

Pension Scams – what you need to know

Introduction

Scammers try to persuade individuals, like yourself, to transfer their entire pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping. Pension scams therefore rely on deception, misleading individuals about risks, returns and taxation.

Scammers often invest pension savings in unusual, high risk investments like:

- overseas property and hotels
- renewable energy bonds
- forestry
- parking
- storage units

Or it can be simply stolen outright.

All individuals should speak to an independent advisor authorised by the Financial Conduct Authority (FCA) before making a transfer.

Warning signs

Although pension scams can take many forms there are some common features:

- you are approached out of the blue by telephone, text message or door-to-door
- use of phrases like 'free pension review', 'pension liberation', 'loan', 'loophole', 'savings advance', 'one-off investment', 'cashback'
- guarantees they can get better returns on pension savings
- help to release cash from a pension before the age of 55, with no mention of the HMRC tax bill that can arise*
- high pressure sales tactics – time limited offers to get the best deal; using couriers to send documents, who wait until they're signed
- unusual high-risk investments, which tend to be overseas, unregulated, with no consumer protections
- not being told about high charges taken out of your pension savings by the scammers arranging the transfer
- complicated investment structures
- long-term pension investments – which often mean you do not realise something is wrong for several years

* You could lose all your money and face a high tax bill from HM Revenue and Customs (HMRC) if you withdraw your pension savings before the age of 55.

How to protect yourself

The Pensions Regulator (TPR) and Financial Conduct Authority (FCA) have identified four simple steps individuals can take to protect themselves from pension scams. They are:

- Reject unexpected offers
- Check who you are dealing with
- Don't be rushed or pressured
- Get impartial information and advice

Available resources

We have enclosed:

- a leaflet that TPR has asked us to pass on to members who are considering transferring their benefits to warn them about pension scams. A copy of the leaflet can also be obtained from the following link (https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/16423_pensions_consumer_leaflet_screen.ashx)
- a letter that was jointly prepared by TPR, the FCA, and Money & Pensions Service (now known as MoneyHelper). The letter contains important information on points you should consider before making a decision and where you should go for impartial guidance.

You can also find out more information about pension scams at:

- <http://www.thepensionsregulator.gov.uk/pension-scams.aspx> [Avoid pension scams - from TPR]
- <https://www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam> [How to spot a pension scam – from MoneyHelper]
- <https://www.fca.org.uk/scamsmart> [Avoid investment and pension scams – from the FCA]
- <https://www.ppf.co.uk/sites/default/files/file-2020-05/COVID-19-and-your-pension.pdf> [COVID-19 and your pension: where to get help – from various regulators]
- <https://www.fca.org.uk/consumers/pension-transfer-defined-benefit> [Considering a pension transfer: defined benefit – from the FCA]
- <https://www.gov.uk/transferring-your-pension/transferring-to-a-uk-pension-scheme> [Transferring your pension - guidance from government]

We have also included a link (see: https://youtu.be/TYk_X3tn9hc) to a short video on pension scams from a third party company called QuietRoom. Whilst it has not been provided by either your scheme or the regulators, we think you may find it helpful.

What to do if you suspect a scam

If you are in the middle of a transfer and suspect a pension scam, please contact us immediately, and then get in touch with MoneyHelper at: www.moneyhelper.org.uk.

Once you have informed us, we will assist you in making a report to the FCA and Action Fraud.