HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

Number 8643, 24 April 2020

Pension Scams

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Summary

This briefing paper provides information on how to spot scams and aims to answer some of the frequently asked questions on which constituents ask for help with from their MPs. It does not provide legal or financial advice.

How big is the pension scam problem?

Aggregate pension savings in Great Britain were worth £4.5 trillion (in the period 2012-14), and for individuals they are often their single largest financial asset. The high value and fact people often do not have to engage with their savings until much later in life (when they can be more vulnerable to scams) makes them an attractive target for fraudsters.

How can you spot a pension scam?

It is not always easy to spot a scam as there are an array of different and often sophisticated techniques being used to part savers from their money. In 2017, pension scam victims were reported to have lost an average of £91,000. Further, only a minority of pension scams are believed to ever get reported.

Citizens Advice has identified four 'types' of pension scam to look out for:

- **Liberation scams** that offer access to a pension before the age of 55. This often results in a large tax bill in addition to the loss of savings.
- **Investment scams** that offer high (unrealistic) returns on overseas investments of pensions.
- **'Review' scams** that offer a 'free' review into pension savings and investment returns.
- **'Advice scams'** that offer free advice with the aims of obtaining information or authority to transfer a pension or to act as a lead for other pensions scams.

Where can I get pensions advice?

You can check the Financial Conduct Authority (FCA) register of regulated and approved advisers here. If you use an adviser that is not approved by the FCA, you will not have access to the Financial Ombudsman Service (FOS) or Financial Services Compensation Scheme (FSCS) if things go wrong .Further, the FCA lists several public bodies that can help consumers with pensions questions:

- Pension Wise and the Pensions Advisory Service merged to become part of the Money and Pensions Service under the Financial Guidance and Claims Act 2018. The process of developing an integrated service is ongoing. Currently, the two services still have separate websites and different functions:
  - The Pensions Advisory Service: Provides free independent and impartial help on all your private pension matters.
  - Pension Wise: Gives free and impartial guidance to consumers aged 50 or over to help them understand their options for personal or workplace pensions.
- The Money Advice Service provides free and impartial money advice
- The Financial Ombudsman Service can look into problems involving most types of money matters - from payday loans to pensions, pet insurance to PPI. If they decide someone's been treated unfairly, they have legal powers to put things right.

1. Pension scams

1.1 Scale of the problem

For most people in the UK, pension savings will be their largest financial asset. The Office for National Statistics (ONS) estimated aggregate private pension wealth in Great Britain in the period 2012-14 to be £4.5 trillion.[1] Moreover, people often do not have to engage with their savings until much later in life (because the policy of auto-enrolment means that during the savings phase, decisions such as the choice of scheme and how much to contribute, are effectively taken for them[2]) they can be vulnerable to scams. This makes pension savings an attractive target for fraudsters.

Pension scams can cost people their life savings, and leave people facing retirement with limited income, and little or no opportunity to build their pension savings back up.

The Financial Conduct Authority (FCA) and The Pensions Regulator say that in 2018 180 people reported to Action Fraud that they had been the victim of a pension scam, losing on average £82,000 each. They also believe that only a minority of pension scams are ever reported.[3]

Pension scams are on the increase in the UK, despite Government actions and awareness raising campaigns.[4] Recent changes to pensions – known as 'pension freedoms' – are thought to be exposing consumers to new scams.[5] Research by the Money Advice Service suggests that there could be as many as eight scam calls every second.[6] Additionally, Citizens Advice found that 8.4 million consumers have been offered unsolicited pension advice or reviews in 2015-16.[7]

1.2 Types of scam

In 2016, Citizens Advice published the results of their research into pension scams in the wake of the 'pension freedoms' reforms (see more about 'pension freedoms' section 2.4). During this research, Citizens Advice identified four 'types' of pension scam:

- **Liberation scams** that offer access to a pension before the age of 55. The aim of the scam is to get people to cash in a pension and transfer it to an unauthorised account. Citizens advice says these scams often result in large tax bills in addition to the loss of savings.

1 ONS, Wealth and Assets Survey QMI, Dec 2015, Chapter 3
2 See Library Briefing Paper CBP 6417 Auto-enrolment – current issues (Feb 2019)
3 FCA, 5 million pension savers couple put their retirement savings at risk to scammers, 7 Aug 2019; FCA, Regulators warn public of pension scammer tactics as victims report losing an average of £91,000 in 2017, 14 Aug 2018
4 How to spot a pension scam, Money Advice Service [accessed 13 June 2019]
5 Citizens advice, Too good to be true? Understanding consumer experience of pension scams a year on from pension freedoms, March 2016
6 Eight 'Scam calls' now take place every second, Money Advice Service, 20 Oct 2015
7 Citizens advice, Too good to be true? Understanding consumer experience of pension scams a year on from pension freedoms, March 2016

- **Investment scams** that offer high returns on a pension. The aim of the scam is to get people to transfer their pension to an unauthorised account. Citizens advice says that these scams will advertise lucrative investment opportunities, often overseas.
- **'Review' scams** that offer a 'free' review into pension savings and investment returns. The aim of the scam is either to gather information or authority to transfer a pension or to act as a lead for other pensions scams. Citizens Advice says that these scams often target 45-54 year olds.
- **'Advice scams'** that offer free advice. As with review scams the aim of the scam is either to gather information or authority to transfer a pension or to act as a lead for other pensions scams. Citizens Advice says that these scams often target 45-54 year olds.[8]

Recent research by the Pensions Regulator and Financial Conduct Authority looked at how pension savers fare faced with six common scam tactics:

1. **Offering exotic investment opportunities** - 23% of 45-65-year-old pension savers would pursue an offer of high returns in either overseas properties, renewable energy bonds, forestry, storage units or biofuels, even though these are high-risk investments and unlikely to be suitable for pension savings.
2. **Calls out of the blue**– 23% of 45-65-year-old pension savers would engage with a cold call from a company asking to discuss their pension plans.
3. **Offering early access to your pension pot** – 17% of 45-54-year-old pension savers would be interested in a company that offered to get them early access to their pension pot.
4. **Guaranteed high returns on your pension savings**– 13% of 45-65-year-old pension savers would pursue an offer guaranteeing returns of 11% on their pension savings.
5. **Offering to review your pension for free**– 10% of 45-65-year-old pension savers would say yes to a free pension review from a company they'd never dealt with before.
6. **Time-limited offers**– 7% of 45-65-year-old pension savers would say yes to a company who offered a special deal that won't be around for long and offered to send a courier to sign the paperwork immediately.[9]

Consumers have been warned over a surge in scams linked to Coronavirus (See box 1 for more information on this).

Box 1: Coronavirus scams

Consumers have been warned to be wary of potential scams linked to the Coronavirus outbreak. As of 6 March 2020, ActionFraud had already

[8] Citizens advice, Too good to be true? Understanding consumer experience of pension scams a year on from pension freedoms, March 2016

[9] FCA, 5 million pension savers couple put their retirement savings at risk to scammers, 7 Aug 2019

identified some 31 coronavirus-linked fraud cases (not all pensions) with victim losses totalling £800k.[10]

The scams linked to pensions fall into one of the categories set out above, and are targeting people:

- Approaching retirement concerned about how the pandemic is affecting the markets and their pensions. These people are being offered seemingly lucrative pension transfer offers (see section 2.5)
- With immediate money concerns. These people are being offered the chance to access their pensions early (see section 2.4)

In a joint statement, The Pensions Regulator (TPR) The Financial Conduct Authority (FCA), supported by the Money and Pensions Service (MaPS), said:

> "…fears over the impact of the pandemic on markets and personal finances may make savers more vulnerable to scams or making a decision that could damage their long-term interests."[11]

Speaking to the *Financial Times,* Tom Selby, senior analyst at platform AJ Bell, welcomed the warning on pensions scams.[12]

1.3 How to spot a scam

It is not always easy to spot a scam (see box 2 for the Government's definition of a pensions scam). Scammers use an array of different and often sophisticated techniques to part savers from their money. The Pensions Regulator has found that almost a third (32%) of pension holders aged 45 to 65 would not know how to check whether they are speaking with a legitimate pensions adviser or provider.[13] Scammers can also have very convincing websites and other online presence, which make them look like a legitimate company.

Box 2: What is a pension scam?

In its August 2017 response to the Consultation on Pension Scams the Government arrived at the following definition of a "pension scam":

> "The marketing of products and arrangements and successful or unsuccessful attempts by a party (the "scammer") to:
>
> - release funds from an HMRC-registered pension scheme, often resulting in a tax charge that is not anticipated by the member.
> - persuade individuals over the normal minimum pension age to flexibly access their pension savings in order to invest in inappropriate investments.
> - persuade individuals to transfer their pension savings in order to invest in inappropriate investments.
>
> Where the scammer has misled the individual about the nature of, or risks attached to, the purported investment(s), or their appropriateness for that individual investor."[14]

10 ActionFraud, Coronavirus scam costs victims over £800k in one month, 6 Mar 2020
11 TPR, COVID-19: savers - stay calm and don't rush financial decisions, 1 Apr 2020
12 Emma Agyemang, Consumers warned over surge in coronavirus scams, *FT*, 2 Apr 2020
13 FCA, Regulators warn public of pension scammer tactics as victims report losing an average of £91,000 in 2017, 14 Aug 2018
14 Department for Work and Pensions & HM Treasury, Consultation outcome: Pensions scams: consultation, 21 Aug 2017

You can use the Pensions Advisory Service online tool to help identify a pension scam. This tool cannot give definitive answers and does not give regulated financial advice. There are some common signs to look out for to check for scams (and tools **in bold** to use to check the authenticity of offers you receive) listed below:

- Unsolicited approaches by phone call, text message, email or in person. **Since January 2019, there has been a ban on cold calling about pensions. You should not be contacted by any company about your pension unless you've asked them to.**
- You are pressured into making an instant decision over an investment or pension transfer. **Pension savings are often people's largest financial asset. It is important people seek impartial advice and information ahead of making any decisions over investments and transfers**.
- Claims they can help you or a relative unlock a pension before the age of 55 - known as 'pension liberation' or 'pension loans'. **Pension freedoms are available from the age of 55. In only very rare cases**, **such as very poor health, is this possible. These scams can lead to huge tax bills of 55% as a result of taking pensions early.**
- Offer high rates of return on your investment, but claim it is low risk. Or offer a free 'pension review'. **The average rate of return is historically around 5%, after inflation. If you're thinking about an opportunity, you should seek independent financial advice from an FCA regulated firm.**

The FCA suggests four simple steps to protect yourself from pension scams:

1. Reject unexpected pension offers whether made online, on social media or over the phone
2. Check who you're dealing with before changing your pension arrangements – check the FCA Register or call the FCA contact centre on 0800 111 6768 to see if the firm you are dealing with is authorised by the FCA
3. Don't be rushed or pressured into making any decision about your pension
4. Consider getting impartial information and advice.[15]

[15] FCA, 5 million pension savers could put their retirement savings at risk to scammers, release, 7 Aug 2019

2. Frequently asked questions

2.1 What should I do if I become a victim?

If you suspect a scam, acting fast *could* save your money. It may be possible to stop pension transfers before the money is transferred to the scammers. The Pensions Advisory Service says:

> If you think you might have already been targeted and you've agreed to transfer your pension, you should:
>
> 1. **Contact your pension provider immediately**- they may be able to stop the transfer if it has not already gone through.
> 2. **Contact Action Fraud 0300 123 2040** and report the scam.[16]

The Pension Advisory Service goes on to say:

> If your money has been transferred and you're unable to contact the organisation or find out where your money is, or haven't received any notifications for some time, it's likely that it's a scam and your funds have been lost. You should:
>
> 1. **Contact Action Fraud 0300 123 2040** and report it.
> 2. **Think about your financial position.** This might be a difficult time, but when you're ready it might be helpful to speak to our team, as you may need to think about how your retirement is affected and how best to start saving back into a pension.[17]

Investment scams can also be reported to the FCA Scam Smart website.

If you have been a victim of a pension scam you may be struggling with a range of financial or personal issues. You can call the Pensions Advisory Service for help on **0300 123 1047** or visit the TPAS website for free pensions advice and information. It is unlikely TPAS can put people back into the financial position before the scam. Nevertheless, it might be helpful to discuss the situation with a technical specialist to consider next steps.

It is important to remain vigilant even after you have been on the receiving end of a scam. This is because once scammers have your details they may attempt to find ways to scam you again.

2.2 Can I recover money lost from my pension savings?

Once pension savings are transferred into a scam it is likely to be already too late to get that money back. The Pensions Advisory Service explains:

> If you transfer your pension savings into a scam, you run the very real risk of losing a significant, if not all of your pension savings, as well as facing high commission or arrangement fees.
>
> Additionally, accessing your pension early is only allowed in very special circumstances, such as ill health. If you access and transfer

16 TPAS, Common concerns: Pension Scams, [accessed: 24 June 2019]
17 TPAS, Common concerns: Pension Scams, [accessed: 24 June 2019]

> your pension before the age of 55, you will this will classify as an 'unauthorised payment' from your pension fund. This will result in significant tax penalties and HMRC can impose a charge of up to 55% of the value of your pension.
>
> This means that at the end of the transaction you may just get little or nothing of your original investment back, and also owe money to HMRC.[18]

2.3 What about compensation?

In certain circumstances, it may be possible to get compensation for losses from your pension through the Financial Services Compensation Scheme (FSCS). If you don't use an FCA authorised firm, "you're unlikely to get your money back if things go wrong".[19] Whether a firm or individual is authorised, can be checked on the FCA website.

The FSCS is the UK's statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms. For pensions, it covers: (i) schemes that have failed; and (ii) negligent or bad advice from financial advisors.[20] The list below provides information in relation to some common questions and concerns constituents may have related to the FSCS. The list is not exhaustive, and sources of further information are linked to where possible.

- **Offshore investments:** It *may* be possible to be compensated for losses in offshore investments. The FSCS says offshore investments will be covered by the scheme if you received advice from an investment firm that is authorised by the FCA. However, advice from firms based outside the European Economic Area (EEA) are unlikely to be covered by the FSCS.[21] See the FSCS Q&As about Investments for more information.
- **How much compensation can I claim:** The money that makes up a pension can be held or invested in different financial products. Different financial products can each have different compensation limits which have changed independently over time. You can see the all the different limits here.

In addition, the Financial Ombudsman Service may be able to help, for example, if the firm is still trading but someone has lost out as a result of a mistake. Under the Financial Conduct Authority (FCA) Dispute Resolution Rules

> it can make an award of such amount that is considered fair compensation for any or all of the following types of awards:
>
> - money awards
> - awards for distress and inconvenience
> - interest awards
> - costs awards
> - directions

18 TPAS, Common concerns: Pension Scams, [accessed: 24 June 2019]
19 Action Fraud, Pensions scams, [accessed: 7 Aug 2019]
20 FSCS Pensions
21 FSCS, Q&As about Investments, [accessed 24 June 2019]

More information about how this works and the limits that apply is on its website – here.

If the advisor is still trading, the FSCS website advises to use the Financial Ombudsman Service to see what your rights are. The Financial Ombudsman Service investigates complaints about the sale or marketing of individual pension arrangements. Complaints about advice should first be directed to the firm who advised you, so they have a chance to resolve matters. If there is no resolution after eight weeks, you can ask the Financial Ombudsman Service to get involved.[22]

The Financial Ombudsman can make maximum awards of £150,000, but time limits apply.[23]

2.4 Can I access my pension early?

You can usually only draw your pension from age 55. This is because under tax legislation, withdrawals before the age of 55 count as 'unauthorised payments' and so incur significant tax charges.[24] However, there could be instances under which you could draw your pension early due to ill health, but only if the pension scheme permits this. It is important to check with scheme/providers on whether early access is available.

Gov.UK explains:

> When you can take money from your pension pot will depend on your pension scheme's rules, but it's usually after you're 55.
>
> You may be able to take money out before this age if either:
>
> - you're retiring early because of ill health
> - you had the right under the scheme you joined before 6 April 2006 to take your pension before you're 55 – ask your pension provider if you're not sure.
>
> **Taking your pension early because of ill health**
>
> You might be able to get higher payments if you need to take your pension early because of a health condition. Check with your provider
>
> **If your life expectancy is less than a year**
>
> You may be able to take your whole pension pot as a tax-free lump sum if all of the following apply to you:
>
> - you're expected to live less than a year because of serious illness
> - you're under 75
> - you don't have more than the lifetime allowance of £1,055,000 in pension savings
>
> If you're over 75 you'll pay Income Tax on the lump sum.

[22] TPAS, Making a complaint: Jurisdiction, [accessed: 13 Aug 2019]
[23] Memorandum of Understanding between The Pensions Ombudsman and The Financial Ombudsman, 1 Dec 2017
[24] *Finance Act 2004*, part 4; HMRC, Pension Tax Manual – member benefits/pension age

> Check with your pension provider. Some pension funds will keep at least 50% of your pension pot for your spouse or civil partner.[25]

Some scammers try to persuade people that they can access their pension early in circumstances not covered by these rules.[26] This is known as a 'pension liberation scam'. This money is then often invested in fake projects and the person scammed is hit with a significant tax bill.

The Pensions Advisory Service list a number of warning signs to look out for:

> - Being approached out of the blue over the phone or via text message.
> - Pushy advisers, often unregulated, who claim to be able to help you access your pension before age 55.
> - Companies that offer a 'loan', 'saving advance' or 'cashback' from your pension.
> - Any reference to 'loopholes', overseas investments, creative or new investment techniques.
> - The Pensions Regulator has worked with other agencies, including ourselves, to produce information illustrating the threat to your pension if you are taken in by such offers.
> - More information for members of pension schemes looking to understand the consequences of these offers can be viewed here.
> - Be alert to offers like this and if in any doubt take advice from a regulated financial adviser. If you think you may have been made an offer contact Action Fraud on 0300 123 2040.

If it sounds too good to be true, then it normally is![27]

2.5 I want to transfer my pension…how can I check a scheme is legitimate?

There may be benefits that can be unlocked from taking up investment opportunities or transferring funds from your pension to an alternative provider. However, when considering such transfers people should proceed with caution. This is because scammers have targeted people looking to make pension transfers. The Money Advice Service says:

> Pension transfers can be complicated and there are a lot of things to think about before going ahead. You need to consider your own situation carefully and in some cases take regulated financial advice.[28]

[25] Gov.UK, Early retirement: your pension and benefits; The Pensions Advisory Service , ill-health retirement

[26] The Pensions Advisory Service, Retirement Choices: Pension Liberation Plans, [accessed: 18 June 2019]

[27] The Pensions Advisory Service, Retirement Choices: Pension Liberation Plans, [accessed: 18 June 2019]

[28] Money Advice Service, Transferring defined contribution pensions, [accessed: 24 June 2019]

Scammers can have very convincing websites and other online presences, which make them look like a legitimate company. There are number of steps people can take to check the company they are considering transferring funds to is legitimate:

- **Check with the FCA financial services register to make sure they are registered.** The Register shows whether a firm you are using, or plan to use, is authorised or registered by the Prudential Regulation Authority (PRA) and/or the FCA or is exempt. Firms that the FCA have been told are providing regulated products or services without the correct authorisation – or are deliberately running scams – are now included in the Register with prominent warnings.
- **Check the FCA ScamSmart warning list for known investment scams.** The FCA add firms to this list as soon as possible but it is not exhaustive. The FCA advises people not to assume a firm is legitimate just because it does not appear in this list – these firms frequently change their name and it may not have been reported to us yet.
- **Check the HMRC registration of a new scheme.** Pension schemes must be registered with HMRC to benefit from the tax reliefs available to pensions. Until scheme registration is confirmed by HMRC contributions received will not qualify for tax relief. You can ask your current scheme to check the HMRC registration ahead of transferring your pension.
- **Check you are transferring to a 'qualifying recognised overseas pension scheme' (QROPS).** Pension Wise explains "Transferring your pension to a non-registered UK pension scheme or an 'unrecognised' overseas scheme will mean you'll pay tax on the transfer."[29]

It is important to note that transferring funds to legitimate, FCA-registered companies does not alone guarantee higher returns or guaranteed incomes. Financial returns from legitimate companies can fluctuate. Independent financial advice should be sought before any decisions are taken on transferring funds/making investments.

Pensions Schemes Bill: Transfer rights

The Government has recognised the risks posed by scammers around pensions transfers. Accordingly, it as included a clause in the *Pension Schemes Bill [HL] 2019/20*, which was introduced to the House of Lords on 7 January 2020.

Clause 125 (originally clause 124) of the Bill – transfer rights – would allow regulations to be made to stipulate the destinations and circumstances under which a pension scheme member will have a right to transfer their pension savings to another scheme. The aim is to protect members from scams by helping trustees of occupational pension schemes ensure transfers are made to safe, not fraudulent, schemes.[30]

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29 Pension Wise, Transferring your pension, Gov.uk, [accessed: 24 June 2019]
30 Pensions Schemes Bill [HL] Explanatory Notes, pp. 64-65

Defined Benefit (DB) to Defined Contribution (DC) transfers

There are two main types of private pension **Defined Benefit** (DB) schemes that promise to pay pension benefits based on fixed factors, typically salary and length of service; and **Defined Contribution** (DC) schemes or money purchase schemes that pay out a sum based on the value of a member's fund on retirement. The level of pension depends on factors including the contributions invested, the returns on that investment (minus any charges applied) and the rate at which the fund is converted to a retirement income.

The pension freedoms reforms (see box below) has made transfers from DB pension schemes into DC schemes more attractive to some people. This is because since 2015 people can now get access to cash lump sums, whereas previously they would have had to buy an annuity (or other guaranteed income product). However, the Money Advice Service says, "In most cases you're likely to be worse off if you transfer out of a defined benefit scheme, even if your employer gives you an incentive to leave."[31] Also, for some public sector schemes, it is not possible to transfer out.

Persons with a DB scheme with benefits in excess of £30,000 must have independent advice before transferring or converting them into flexible benefits. The FCA has said that it is concerned about poor advice around pensions transfers and contingent charging[32], with "much of it driven by conflicts of interest in the way they are remunerated.". The FCA consulted on proposals to ban contingent charging (Jul-Oct 2019). It is currently considering its response.[33]

Pensions freedoms

In Budget 2014, the Coalition Government announced that from 6 April 2015 people aged 55 and over would be able to make withdrawals from their Defined Contribution (DC) pension pot "how they want, subject to their marginal rate of income tax in that year." Legislation for this was in the *Taxation of Pensions Act 2014*. This made changes to the Finance Act 2004 and the Income Tax Earnings and Pensions Act 2003. Prior to introducing the Bill, there was consultation on draft legislation between 6 August and 3 September 2014.

These so-called 'pension freedoms' give consumers greater choice over how to access their pension savings by removing the effective requirement to buy a guaranteed income product. Introducing these reforms, the Government said it recognised that people would need help navigating the expanded range of options and therefore introduced a guidance service – Pension Wise.

The Commons Library Briefing, Pension flexibilities: the 'freedom and choice' reforms provides further information on the development of this policy and how they apply.

Further information

31 The Money Advice Service, Transferring out of a defined benefit pension scheme, [accessed: 7 Aug 2019]

32 Where advisers only get paid if a transfer proceeds.

33 FCA acts to protect consumers transferring out of defined benefit pension schemes, 30 July 2019

You can also read more about pension transfers in the House of Commons Library brief, Pension freedoms and 'safeguarded benefits'.

You can read more about how to transfer your pension on the PensionWise website.

2.6 Where can I go for advice?

There are lots of reasons why people need advice from a financial adviser but there are also lots of different types of adviser. The Money Advice Service has produced guidance on how to choose a financial adviser.

The FCA is responsible for regulating financial advisers. If you are receiving advice or a review about your pension(s), check the FCA online register. Anyone giving financial advice should be registered.

It is illegal for anyone to provide unsolicited pensions advice or offers. The Government banned cold-calling in 2019.[34] People should ignore all out of the blue contact about their pension. Scammers are known to offer people 'free' pension reviews or advice. This is done in the hope of gathering information or authority to transfer a pension to an unauthorised account or to act as a lead for other pensions scams.

You can get guidance from several public bodies. The FCA lists several public bodies that can help consumers and details how they can help:

- The Pensions Advisory Service: Provides free independent and impartial help on all your private pension matters. The Pensions Advisory Service:
  - has pension specialists who can discuss any issue you may have with your pension
  - can be contacted over the phone or online
  - offers information and tools through its website
- Pension Wise: Gives free and impartial guidance to consumers aged 50 or over to help them understand their options for personal or workplace pensions. It will never contact you out of the blue to offer you a pension review and it has only one website: pensionwise.gov.uk.

Money and Pensions Service

Pension Wise and the Pensions Advisory Service merged to become part of the Money and Pensions Service under the Financial Guidance and Claims Act 2018. The process of developing an integrated service is ongoing. Currently, the two services still have separate websites and different functions, with Pension Wise focused on giving people information about their options and The Pensions Advisory Service providing information and guidance on pensions more generally.

- The Money Advice Service; This free and impartial money advice service provides:

[34] HM Treasury, Pensions cold-calling banned, 9 Jan 2019

- guidance to help improve consumers’ finances and money management
- tools and calculators to help consumers keep track of their finances and plan ahead
- support over the phone and online

- The Financial Ombudsman Service; The Financial Ombudsman Service can look into problems involving most types of money matters - from payday loans to pensions, pet insurance to PPI. If they decide someone's been treated unfairly, they have legal powers to put things right.

3. Industry and Government action

3.1 Consultation on pension scams

The Government launched a consultation into pension scams in December 2016. This consultation sought views on three potential interventions aimed at tackling different aspects of pension scams:

- a ban on cold calling in relation to pensions, to help stop fraudsters contacting individuals
- limiting the statutory right to transfer to some occupational pension schemes
- making it harder for fraudsters to open pension schemes[35]

In August 2017, the Government confirmed these new measures would be introduced in order to protect private pension savers from the threat of unscrupulous pension scammers. The measures were proposed to include:

- a ban on cold calling in relation to pensions, including emails and text messages.
- tightening of 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, including a proposed change to the statutory right to transfer to include evidence of an earnings link to an employer of the receiving scheme, where it is an occupational pension scheme.[36]

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 tackles 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. Commenting on the announcement, John Glen, Economic Secretary to the Treasury, said:

> Pension scammers are the lowest of the low. They rob savers of their hard-earned retirement and devastate lives. We know that

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

36 As described in Combating Pension Scams: A Code of Good Practice (version 2.1), 10 June 2019

37 HM Treasury, Pensions cold-calling banned, 9 Jan 2019

38 FCA, ScamSmart prompts tens of thousands of pension holders to seek information, 4 Dec 2018

> cold-calling is the pension scammers' main tactic, which is why we've made them illegal.
>
> If you receive an unwanted call from an unknown caller about your pension, get as much information you can and report it to the Information Commissioner's Office. I'd also urge all savers to seek independent advice if you're thinking about making an important financial decision.[39]

The FT however warns that this ban on cold calls has not stopped "rogue investment companies cold calling individuals from overseas."[40]

The Government has yet to implement the other two measures announced in the consultation response.

Background to the introduction of the ban on cold calling is in House of Commons Library briefing, CBP 8033, section 3.13.

3.2 Project bloom

Pension scams can be complex and multifaceted, often spanning departmental and agency boundaries. It is for this reason the Government established Project Bloom.[41] Project Bloom is a multi-agency group across government led by the National Crime Agency. It was set up to tackle pension liberation fraud in a co-ordinated way. Members include:

- Department for Work and Pensions (DWP)
- The Pensions Regulator
- Financial Conduct Authority (FCA)
- HM Revenue & Customs (HMRC)
- Serious Fraud Office
- National Fraud Intelligence Bureau
- National Crime Agency[42]

The Government is working with these Agencies through Project Bloom, to encourage and enable the consistent reporting of pension scams data from firms, individuals, law enforcement agencies and regulators.

3.3 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 TPR in summer 2018 increased the number of people seeking information about pension scams via the website five-fold. The Pensions Regulator issued a press release in December 2018 which says:

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[39] HM Treasury, Pensions cold-calling banned, 9 Jan 2019
[40] Joseph Cumbo, What price pension freedoms?, *Financial Times*, 21 Feb 2019
[41] HL2155 [Pensions: Fraud] 24 Oct 2016
[42] Government warning: arm yourself with the facts, don't lose your pension to scammers, Gov.uk, 27 Jul 2015

> In the 55 days before the launch around 31,000 people visited the ScamSmart website at an average of 562 per day. In the 55 days after the launch this rose five-fold (462%) to more than 173,000 people - an average of 3,145 per day and the equivalent of one every 27 seconds. Additionally, over 370 pensions holders were warned about an unauthorised firm after using the Warning List, an online tool that helps consumers check a list of firms operating without authorisation.[43]

3.4 Industry code of good practice

An industry-led code of good practice to combating pensions scams was launched in 2015.[44] It has been developed with the support of the Pensions and Lifetime Savings Association (PLSA) an industry body for pensions schemes.

The Code of good practice sets out practical steps that pension scheme managers and trustees can take to protect their members from scams. The PLSA explains:

> Whilst the code has no statutory basis, schemes have been adopting its guidelines since it was launched in 2015, resulting in the prevention of thousands of transfers to unauthorised arrangements and saving many people from a likely loss of pension savings.[45]

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

1. Trustees, providers and administrators should raise awareness of pension scams for members and beneficiaries of their scheme.
2. Trustees, providers and administrators should 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.
3. Trustees, providers and administrators should generally be aware of the known current strategies of the perpetrators of pension scams in order to inform the due diligence they need to undertake and should refer to the warning flags as indicated in The Pensions Regulator's Guidance, FCA alerts and by Action Fraud.[46]

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43 TPR, Scam awareness campaign prompts tens of thousands of pension holders to seek information, 4 Dec 2018
44 Combating Pension Scams: A Code of Good Practice (version 2.1), 10 June 2019
45 PLSA, Combating Pension Scams – a Code of Good Practice, [accessed 18 June 2019]
46 Combating Pension Scams: A Code of Good Practice (version 2.1), 10 June 2019

BRIEFING PAPER
Number 8643
24 April 2020