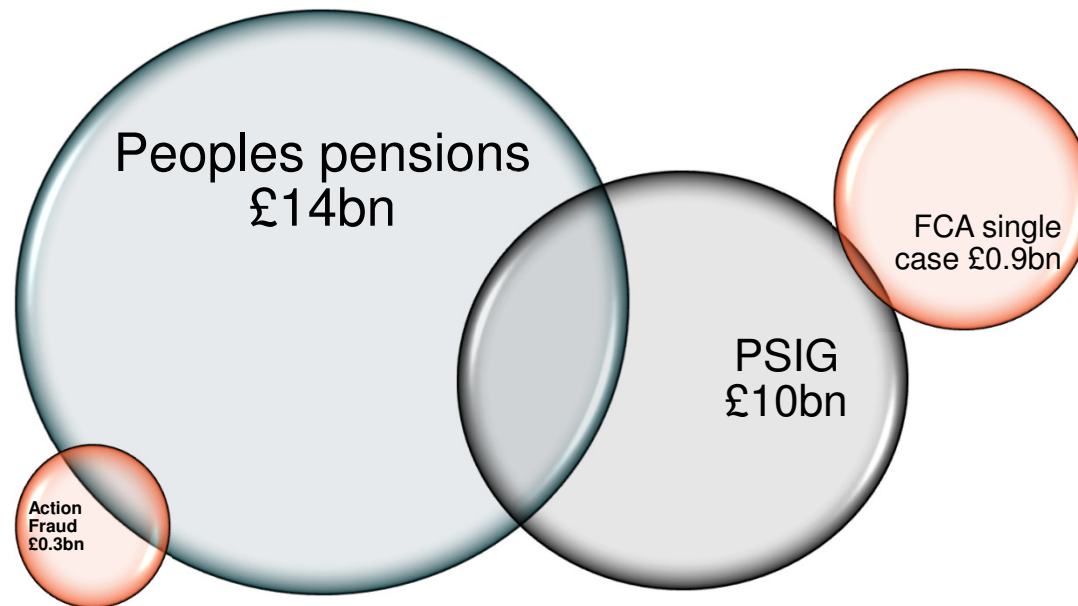
*In my case, **ignorance was the primary factor** that contributed to my being caught in a scam. I was not prepared for what ensued. In my opinion, ignorance is probably the single biggest reason people get snared by scammers – not greed and not stupidity, as is often the accusation.*

Implications for Trustees



How big is the scam problem?

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



Regulatory 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

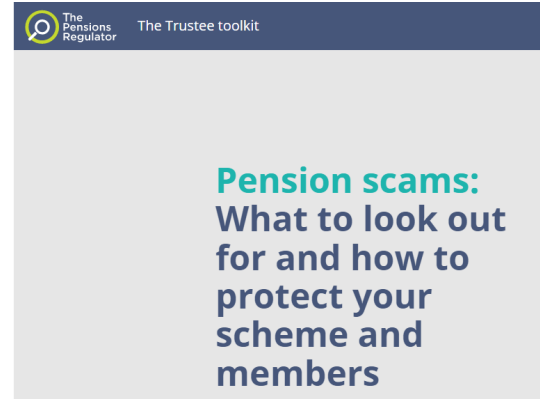
Fax: 0870 2411144

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





New laws to stop scams



Legal moves to reduce scams

Changes in the law – 2015 & 2019

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 wanted to go they could go *Hughes v Royal London* – Trustees were powerless to stop

9 January 2019 – a ban on “cold-calling” on pensions was introduced

- Banned unsolicited calls, emails or text messages
- ICO fines
- Hasn't stopped them
- EB Associates fined £140,000 for £107,000 illegal calls Dec 2021
- More here <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2021/12/ico-issues-its-largest-fine-to-tackle-illegal-pension-cold-calls/>



Legal moves to reduce scams

Changes in the law - The power to say no

November 2021 – significant change in the law redefined statutory transfer

3 existing 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

New regulations introduced two new broad conditions

Condition 1 – going to an authorised scheme

Condition 2 – Employment link, overseas residency, amber and red flags

Dealing with transfer requests

Guidance for trustees, pension managers and administrators on checking, proceeding with and refusing transfer requests from scheme members.

Published: 8 November 2021

Last updated: 12 January 2023

Legal moves to reduce scams

Changes in the law - The power to say no (continued)

Condition one

If the transfer is going to one of the following schemes then it can continue with no further check

- a public service pension scheme (civil service scheme, armed forces, NHS, teachers, judiciary, police, firefighters and local government scheme)
- A Master Trust authorised by TPR
- An authorised CDC scheme (there's only one Royal Mail)

Note – this doesn't include schemes regulated by FCA – so group personal pensions (GPPs) excluded from this



List of authorised master trusts

We are required to publish a list of authorised master trusts.

The following pension schemes have been granted master trust authorisation:

- Aegon Master Trust
- The Aon MasterTrust
- Atlas Master Trust
- Aviva Master Trust

List of authorised collective defined contribution schemes

We are required to publish a list of authorised collective money purchase schemes (known as collective defined contribution or CDC schemes).

The following pension schemes have been granted CDC authorisation:

- Royal Mail Collective Pension Plan (RMCPP)

Legal moves to reduce scams

Changes in the law - The power to say no (continued)

Condition two (employment and residency)

If the transfer is going to an occupational scheme the employment link needs to be checked. Evidence could include:

- Letter from employer giving employment dates
- Schedule of contributions for the member
- Payslips for three months
- Bank statements showing pay deposits

If employment link established transfer can proceed

If transfer going overseas require proof of overseas residency

- Residency must be same as location of receiving scheme
- Wide range of proof acceptable

If residency established transfer can proceed

Employee Name			Employer Name	
NI Number	Tax Code	Paid By	Date	Pay Period
Description			£	
Salary				
Bonus				
Advance				
Car Allowance				
			-	
Tax				
National Insurance				
Pension Contributions			-	
Net Pay			-	



Legal moves to reduce scams

Changes in the law - The power to say no (continued)

Condition two – Amber Flags

Amber flag 1 – the member hasn't shown employment link or overseas residency (failure to meet 3 months or earnings too low)

Amber flag 2 – the member can't show employment link or overseas residency (evidence not sufficient or not supplied by member)

Amber flag 3 – High risk or unregulated investment

Amber flag 4 – charges are unclear or high

Amber flag 5 – schemes investment structure is unclear, complex or unorthodox

Amber flag 6 – Overseas investments are included in the scheme

Amber flag 7 – sharp and unusual rise in transfers involving same scheme or adviser

If Amber Flags present refer member to MoneyHelper

They will need to prove attendance

Transfer can then continue



Legal moves to reduce scams

Changes in the law - The power to say no (continued)

Condition two – Red Flags

Red flag 1 – member has failed to provide requested information

Red flag 2 – member has not provided evidence of meeting with MoneyHelper

Red flag 3 – Regulated activity without regulator authority

Red flag 4 – transfer was facilitated following unsolicited contact

Red flag 5 – the member is incentivised to make the transfer

Red flag 6 – the member is under pressure to complete the transfer

If any red flags are present the transfer must be refused as it does not satisfy the statutory right to transfer

Some issues:

- Conflict between regulations/spirit/Code of Practice
- Risk area needing advice
- A fix is hoped for - but lawyers may say non-statutory

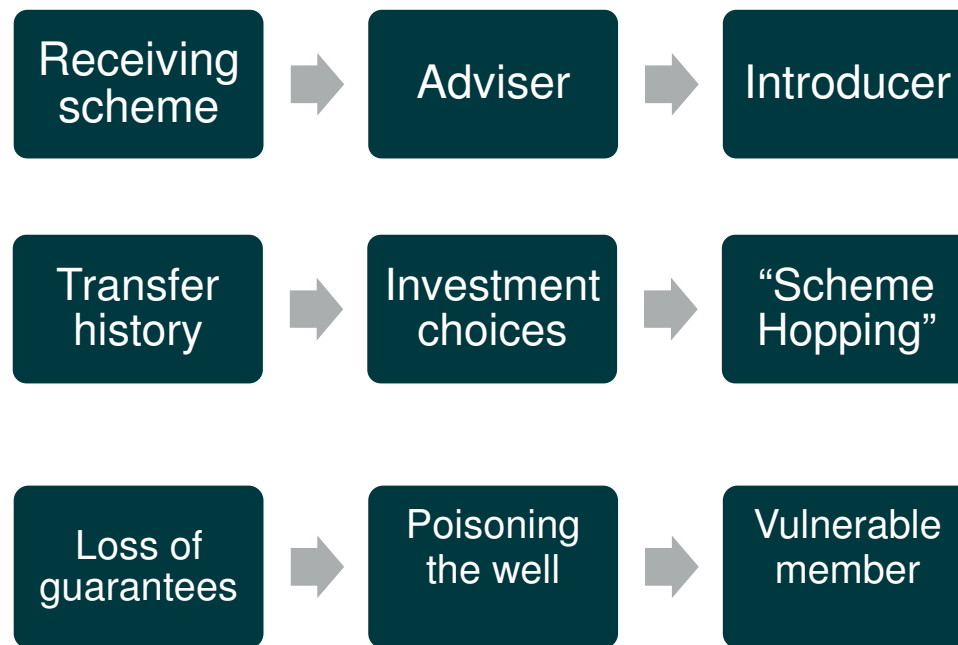




What can Trustees and administrators do?



Trustee/Administrator due diligence



Common other issues in due diligence



Trustee/Administrator due diligence

Follow up actions if statutory right but concerns



What can Trustees do?

Inform members

Regularly remind members of the risks

- Signpost further support (ScamSmart/TPR)
- 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
 - Controversial area following experience of British Steel Pension Schemes
 - British Steel less about scams but certainly inappropriate transfers



November 2022 | V.01

Don't let a scammer enjoy your retirement

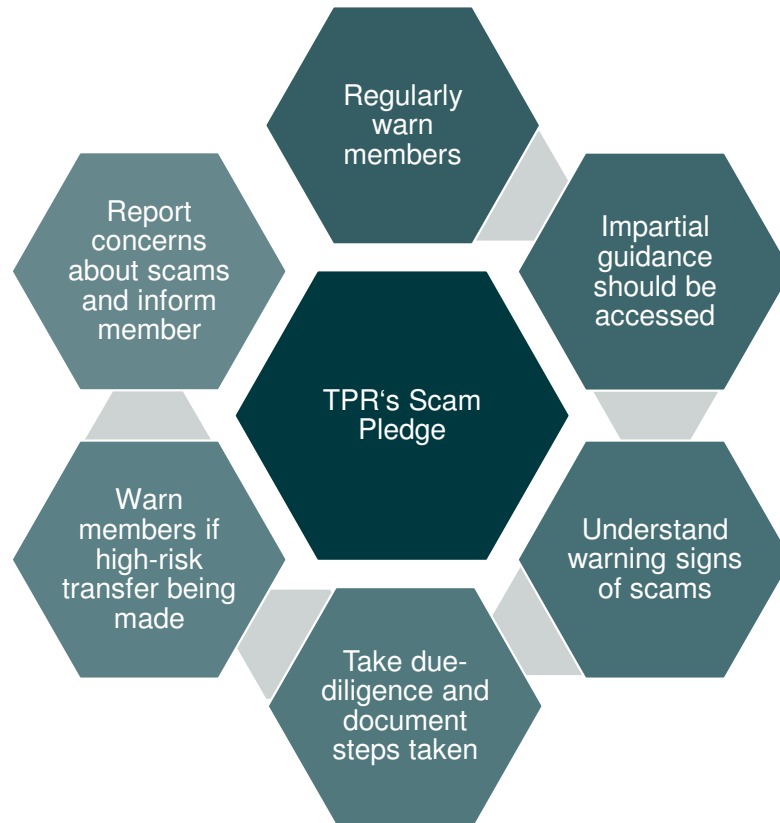


Find out how pension scams work, how to avoid them and what to do if you suspect a scam.



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.

TPR's Scam Pledge



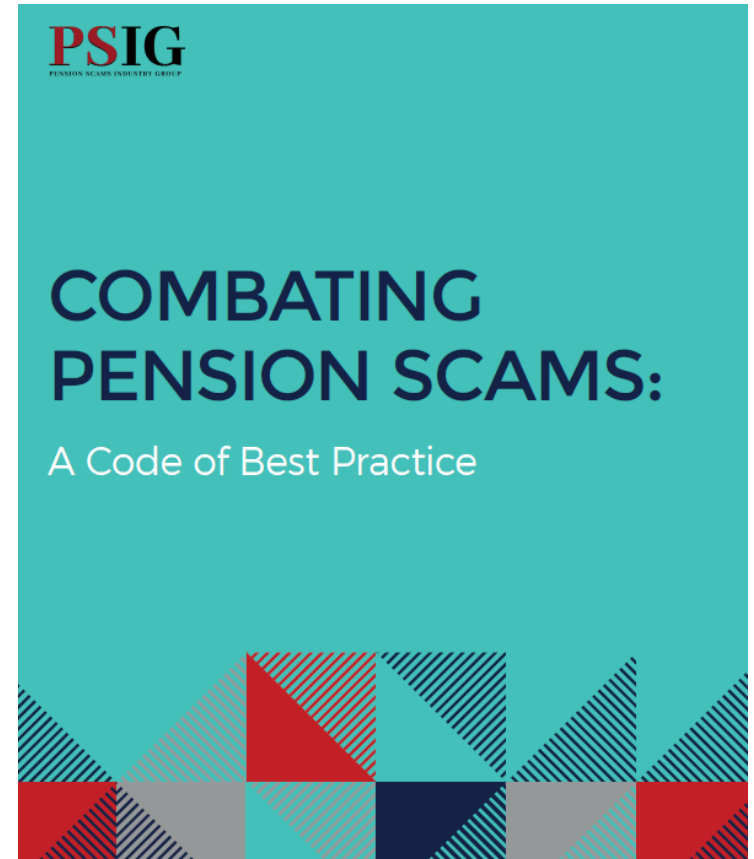
TPR's Scam Pledge

- 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



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

Scam support

- The Pensions Regulator
 - Pension Scams Action Group is the multi-disciplinary body responsible for scams
<https://www.thepensionsregulator.gov.uk/en/about-us/what-tpr-does-and-who-we-are/pension-scams-action-group>
 - wb@tpr.gov.uk if you're holding back a statutory transfer
 - Breaches of Law Code of Practice if you believe law broken
- FCA
 - <https://www.fca.org.uk/consumers/report-scam-us>
 - IntelligenceConsumerHarm@fca.org.uk if you have concerns
- 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
- National Crime Agency – contacted where overseas advisers acting without permissions
- National Economic Crime Centre where websites are cause of concern

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?





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