



# PENSION SCAMS

Pensions expert Carolyn Stanton explains what they are and how can you protect your pension benefits

Over the last few years, the risk of losing some or all of your pension to scammers has increased.

Official figures on pension fraud show that in the five-year period from January 2015 to December 2019 there were approximately 3,000 crime reports received by Action Fraud.

Sadly, the true scale of pension fraud is likely to be much higher than this, as victims often don't realise they have been scammed until they want to put their pension into payment – sometimes many years later. And some people do not want to acknowledge publicly that they have been a victim of a scam.

The Pensions Regulator (TPR), the Department for Work and Pensions (DWP), and the pensions industry as a whole had previously implemented measures and checks to try to prevent scams from happening but from November 2021, these protections have been beefed up.

## WHAT IS A SCAM?

Pension scams are serious. Scammers use different ways to persuade people to transfer their pension savings, by promising opportunities that are too good to be true, like investing in overseas property, renewable energy bonds and parking that seem to promise high returns.

Scammers persuade savers to transfer their money into single member occupational schemes, or other occupational pension schemes that seem legitimate. They might promise people early access to their pensions via loans or 'loopholes' as an incentive to transfer. But some or all of the funds are then simply stolen outright.

Frustratingly, many people have ended up losing some or all their pension savings to pension scammers, and then may also end up with a large tax bill because they have accessed their pension prior to the minimum pension age (currently 55).

## WHAT ARE THE TELL-TALE SIGNS OF PENSION SCAMS?

Typical methods used by pension scammers include:

- Contacting you out of the blue either by phone, text or email (this is known as cold calling)
- An offer of a free pension review
- The promise of help to access your pension savings before age 55 (the current minimum pension age)
- The promise of guaranteed returns on your investment
- Low tax/tax-free withdrawals, including tax-free lump sums
- 'Cash-back' or 'savings advance' from your pension

- Exotic sounding and/or overseas investments
- Pressure to sign up quickly to avoid missing out.

There is a ban on 'cold calling' in relation to pensions. If you receive a call about pensions from someone you haven't asked to call you, and with whom you have no existing relationship, then that caller is acting illegally and you should report it to the Information Commissioner's office on 0303 123 1113.

### **CAN MORE BE DONE TO PREVENT PENSION SCAMS?**

Following a recent consultation by TPR and the DWP, new legislation to combat pension scams was passed and came into effect from 30 November 2021. The regulations give trustees of pension schemes the power to prevent a pension transfer taking place if the conditions proving the legitimacy of the receiving scheme or the member's connection to the employer are not met.

This means that pension scheme trustees and scheme administrators now have an even more important role to play in educating members and protecting them from pension scams. As well as warning members regularly about the dangers of scams and what to look out for, the new legislation requires trustees and

administrators to carry out a number of checks when dealing with a pension transfer request. If the evidence provided for these checks is not satisfactory, or the evidence is simply not provided, the administrator will alert the trustees to it, and the trustees could stop your transfer from taking place.

### **THINKING OF TRANSFERRING YOUR PENSION?**

Many pension schemes, including some sections of The Railways Pension Scheme offer "defined benefit" pensions. These offer pensions payable for life, with additional benefits for qualifying dependents. These benefits are guaranteed as long as the employer backing the scheme is solvent. If you are considering transferring your pension, you should think very carefully about any guaranteed benefits you might be giving up by transferring, and you must seek independent financial advice. You should also make sure you understand the pension arrangement to which the transfer payment is to be made and the benefits you might get from that arrangement.

For transfers to an employer's occupational pension scheme under the new legislation, the requirements have been strengthened to protect members, so you will now need to provide evidence

of employment and membership of your employer's pension scheme (the receiving scheme), including a letter from your employer confirming your employment, and copies of payslips and bank statements. Administrators making these checks are doing so to protect you.

Remember, if you are under 55, it is generally illegal for you to access your pension. The only exceptions are those members retiring due to ill-health and members who are in a scheme they joined before 2010 whose rules gave them a right to retire at 50.

Where can I get help?

If you are considering transferring your pension, talk to an adviser regulated by the Financial Conduct Authority (FCA). You can find an independent financial adviser through <https://unbiased.co.uk>

You can check that an adviser is regulated by searching on the FCA's Financial Services Register at <https://register.fca.org.uk>. You can also check the FCA's list of unauthorised firms and individuals if you are concerned.

To get general help with your pension, you can contact 'Pension Wise,' which is a government service from MoneyHelper. MoneyHelper joins up money and pensions guidance to make it quicker and easier to find the right

help. It brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pensions Wise. Visit their website for lots of information and support about your money matters: [www.moneyhelper.org.uk/en/](http://www.moneyhelper.org.uk/en/)

Use this link directly – if you search for Pension Wise or Money Helper, you'll be presented with a lot of websites which look like this free Government service but aren't.

### **WHAT CAN I DO IF I SUSPECT A SCAM?**

If you think someone might be trying to scam you, don't be embarrassed to report it to the Information Commissioner on 0303 123 1113; it can happen to anyone. Similarly, if you think you have been a victim of a scam, you can report it to the police, and to Action Fraud either online at [actionfraud/police/uk](http://actionfraud.police.uk) or on 0300 123 2040. The information you give to Action Fraud can help to track down the scammer and protect your family and colleagues.■

Carolyn Stanton is a pensions professional and has worked in the pensions industry for over 20 years, primarily in the management and administration of defined benefit occupational pension schemes. She works for First Actuarial LLP and is an associate of the Pensions Management Institute.