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Pension scams

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What is a pension scam?

Pension savings can be an attractive target for fraud because many people do not engage with them until later life and it can be many years before someone realises that they have been scammed. If someone loses their pension to a pension scam, there is no guarantee of the savings being returned and there may be little or no opportunity to rebuild pension savings.

Pension scams can range from criminal offences and regulatory breaches to legal but unethical behaviour. Scammers may aim to make money through fees, direct access to pension savings or by receiving investments. Common features of pension scams include attempts to gather information for future scams, false or unrealistic promises, and acting without the consent of a pension saver.

Pension scams support

Spotting pension scams

Pension scams can be difficult to spot, and many people are overconfident in their ability to spot a scam. MoneyHelper, a free service sponsored by the Department for Work and Pensions, provides guidance on spotting pension scams.

The Financial Conduct Authority, the UK's financial services conduct regulator, provides resources to help determine whether or not something may be a scam:

- The Financial Conduct Authority register is a list of firms and individuals and the permissions they have to carry out regulated financial services activities.
- The Financial Conduct Authority also publishes a warning list. The warning list can be used to check if a firm or individual is known by the Financial Conduct Authority to be operating without permission or running scams.
- ScamSmart is a campaign to increase awareness of the tactics used by scammers to help potential victims spot fraud attempts. The website provides information to help individuals protect themselves from scams.

Reporting pension scams

Scams should be reported to the pension provider, the Financial Conduct Authority, and Action Fraud, the UK's national reporting centre for fraud. Requests to access an expert reporting tool for making multiple reports can also be made by emailing the City of London Police.

Support for pension scam victims

Action Fraud publishes resources that can support people who have been a victim of a scam. It also publishes a list of organisations that offer support.

Preventing pension scams

The prevalence of the different types of pension scams has changed over time. Following reforms to pension scheme registrations in 2004 there were concerns about pension liberation. More recent concerns have focused on scammers exploiting the greater freedom to access pension savings introduced by the pension freedoms.

Government action to prevent pension scams has included:

- enabling HM Revenue & Customs (HMRC) to refuse to register a pension scheme, or de-register an existing scheme, if the scheme administration was not "fit and proper".
- a ban on cold calling in relation to pensions, including emails and text messages.
- establishing a multi-agency group to tackle pension scams, now known as The Pension Scams Action Group.
- placing restrictions on transfers of pensions overseas, transfers that might not be in the savers best interest and transfers where there are signs of a pension scam.

1 What is a pension scam?

A broad range of activities can be classed as pension scams, ranging from criminal offences and regulatory breaches to legal but unethical behaviour. A definition of a pension scam developed by HM Treasury in 2017 is commonly used and describes scammers misleading individuals in an attempt to:

- release funds from a pension scheme.
- persuade individuals to access or transfer their pension savings in order to invest in inappropriate investments.[1]

This definition focuses on access to pension schemes and might not include other financial scams or fraud targeting other retirement savings. The Pensions Regulator explained that there is no consensus on this definition, with some calling it too broad and others calling it too narrow. It also recognised concern that the term "scam" may trivialise the issues faced by victims.[2]

If someone loses their pension to a pension scam, there is no guarantee of the savings being returned and there may be little or no opportunity to rebuild pension savings.

1.1 Types of pension scam

Scammers may aim to make money through fees, direct access to pension savings or by receiving investment. Common features of pension scams include attempts to gather information for future scams, false or unrealistic promises, and acting without the consent of a pension saver.

In a 2021 report on pension scams, the Work and Pensions Committee identified eight common types of pension scam:

- **Review:** A scammer seeks information about a pension or to make contact for a further scam by offering a 'free' review of pension savings and returns.
- **Advice:** A scammer offers free advice to gather information or authority to transfer a pension, or to inform another pension scam.

1 HM Treasury, Pension Scams: consultation response, 21 August 2021, para 1.8
2 The Pensions Regulator, Pension scams threat assessment: summary, 15 June 2022

- **Transfers:** An adviser recommends a transferring pension funds, either to a scam or genuine scheme, against client interests in order to receive a fee for carrying out the transfer.
- **Investment:** A scammer promises unrealistically high returns on investments to persuade someone to transfer their pension.
- **Liberation:** A scammer makes false promises to encourage someone to access their pension before the age of 55. This usually leaves the victim facing a large tax bill.
- **Hidden charges or conditions:** Firms or individuals involved in a pension hide unreasonable fees or terms and do not seek consent for them.
- **Misadventure:** A fund or asset manager may invest in a different way to what the saver was led to believe, exposing them to higher risks that they are unaware of and would not willingly take.
- **Claims management scams:** A secondary scammer targets pension scam victims with offers to reclaim their lost money for a fee.[3]

It is possible that a single scam may consist of a mix of elements from the above.

As well as pension scams, pension or retirement savings can be vulnerable to other types of financial scams. For example, a scammer may seek access to savings after the saver has withdrawn money from a pension scheme or the scammer may target savings that someone has outside of a pension scheme.

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3 Work and Pensions Committee, Protecting pension savers—five years on from the pension freedoms: Pension scams, 24 March 2021, HC 648 2019-21, para 4

1 Unauthorised payments

People cannot normally access their pension before their normal minimum pension age. This is currently 55 years old. However, some pension schemes allow someone to draw their pension early due to ill health.

If someone receives an unauthorised payment from their pension before their normal minimum pension age, they will receive:

- An unauthorised payment charge of 40% of the amount they received.[4]
- An unauthorised payment surcharge of 15% of the amount that they received, if the amount received within 12 months is greater than a certain threshold.[5]
- A scheme sanction charge, which is paid by the scheme that allowed the unauthorised payment. This is 40% but it can be reduced to as low as 15% if an unauthorised payment charge has been paid.[6]

"Fraudulent pension liberation" occurs when someone is encouraged to access their pension early, often on the false promise that they will not receive any charges for doing so.

1.2 How widespread are pension scams?

According to data from the UK's national reporting centre for fraud and cybercrime, Action Fraud, in 2021 the average loss to each victim of a pension scam was £75,000. £31 million was reported have been lost to pensions scams between 2017 and mid-2020. Action Fraud has said this figure is falling, with £1.8 million reported as lost to pension scams in the first three months of 2021.

For most people in the UK, pension savings will be their largest financial asset. Between 2018 and 2020, aggregate private pension wealth in Great Britain was £6.4 trillion according to the Office for National Statistics.[7]

Pension savings can be an attractive target for fraud as many people do not engage with them until later life. It is also generally easier to move pension savings around than other large assets such as property. It is difficult to measure the scale of pension scams. A person might not realise they have been the victim of a pensions scam until many years after it has happened,

4 HM Revenue & Customs (HMRC), PTM134100 - Unauthorised payments: the unauthorised payments charge and the unauthorised payments surcharge: essential principles, 13 December 2022
5 As above
6 HMRC, PTM135100 - Unauthorised payments: the scheme sanction charge: essential principles, 13 December 2022
7 Office for National Statistics, Pension wealth: wealth in Great Britain, 7 January 2022

which delays reporting.[8] For example, someone may only realise that a scheme they invested in is a scam when they come to withdraw their pension.

In July 2021, the Government accepted the Work and Pensions Committee's observation that the real scale of pension scams is "undoubtedly much larger" than that reported to Action Fraud.[9] The Committee had been told by the Financial Conduct Authority of a single case involving up to £90 million of pension savings.[10]

The Pension Scams Industry Group, a voluntary body set up to tackle pension scams, estimated that pension scam losses were around £10 billion between 2015 and September 2020.[11] In 2020, the Police Foundation, a UK policing think tank, estimated that up to £2.5 trillion is "accessible to scammers".[12]

8 The Pensions Regulator, Pension scams threat assessment: summary, 15 June 2022

9 Work and Pensions Committee, Protecting pension savers—five years on from the pension freedoms: Pension scams, 24 March 2021, HC 648 2019-21, para 19

10 As above, para 13

11 As above, para 19

12 The Police Foundation, Protecting people's pensions: Understanding and preventing scams, 31 March 2020, p9

2 Pension scams support for individuals

MoneyHelper provides guidance on spotting pension scams. MoneyHelper is a service provided by the Money and Pensions Service, an arm's-length body sponsored by the Department for Work and Pensions.

2.1 Spotting pension scams

Pension scams can be difficult to spot, with many people overconfident in their ability to spot a scam. A 2016 Citizens Advice experiment found that while 76% of people felt confident about spotting a pension scam, 88% of the participants selected a pension access offer containing a pension scam warning sign.[13]

Similar research for The Pensions Regulator in 2020 found that 65% of people were confident of spotting a scam, but 39% would put themselves unknowingly at risk by engaging with common scam tactics.[14]

Common signs of a pension scam are listed by MoneyHelper and The Pensions Regulator.[15] These include:

- unsolicited approaches by phone, text message, email or in person. Cold calling about pensions has been banned since January 2019.
- the firm provides few contact details, such as only a mobile or PO Box address, or does not allow returned calls.
- pressure to make quick decisions.
- claims of tax loopholes, cashback, loans or liberation.
- offers of low-risk high-return investments.
- complicated investment structures.
- promises of releasing cash from a pension before age 55.

13 Work and Pensions Committee, Protecting pension savers—five years on from the pension freedoms: Pension scams, 24 March 2021, HC 648 2019-21, para 76

14 Action Fraud, Pension savers claim over £30 million lost to scams as regulators urge footie fans to show scammers the red card, 26 August 2020

15 MoneyHelper, How to spot a pension scam [accessed 27 February 2023] and The Pensions Regulator, Avoid pension scams [accessed 27 February 2023]

2.2 Protection from pension scams

The Financial Conduct Authority (FCA), the UK's financial services conduct regulator, provides resources to help determine whether or not something may be a scam.

Financial Conduct Authority register

The Financial Conduct Authority (FCA) register is a list of firms and individuals and the permissions they have to carry out regulated financial services activities.

The FCA suggests that people use the register to check that the firm or individual they are dealing with is authorised and regulated by:

- checking that the firm or individual is on the register;
- ensuring that the firm or individual has the permission to carry out the regulated activity they are offering;
- using the contact details on the register to avoid scammers who impersonate or "clone" regulated firms.[16]

Financial Conduct Authority (FCA) warning list

The FCA also publishes a warning list. The warning list can be used to check if a firm or individual is known by the FCA to be operating without permission or running scams.[17]

ScamSmart

ScamSmart is a campaign to increase awareness of the tactics used by fraudsters to help potential victims spot fraud attempts.[18]

The ScamSmart website provides information to help individuals protect themselves from scams.[19] This includes information on how to avoid pension scams.[20]

More information about the ScamSmart campaign is covered in section 3.5 of this paper.

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16 Financial Conduct Authority, Welcome to the Financial Services Register [accessed 8 February 2023]
17 Financial Conduct Authority, About the FCA Warning List [accessed 8 February 2023]
18 Financial Conduct Authority, ScamSmart [accessed 27 February 2023]
19 As above
20 Financial Conduct Authority, How to avoid pension scams, 7 June 2022

2.3 Reporting pension scams

Scams should be reported to the pension provider, the FCA, and Action Fraud. Requests to access an expert reporting tool for making multiple reports can also be made by emailing the City of London Police, which has a UK-wide role in responding to fraud.

2.4 Support for pension scam victims

People of any age can be a victim of a pension scam. The Police Foundation found factors that made people particularly vulnerable to pension scams included urgent financial need and reliance on finance professionals.[21] It also said that changes to legislation which have given individuals greater leeway over what they can do with their pension "has not been matched by a greater public understanding of the risks of scams and their consequent personal responsibilities".[22]

Some scams can make victims complicit in the scam, such as by breaching tax rules through pension liberation, which can deter victims from reporting scams or engaging with investigations.[23]

Being a victim of a pension scam can be a traumatic experience and there are organisations which offer support.

MoneyHelper provides free guidance about pensions. For people who have been the victim of a pension scam, a pensions specialist can talk about how the person might be able to rebuild their pension, review their state pension, and trace any old pensions they have lost touch with.[24]

Action Fraud publishes victim resources which can support people who have been a victim of a scam. It also publishes a list of organisations that offer support. Victims of pension scams should also be aware of the risk of secondary scammers, who target scam victims with offers to help retrieve lost pension funds.[25]

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21 The Police Foundation, Protecting people's pensions: Understanding and preventing scams, 7 September 2020, p24

22 As above, p4

23 As above, p5

24 MoneyHelper, How to spot a pension scam [accessed 27 February 2023]

25 The Pensions Regulator, Scam-fighting bodies tell pension savers to stay on guard and get guidance, 11 November 2022

3 Government and industry action to tackle pension scams

3.1 Pension freedoms and pension liberation

The prevalence of the different types of pension scams has changed over time. Following reforms to pension scheme registrations in 2004, there were concerns about pension liberation. More recently there are concerns that scammers are exploiting the greater freedom to access pension savings introduced by the pension freedoms.

Pension freedoms

In the 2014 Budget, the Coalition Government announced that from 6 April 2015 people aged 55 and over would be able to make withdrawals from their defined contribution pension pot "how they want, subject to their marginal rate of income tax in that year". More information on defined contributions pensions is given in box 2.

These so-called 'pension freedoms' give consumers greater choice over how to access their pension savings; before 2015, most savers in these schemes could only use their savings to buy an annuity, a financial product that provides a guaranteed income.

The Government said it recognised that people would need help navigating the expanded range of options and therefore introduced a guidance service, Pension Wise.

More information is available in the Commons Library briefing, Pension flexibilities: the 'freedom and choice' reforms.

Pension liberation

The Finance Act 2004 replaced a system of providing tax approval for pension schemes to one of registration, with HM Revenue & Customs (HMRC) carrying out post-registration checks.[26] A paper published in 2003 explained that this would provide deregulatory benefits, such as a lower administrative burden, to pension scheme administrators. It explained that the previous procedure for registering a pension scheme was not straightforward, with pension schemes required to submit up to nine different forms and 68 pieces of

26 Finance Act 2004, Part 4

information.[27] The information provided by schemes was "risk-assessed" by HMRC to inform compliance activity and HMRC had the power to de-register schemes.[28]

In February 2012, HMRC, The Pensions Regulator, and the Financial Services Authority published a joint statement warning against the risks of pension liberation (covered in section 1.1 of this briefing).[29] Growing concerns around pension liberation scams led to an awareness campaign in early 2013 with the support of several public organisations.[30] The Pensions Regulator said that the amount of pension savings known to have been transferred into schemes used for pension liberation had increased from £200 million at the end of 2011 to £400 million at the end of 2012.[31]

Responding to concerns that the registration system had made it easier to set up a pension scheme for the purpose of pension liberation, the Government used the Finance Act 2014 to change HMRC's powers relating to the registration of pension schemes.[32] This included enabling HMRC to refuse to register, or to de-register an existing scheme, if in HMRC's opinion the scheme administration was not 'fit and proper'.[33] The Pensions Regulator described pension liberation offences as being in "continued decline" in June 2022, with reporting mainly relating to historical offending.[34]

3.2 Ban on cold calling

2016 consultation

The Government launched a consultation into pension scams in December 2016. It sought views on three potential interventions to address cold calling about pensions, limit statutory rights to transfer pensions savings, and prevent scammers from opening pension schemes.[35]

In August 2017, the Government confirmed these new measures would be introduced to protect private pension savers from pension scams. The measures would include:

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27 HM Treasury and HMRC, Simplifying the taxation of pensions: the Government's proposals (PDF), December 2003

28 As above (PDF), para B21

29 The Pensions Regulator, Annual reports 2011-12 2011-12, p19

30 The Pensions Regulator, Annual reports 2012-13 2012-13, p9, The supporting organisations included ; the Department for Work and Pensions, The Pensions Advisory Service (TPAS), the FCA, HM Revenue & Customs (HMRC) and the Serious Organised Crime Agency (SOCA)

31 As above, p32

32 Finance Act 2014, Sch 7

33 Finance Act 2014, Sch 7

34 The Pensions Regulator, Pension scams threat assessment: summary, 15 June 2022

35 Department for Work and Pensions & HM Treasury, Consultation outcome: Pensions scams: consultation, 21 August 2017

- A ban on cold calling in relation to pensions, including emails and text messages.
- Tightening HMRC rules to stop scammers opening fraudulent pension schemes, including ensuring that only active companies, which produce regular up-to-date accounts, can register occupational pension schemes.
- Tougher actions to help prevent the transfer of money from pension schemes into fraudulent ones. This included limiting the rights to transfer out of a pension scheme.[36]

2019 ban on cold calling

In January 2019, the Government introduced legislation banning pension cold calling.[37] This ban had widespread support from consumer groups and pension regulators and advisors as it blocks a major route exploited by scammers. For instance, research from the FCA estimates over 10 million UK adults received an unsolicited pension offer in just one year.[38] Companies that breach the regulations may face enforcement action, including fines of up to half a million pounds.

The Financial Times, however, warned that this ban on cold calls has not stopped "rogue investment companies cold calling individuals from overseas".[39]

Background to the introduction of the ban on cold calling is in House of Commons Library briefing, Financial Guidance and Claims Bill 2017-19, section 3.13.

3.3 Transferring pensions

Overseas transfers

Persuading people to transfer money abroad, where it is harder for UK regulators to take action, is a common feature of pension scams. Qualifying recognised overseas pension schemes (QROPS) are overseas pension schemes which meet HMRC's requirements to receive pension transfers from the UK. In its pension scams report, the Work and Pensions Committee said that QROPS "serve a legitimate purpose for UK citizens who move abroad, but they have also been used as a vehicle for pension scams."[40] Since a 25% charge was introduced on overseas transfers in March 2017, to discourage people

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36 As described in Combating Pension Scams: A Code of Good Practice (version 2.2), 1 April 2021
37 HM Treasury, Pensions cold-calling banned, 9 January 2019
38 FCA, ScamSmart prompts tens of thousands of pension holders to seek information, 4 Dec 2018
39 Josephine Cumbo, What price pension freedoms?, Financial Times, 21 February 2019
40 Work and Pensions Committee, Protecting pension savers—five years on from the pension freedoms: Pension scams, 24 March 2021, HC 648 2019-21, para 49

transferring pension funds out of the UK to avoid UK tax,there has been a significant decrease in the number of transfers to QROPS taking place.[41]

Defined benefit and defined contribution schemes

The pension freedoms introduced in April 2015 gave people aged 55 and over more flexibility about when and how to draw their savings from defined contribution pension schemes, where contributed money is put into investments. The pension freedoms were not aimed at defined benefit pension schemes, which provide benefits based on salary and length of service. It was likely to be in the best financial interests of most defined benefit scheme members to remain in their scheme.

2 Defined benefit and defined contribution schemes

There are two main types of pension schemes in the UK:

- **Defined benefit schemes** pay a promised pension based on factors such as salary and length of service. A sponsor, which is usually an employer, guarantees the promised benefits are paid. The pension provides an income for life and may also include a retirement lump sum.
- **Defined contribution schemes** do not provide a guaranteed pension and instead provide a pot of money which can be used in retirement. The value of the pension pot depends on the amount paid into the scheme and the returns on investment of that amount.

In 2015, Parliament passed legislation requiring individuals to take financial advice before they could transfer £30,000 or more from a defined benefit pension to a flexible arrangement (a defined contribution pension).[42] Scammers could encourage savers to transfer out of a pension scheme against their best interests in order to receive a fee. The saver might then find that the loss of the guaranteed income was not fully explained to them or that they were invested in assets not suitable for their financial circumstances. For example, someone who required a regular income might find their pension savings invested in high-risk investments or in an infrastructure project where the money cannot be withdrawn for many years.

The rules about defined benefit transfers were tightened in October 2020 when the FCA banned contingent charging for defined benefit transfer advice. This was where the adviser only received payment if someone chooses to

41 HMRC, Transfers to Qualifying Recognised Overseas Pension Schemes, 31 July 2020

42 Pension Schemes Act 2015, s48 ; The Pension Schemes Act (Transitional Provisions and Appropriate Independent Advice) Regulations 2015 (SI 2015/742), reg 7

transfer out of their defined benefit scheme. The FCA said that too many transfers were taking place that were not in savers' best interests.[43]

More information on defined benefit transfers is in the Commons Library briefing Pension freedoms: transfers from defined benefit schemes).

Warning flags

The Government used powers in the Pension Schemes Act 2021 to limit the statutory right to transfer out of a pension scheme where there is evidence that the transfer is part of a pension scam.[44]

The new regulations introduced a system of red and amber flags. A red flag, such as someone involved in the transfer carrying out a regulated activity without the right regulatory status, would allow trustees of a pension scheme to block a pension from being transferred out.[45] An amber flag, such as the new scheme including high-risk investments, allows trustees to pause a transfer until the member has received guidance from MoneyHelper.[46]

The statutory right to transfer was clarified in 2016 when the High Court overturned a decision by the Pensions Ombudsman that had allowed the pension provider Royal London to decline a member's transfer request due to concerns about the possibility of a pensions scam.[47] This meant that, between the 2016 decision and the introduction of regulations using Pension Schemes Act 2021, pension schemes could not prevent someone transferring out of the scheme even if the trustee suspected the transfer was to a scheme used for a scam.[48]

3.4 The Pension Scams Action Group

Project Bloom

Project Bloom was a multi-agency group set up in 2012, initially to tackle the issue of pension liberation.[49] The Government used Project Bloom to encourage and enable the consistent reporting of pension scams data from firms, individuals, law enforcement agencies and regulators. Its members

43 Financial Conduct Authority, Pension transfer advice: feedback on CP19/25 and our final rules and guidance (PDF), Policy Statement PS20/6, June 2020

44 Department for Work and Pensions, Pension scams: empowering trustees and protecting members consultation, 8 November 2021

45 The Pensions Regulator, Dealing with transfer requests, 12 January 2023

46 As above

47 *Hughes v The Royal London Mutual Insurance Society Ltd [2016] EWHC 319 (Ch)*

48 *Hughes v The Royal London Mutual Insurance Society Ltd [2016] EWHC 319 (Ch)*

49 HC Deb, 24 Feb 2014,c33W

included the Department for Work and Pensions, pensions regulators, HMRC and public bodies responsible for investigating fraud.[50]

Pension Scams Action Group

In a March 2021 report on pension scams, the Work and Pensions Committee said that Project Bloom had "the potential to be an effective body" but was "restricted by limited resources".[51] It recommended that Project Bloom was given a statutory remit and dedicated funding.[52] In response to the Committee's report the Government agreed that Project Bloom would benefit from being placed on a "more formal footing" within the existing partnership.[53]

As part of The Pensions Regulator's strategy to combat pension scams, it announced that Project Bloom would be renamed the Pension Scams Action Group.[54] The new group's core members included industry representatives alongside public bodies:

- DWP
- FCA
- HM Treasury
- Money and Pensions Service
- National Economic Crime Centre
- Pension Scams Industry Group
- The Pensions Regulator[55]

It describes its action to combat pension scams as improving public awareness and building intelligence, legislative and non-legislative interventions, and supporting victims.[56]

50 Gov.uk, Government warning: arm yourself with the facts, don't lose your pension to scammers, 27 July 2015
51 Work and Pensions Committee, Protecting pension savers—five years on from the pension freedoms: Pension scams, 24 March 2021, HC 648 2019-21, para 119
52 As above, para 120
53 Work and Pensions Committee, Protecting pension savers–five years on from the pension freedoms: Pension scams: Government, The Pensions Regulator and Financial Conduct Authority Responses to the Committee's Fifth Report of Session 2019–21, HC 504 2021-22, 30 June 2021
54 The Pensions Regulator, Our strategy to combat pension scams [accessed 27 February 2023]
55 The Pensions Regulator, Pension Scams Action Group (PSAG) [accessed 27 February 2023]
56 The Pensions Regulator, Pension Scams Action Group (PSAG) [accessed 27 February 2023]

3.5 Industry action

The Pension Scams Industry Group (PSIG) is a voluntary industry body set up to prevent pension scams.[57] Its advisory board is made up of organisations across the pensions industry.

PSIG launched its first code of practice for preventing pension scams in 2015 and it became a core member of the Pension Scams Action Group in 2022.[58]

The code sets out three core principles that trustees, administrators and providers should take to protect scheme members from pension scams:

- Raise awareness of pension scams for members and beneficiaries of their scheme.
- Have robust, but proportionate, processes for assessing whether a receiving scheme may be operating as part of a pension scam, and for responding to that risk.
- Be aware of the known current strategies of the perpetrators of pension scams and refer to the warning flags as indicated in The Pensions Regulator's Guidance, FCA alerts and by Action Fraud.[59]

In November 2020, The Pensions Regulator launched its pledge to combat pension scams for the industry.[60] Schemes and organisations can sign up to commit that they will take action to prevent pension scams.

Six hundred organisations have self-certified that they have taken action to meet the pledge.[61]

3.6 Increasing public awareness

One of the key actions for the Pension Scams Industry Group is that “all savers are made aware of the risk of scams”. It intends initially to support existing awareness efforts including the ScamSmart campaign, the Stronger Nudge to pensions guidance, and the Money and Pensions Service’s UK Financial

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57 The Pension Scams Industry Group, About us [accessed 28 February 2023]
58 The Pension Scams Industry Group, The Code of Good Practice [accessed 28 February 2023]
59 The Pension Scams Industry Group, Combating Pension Scams: A Code of Good Practice (version 2.2), 1 April 2021
60 The Pensions Regulator, Make a pledge to combat pension scams, industry urged, 10 November 2020
61 The Pensions Regulator, Pledge to combat pension scams [accessed 28 February 2023]

Strategy for Wellbeing.[62] The group plans to explore scam prevention guidance for employers.[63]

ScamSmart

ScamSmart is an FCA campaign providing information on how to avoid investment and pension scams. It offers guidance on how to spot scams and collects and lists scams registered with it. A joint campaign by the FCA and The Pensions Regulator in summer 2018 increased the number of people seeking information about pension scams via the website five-fold, from around 562 site visits a day to 3,145.[64]

3.7 Fraud Compensation Fund

The Fraud Compensation Fund (FCF), a public corporation accountable to Parliament, pays compensation to occupational pension schemes that have lost out due to dishonesty, including scams.[65]

An application can be made by trustees, scheme managers, members and other beneficiaries, scheme administrators, or their representatives. However, if an application is agreed, compensation is paid directly to scheme trustees or managers.[66]

Under the FCF, 100% compensation is paid.[67] The amount of compensation in each case is usually the difference between the value of scheme assets immediately preceding the loss and that immediately before the application date.[68] A claim on the FCF is a last resort. Trustees are expected to make every effort to recover losses from other sources: for example, by making an application to the Insolvency Service where an insolvent employer had failed to pay contributions deducted from employee wages into the scheme.[69]

3 Pension Protection Fund

The Pension Protection Fund was set up to provide compensation to members of defined benefit occupational pension schemes. The fund pays compensation in the event of a scheme's sponsoring employer

62 The Pensions Regulator, Our strategy to combat pension scams [accessed 28 February 2023]
63 As above
64 The Pensions Regulator, Scam awareness campaign prompts tens of thousands of pension holders to seek information, 4 December 2018
65 Fraud Compensation Fund, Who we are [accessed 12 August 2022]
66 As above, s185
67 Pensions Act 1995, s83; Pensions Act 2004, s185
68 Pensions Act 2004, s185; PPF leaflet, All you need to know about the Fraud Compensation Fund, p5
69 Pensions Act 2004, s184; PPF leaflet, All you need to know about the Fraud Compensation Fund, p3

becoming insolvent and leaving the scheme with insufficient funds to pay its members' pensions.

The Fraud Compensation Fund, which provides compensation to schemes rather than to members of the schemes, is administered by the Pension Protection Fund's Board.

For background, see the Commons Library briefing Pension Protection Fund.

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