

## Pension fraud

### Are you at risk of being scammed?

We're all living in uncertain times and people are increasingly being tricked out of their pension savings as scammers target vulnerable savers. A significant increase in levels of pension fraud is a genuine concern for Trustees, the Government and other organisations including the Financial Conduct Authority (FCA), the Money and Pensions Advice Service (MaPS), The Pensions Regulator (TPR), HM Revenue & Customs (HMRC), Action Fraud and the National Crime Agency.

These organisations all provide various levels of support and information to make sure you're up to date with the latest scams, as well as practical help you need to beat the scammers. You'll find an easy guide on how to get in touch with each of these at the end of this booklet. Here we've also included some of the most frequently asked questions to help prepare you in case you're targeted.

**It's really important you read through the information in this leaflet. You could lose some or all of your pension savings if you're scammed and you can't change your mind once you've transferred your pension savings. It's your responsibility to stay vigilant and not become the next victim of the scammers.**

Scammers are experts in finding different ways to exploit people's vulnerability and target them for pension fraud. The FCA highlights these four main areas which might increase your risk of being targeted:

- **Health** – any disabilities or illnesses affecting your ability to carry out day-to-day tasks.
- **Life events** – changes in your personal circumstances like bereavement, losing your job or relationship breakdown.
- **Resilience** – struggling to cope with financial or emotional shocks.
- **Capability** – not fully understanding or being confident about managing your money, or having sufficient online skills.

Do any of these apply to you? If so, it's important to think about whether this increases your risk of being scammed.

### Contacted out of the blue about your pension?

Cold calls on pensions are illegal and the Government says you should always ignore them. Bear in mind too, professional advice on pensions isn't free, so if someone calls offering their financial services free of charge, it could be a scam.

Scammers are often unregulated introducers – sometimes sales agents for the underlying investments or for the potential receiving pension scheme – they could even suggest they're from the Government or TPR to gain your trust. They might offer a free pension review and will try any way to get your attention, so look out for:

- a cold call over the phone
- an unsolicited email, text or direct message through social media



- an approach in person – often on your doorstep
- an offer in a local or online advert

## Do you know who you're dealing with?

Scammers might try to trick you into believing they are working for a genuine FCA regulated firm. They will go to extreme lengths to persuade you they're genuine - including setting up websites, sending emails, providing paperwork or making phone calls using the details of a legitimate FCA authorised firm. They might also use a genuine firm's name (or a very similar name), address, FCA reference number and firm's website details. This is called cloning.

The FCA provides steps to help protect yourself against cloning at [www.fca.org.uk/consumers/avoid-scams-unauthorised-firms/clone-firms-individuals](https://www.fca.org.uk/consumers/avoid-scams-unauthorised-firms/clone-firms-individuals).

You should also check the FCA register at [www.register.fca.org.uk](https://www.register.fca.org.uk) to ensure any firm you are dealing with is FCA authorised and visit [www.fca.org.uk/consumers/unauthorised-firms-individuals](https://www.fca.org.uk/consumers/unauthorised-firms-individuals) for a list of known firms and individuals operating without FCA authorisation.

## Under pressure to make a decision right now?

Scammers use lots of different tactics to push you into a hasty decision, including making offers that are very time-limited or sending paperwork for signature by courier. Remember, if you're dealing with a legitimate organisation, they'll give you the time and information you need to make a fully informed decision about your pension. Any transfer quote should also have information about specific timescales for requesting payment of the transfer.

## What does your current scheme provide?

Before you even think about transferring to another pension arrangement, you should make sure you know as much as possible about the scheme you're planning to leave. There's lots of information included with a transfer quote, including the benefits, options, increases, charges, guarantees and level of risk. Take some time to compare what your current scheme offers with the proposed alternative scheme and decide what is best for you.

## Is now the right time?

You might want more flexibility in how you can take your benefits than your current scheme offers but it's worth thinking about when you're planning to actually take them. If it's not in the near future, you could transfer later on and continue to receive the guaranteed increases in the value of your pension. Sometimes these are misleadingly described as frozen pensions.



## What type of scheme are you transferring to?

Many transfers are genuine, but some types of pension arrangement receiving a transfer are more often linked with pension scam activity. It's important to research the scheme you're planning to transfer to, especially if it falls into one of the categories we've listed below and if you're being encouraged or persuaded in any way:

- A **personal pension scheme** (also known as a UK self-invested personal pension scheme or SIPP) with a company you haven't heard of, that's marketed as an 'international' scheme or if you live outside the UK. If you're a UK expatriate thinking about transferring to a SIPP arrangement, please take time to read the FCA warning information at [www.fca.org.uk/news/news-stories/transferring-switching-uk-pensions-international-self-invested-personal-pensions](https://www.fca.org.uk/news/news-stories/transferring-switching-uk-pensions-international-self-invested-personal-pensions)
- A scheme established **overseas** (also known as a qualifying recognised overseas pension scheme or QROPS), where you aren't living in that same overseas country, for example you live in the UK.
- A scheme for **employers** to provide their employees with pension benefits (also known as an occupational pension scheme) and you aren't employed and paid by that employer.
- A scheme linked to a **company** you aren't actively trading under but have been asked to establish yourself or register as a director of that company (also known as a small self-administered scheme).

## Have you been offered an incentive?

Promises of the following things are all common ways the scammers might try to tempt you:

- cash upfront or incentive
- a bonus
- savings advance
- commission
- a loan
- access to your pension benefits before age 55
- tax-free cash of more than 25% of your benefits

Payments made in relation to the transfer not authorised by you having to pay tax charges of **up to 55%** on the amount you receive.

HMRC will result in



## How much do you know about the new scheme's investments, fees and charges?

Pension fraud isn't always directly related to the transfer or the new scheme you're transferring to. Sometimes it's linked to the investments under that new scheme or to other non-pension products, funded by money legitimately taken from a pension scheme.

Scams often involve very high risk investments, likely not regulated or supervised by the FCA, and carrying very high fees and charges or commissions deducted. The types of underlying investments, risks involved and initial and ongoing fees might not always be clear. It's possible the pension scheme might be connected to an unregulated investment company too.

Look out for these common terms about investments which might suggest potential scam activity – one-off investment opportunities, loophole, preference shares, Government endorsed, unique, overseas, environmentally friendly, ethical or in a new or emerging industry. You might be promised returns on your investments that are very high and unlikely to be met considering current market conditions, or at a guaranteed rate. Remember, if promises about returns on your investments seem too good to be true, they probably are. Head to the FCA's scam smart tool at [www.fca.org.uk/scamsmart/warning-list](https://www.fca.org.uk/scamsmart/warning-list) and [www.fca.org.uk/consumers/high-return-investments](https://www.fca.org.uk/consumers/high-return-investments) to help you assess investment scam risk.

It's worth being aware of the different types of investment commonly used in scams. They include: carbon credit schemes, land banking schemes, new ecological opportunities, green oil from trees, precious earth metal schemes, boiler room share investment schemes, overseas property developments, storage pods, car parking spaces, loans, unlisted shares, long lease (i.e. illiquid) investments that clearly don't match likely access timelines and 'guaranteed' investment returns that seem unrealistic in current markets.

## Are you a 'sophisticated investor'?

If you don't already know what makes a sophisticated investor according to the FCA, it's likely you aren't one. The FCA state that some higher risk or unregulated investments are only suitable for sophisticated investors, and some scams involve members unintentionally signing paperwork confirming they are, where in fact they aren't.

## When do you need to get financial advice?

Before making any significant decisions about your pension, we recommend you take appropriate financial advice. For certain transfers (if your transfer value is over £30,000 and transferring from a defined benefit scheme into a defined contribution scheme, for example) you are legally required to take FCA regulated financial advice from a UK regulated firm before you'll be able to go ahead with the transfer. Don't forget you'll need to pay for this advice – advice about pensions from a professional, qualified adviser isn't free.

Make sure you know which FCA regulated firm is providing the advice and that you're happy with them. Be aware this might not be the same firm you deal with first, who could actually be a UK or overseas unregulated introducer.

Take a look at the FCA summary of what good advice should look like at [www.fca.org.uk/consumers/pension-transfer/advice-what-expect](https://www.fca.org.uk/consumers/pension-transfer/advice-what-expect).



## Are you planning to transfer even though your adviser recommends you don't?

FCA regulated advisers meet strict standards when providing their advice, and you should seriously consider their formal written recommendation before deciding whether to go ahead with a transfer.

If you're being encouraged to transfer despite your adviser recommending you don't, think very carefully about why you want to go ahead and whether it could be a scam.

## Need more help?

In direct response to a significant increase in pension scam activity, and alongside The Pensions Regulator (TPR), we're urging everyone to be more vigilant and exercise extreme caution at this time. We've included a **Regulatory bodies transfer letter**, setting out some essential points to consider before making any decision about transferring your pension. This letter comes directly from TPR, the Financial Conduct Authority (FCA) and the Money and Pensions Service (MaPS), and also includes help on where to go for impartial guidance.

A number of organisations, including the FCA, MaPS and the Pension Protection Fund (PPF) have joined forces to publish an easy-to-read downloadable guide available from the PPF website [www.ppf.co.uk/covid-19-pensions](http://www.ppf.co.uk/covid-19-pensions). The guide includes information on how your pension is protected and how you can avoid scams during the COVID-19 pandemic.

It's important you read and understand all the information we provide about your benefits, including information via links to trusted organisations in the leaflets we send.

Get in touch with us directly if you have any questions about a potential transfer from this scheme – you'll find our contact details in the covering letter.

There's a wide variety of other help available – from free, online guidance about scams and transfers, to specific advice personal to your circumstances which you will need to pay for.

**The Pensions Advisory Service (TPAS)** offers free guidance on pensions.

For more information about the security of your DB scheme benefits, you can find the TPAS 'Defined Benefits: How secure is my pension?' factsheet on their website. They currently also provide a useful Coronavirus update, which includes details about how the pandemic might have affected your pension and how to get help if you need it.

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

**0800 011 3797** or **+44 207 932 5780** from outside the UK

**Financial Conduct Authority (FCA)** is government-backed and provides general advice as well as a scam smart tool and key information about pension scams to help you assess the risk of certain investments.

[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

You can also get in touch with them directly if you think you're being targeted by scammers and want to report your suspicions at [www.fca.org.uk/consumers/report-scam-us](http://www.fca.org.uk/consumers/report-scam-us)

**0800 111 6768** (freephone) or **0300 500 8082** or **+44 207 066 1000** from outside the UK

**Action Fraud** is the reporting centre for cybercrime and fraud in the UK – get in touch directly if you think you're being targeted by a pension scam.

[www.actionfraud.police.uk](http://www.actionfraud.police.uk)

**0300 123 2040**

If you live in Scotland, report to Police Scotland by calling **101** or Advice Direct Scotland on **0800 164 6000**

**The Money Advice Service (MAS)** offers free support and guidance about money and pensions, set up by government.

[www.moneyadviceservice.org.uk/en](http://www.moneyadviceservice.org.uk/en)

**0800 138 7777**

