

Pension scams

Don't get stung.



Action pack for trustees and administrators

Pension scams: the facts

Pensions are changing. From April 2015, pension scheme members can access their pension savings in new ways.

Scammers will try to lure your members with promises of one-off investments, pension loans or upfront cash. Most of these are bogus.

Pension scam models are also changing. Many scammers are directing members to transfer into single member occupational schemes in an attempt to escape scrutiny.

If the member is under age 55, they cannot release their pension unless they are in ill health. If members are over 55, they can release funds from their pension from April 2015. They may still be at risk from scammers. Make sure you signpost your members to the government's Pension Wise service to understand their options.

Members with defined benefits must take appropriate independent advice from an FCA-authorized adviser before transferring their benefits from April 2015. You might also want to encourage members with defined contribution benefits to take advice before making any decisions.

Read on for tips on how to spot a scam and who to contact with concerns. **Help your members to protect themselves and stop a lifetime's savings being lost.**



How you can help protect members

The pensions landscape is changing significantly, and the government has set up a new service called Pension Wise to help members approaching retirement or age 55. Encourage your members to understand their options by visiting www.pensionwise.gov.uk.

Scammers will try to take advantage of the new flexibilities in the system to target members. Trustees, administrators and pension providers play a crucial role in helping stop pension scams. Make sure you give scheme members regular, clear information – for example, in their annual pension statement and whenever they request a transfer pack – about how to spot a scam. Please include our pension scams leaflet in your member communications. You can download it at www.pension-scams.com.

If a member is asking for a scheme transfer, use the checklist on the next page to find out more about the receiving scheme and how the member came to make the request.

How to spot the warning signs

Some of the most common tactics scammers use to trick members out of their savings

A cold call, text message, website pop-up or someone coming to the door offering a **'free pension review'**, **'one-off investment opportunity'** or **'legal loophole'**



Convincing marketing materials that promise **returns of over 8%** on the investment

Paperwork delivered to the door by courier that requires immediate signature



Pension access before age **55**



Overseas transfer of the funds



A proposal to put the money in a single investment. **In most circumstances, financial advisers will suggest diversification of assets.**

Checklist

Answering **yes** to any of these questions individually does not necessarily indicate a pension scam, but if several features are present there may be cause for concern.

The nature/status of the scheme	
Is the scheme to which the member wants to transfer:	How to establish
<ul style="list-style-type: none"> newly or not registered for tax purposes with HMRC, whether it is an occupational or personal scheme (including SIPPs)? 	<ul style="list-style-type: none"> Check the scheme is registered with HMRC for tax purposes: ask the pension scheme in question for documentary evidence of their registration. You can also write to HMRC for confirmation (see p9)
<ul style="list-style-type: none"> a personal pension (eg a SIPP) where the scheme operator is not authorised by the Financial Conduct Authority (FCA)? 	<ul style="list-style-type: none"> Check the scheme operator is authorised with the FCA (www.fca.org.uk/register)
<ul style="list-style-type: none"> a recently set up small self-administered scheme, where the member is a trustee? 	<ul style="list-style-type: none"> Ask the member
<ul style="list-style-type: none"> sponsored by a newly registered employer? sponsored by a dormant employer? sponsored by an employer that is geographically distant from the member? 	<ul style="list-style-type: none"> Obtain employer information from scheme in question Check with Companies House for details of the employer status (www.companieshouse.gov.uk)
<ul style="list-style-type: none"> sponsored by an employer that doesn't employ the member? 	<ul style="list-style-type: none"> Ask the member
<ul style="list-style-type: none"> connected to an unregulated investment company? 	<ul style="list-style-type: none"> Ask the receiving scheme for details of their investment service providers Check these providers with the FCA (www.fca.org.uk/register)

Description/promotion of the scheme	
Do descriptions, promotional materials or adverts:	How to establish
<ul style="list-style-type: none"> include the words 'loan', 'savings advance', 'cash incentive', 'bonus', 'loophole', 'preference shares', 'one-off investment opportunities', 'free pension reviews' or 'government endorsement'? allude to overseas investments? hint at unusual, creative or new investment techniques? 	<ul style="list-style-type: none"> Ask the member for copies of promotional materials, emails or letters about the scheme Ask the member about the way the receiving scheme has been described to them over email/text/phone

The scheme member	
Has the member:	How to establish
<ul style="list-style-type: none"> been contacted by an 'introducer'? been advised by a non-regulated adviser? taken no advice? decided to transfer after receiving cold calls, unsolicited emails or text messages about their pension? 	<ul style="list-style-type: none"> Ask the member about how he/she became aware of the receiving scheme Check whether the advisers are approved by the FCA at www.fca.org.uk/register
<ul style="list-style-type: none"> pressured the trustees/administrators to carry out the transfer as quickly as possible? mentioned that your pension scheme has transferred funds to this arrangement before? 	<ul style="list-style-type: none"> Check whether the member has contacted trustees/administrators to hurry along transfer since first submitting request
<ul style="list-style-type: none"> not received documentation from the new scheme? 	<ul style="list-style-type: none"> Check whether the member has received documents
<ul style="list-style-type: none"> been told they can access their pension before age 55? been misled about the potential tax consequences? 	<ul style="list-style-type: none"> Review promotional material for receiving scheme
<ul style="list-style-type: none"> been advised that there will be no contributions paid by themselves or the employer? 	<ul style="list-style-type: none"> Ask what the member has been told about contributions

Trustees and administrators should take care to ensure that they have the exact name of the scheme correct – in some instances, dummy schemes have been set up with names that are almost identical to legitimate schemes. See page 10 for next steps if you have concerns.



Oliver's story

Tricked into being part of the scam

Age: **45**

Length of time in company pension: **15 years**

Investment offer: **overseas property developments**

Oliver is cold called by someone who says his name is Paul, a financial adviser authorised by the government. He asks if Oliver is interested in making the money in his pension pot work harder – as well as releasing some funds for Oliver to spend as he likes.

Paul says he could get Oliver an initial cash back bonus of 30% of the value of his pension pot, and a much better return on his money – around 8%. All he needs to do is sign a document saying he wants to transfer his pension into another scheme, and the money will then get invested in a hotel complex in an up-and-coming area of Spain.

Paul tells him that if he agrees to be 'locked in' to the investment for 10 years, he will get an annual cash back payment of £1,000. Oliver is keen to make the most of his money – he's heard that he'll be able to do what he wants with his savings when he's 55, so thinks this could be a good solution to beating the current low interest rates that mean his pension pot isn't growing as quickly as he'd like.

Oliver's a bit concerned that it sounds too good to be true, but Paul reassures him. He says he understands there are lots of crooks out there but he's government registered. He promises to send Oliver some marketing material and encourages him to check out the website. He tells Oliver that there are only a few opportunities left and that it's a time-limited offer, so if he wants to make the most of it, he should act quickly.

The next day, Oliver gets a glossy brochure through his door – he has a read through and it looks very slick and professional. The website also seems completely legitimate. Oliver likes to think he's an intelligent person, and Paul seems very nice and credible. In fact, Paul calls back that afternoon, and Oliver decides that you only live once – why not go for it? You have to speculate to accumulate.

Within a couple of hours, a courier comes round with some papers to sign. Oliver has a quick look through them and is surprised to see that the documents say he is now a company director and trustee of his pension scheme. He doesn't remember Paul saying anything about making him a company director, but the courier can't give him any more information and Oliver keeps thinking of the time-limited offer. So he signs on the dotted line. Shortly afterwards, he receives his cash back bonus.

Later that year, Oliver decides to call up and check on how his investment's doing. The phone number is disconnected, so he searches online and finds out that some pension transfer offers are scams. After several more months of trying to locate Paul and the missing money, Oliver calls the police and comes to realise that he has probably lost his whole pension pot.

By signing the papers and becoming a company director, he has taken on new legal duties with Companies House and HMRC, of which he was unaware at the time he signed the papers. This leads to HMRC fining him for tax-related offences. He also faces penalties from Companies House for not submitting information he should have.

Not only has Oliver lost 15 years' worth of hard-earned savings that he'd set aside for his retirement – he's also having to pay thousands of pounds in fines to the authorities.



What should Oliver have spotted?

- Cold call
- Claims of adviser being authorised by government – but not registered with the FCA
- Promises of cash back under the age of 55
- Unrealistic guaranteed returns of at least 8% – with no information as to how it will be achieved
- Promises of higher returns if he agrees to being 'locked in' to a single investment for a number of years
- Being rushed into signing couriered documents with promises of a time-limited offer
- Documents naming him as company director and trustee of the pension scheme

Carrying out due diligence

Representative bodies from across the pensions industry have published a code of good practice that sets out due diligence processes to combat pension scams. Find the code at www.combatingpensionscams.org.uk.

The Pensions Regulator can't predetermine any future regulatory action it may take. However, where the transferring trustees or administrators can provide evidence for concerns that member funds may be at risk, then this would be a factor to consider when deciding whether to take action in respect of the non-payment of a transfer.

The regulator isn't able to waive a trustee's legal duty to carry out a transfer within the statutory deadline where the legislative requirements or requirements under the scheme rules are met and expects the majority of transfer requests to be completed within this timeframe.

If the trustees of a transferring scheme need more time to carry out the due diligence steps in the code of good practice, and if they consider that they meet the criteria for an extension, then they may apply to the regulator for an extension to the normal six-month time period. Circumstances where an extension may be granted include:

- the member has not taken all steps they need to take to carry out the transfer
- the trustees have not been provided with such information as they reasonably require properly to carry out what the member requires.

The application for the extension must be made within the six month time period. It should identify the grounds for the request for an extension, indicate the additional time required to effect the transfer and the reasons why the transfer cannot be completed on time. Where trustees suspect a pension scam, they should consider making such an application as soon as due diligence raises concerns and they consider that the criteria to request an extension are met.

Approved financial advisers

The FCA regulates firms and individuals that provide financial advice. If someone claims to be a financial or pension adviser then members can check with the FCA to make sure they are authorised. It's important that members check this before they act on any pensions advice that they receive.

The FCA also regulates those responsible for operating SIPPs, personal- and contract-based stakeholder pension schemes. If you are concerned that a member of your scheme may have been targeted by a scam, then you can check whether the receiving pension provider is authorised by the FCA.

Visit www.fca.org.uk/register to perform these checks. If you have concerns about a firm or individual appearing on this register, contact firm.queries@fca.org.uk.

Tax-registered pension schemes

One of HMRC's functions is to protect the tax relief given to pension savings in registered pension schemes. Pension scams put this tax relief at risk.

HMRC has introduced checks on all applications to register a pension scheme and monitors activity throughout the life of a registered pension scheme. If HMRC does not believe a scheme is being set up as a genuine pension scheme, or does not believe the scheme administrator is a fit and proper person to undertake the role, it will not register that scheme. If a pension scheme has not complied with its pension tax obligations HMRC can impose sanctions on it which can include de-registering the scheme so that the scheme can no longer benefit from tax advantages.

If a scheme administrator has carried out due diligence checks on a transfer but still has concerns, they can request confirmation of the registration status of the receiving scheme from HMRC in writing to Pension Schemes Services, HMRC, FitzRoy House, Castle Meadow Road, Nottingham, NG2 1BD. **If the scheme isn't registered at all, you should not process the transfer.**

Next steps if you have concerns

- Contact the member to establish whether they understand the type of scheme they'll be transferring to and send them the pension scams booklet available at www.pension-scams.com
- Speak to the member at risk – over the phone, via email or letter. It could help you establish answers to more of the questions in the checklist
- Direct the member to Action Fraud if you think it is a scam, or The Pensions Advisory Service (TPAS) to discuss the potential consequences of the transfer, including tax repercussions, if any part of the arrangement is deemed as unauthorised
- If the member insists on proceeding with their transfer request, and your concerns remain, then you should alert Action Fraud yourself. There could still be time to protect this member, or others who follow in their footsteps.

Information and guidance on options when approaching retirement:



Backed by HM Government

www.pensionwise.gov.uk

Impartial information and guidance on scams:

The PENSIONS Advisory Service

0300 123 1047

www.pensionsadvisoryservice.org.uk

If you suspect a scam, call:

ActionFraud

National Fraud & Cyber Crime Reporting Centre

0300 123 2040



A cross-government initiative by:

ActionFraud
National Fraud & Cyber Crime Reporting Centre



Pension scams

Action pack for trustees and administrators

© The Pensions Regulator March 2015



You can reproduce the text in this publication as long as you quote The Pensions Regulator's name and the title of the publication. Please contact us if you have any questions about this publication. We can produce it in Braille, large print or on audio tape. We can also produce it in other languages.



The PENSIONS Advisory Service

The Pensions Regulator