

✓ Tommy Burns reveals the latest developments within pension scams

Pension scams destroy lives and rob victims of the financial security in retirement that they have worked so hard for.

The scale of the issue is truly frightening, with a recent *Times* article estimating that up to £4 billion a year is being lost.

Initially, the scam was the early release of cash from the pension scheme (typically before age 55) but although some of these 'liberation' scams are still being perpetrated, the majority of today's pension scams are investment scams, with the investments in unregulated, high-risk, overseas investments. These have included hotel and property developments, biofuels, renewable energy bonds, bamboo plantations, and forestry.

Alternatively, the scams may take the form of investments in more conventional funds but within an unnecessarily complex structure, usually featuring the purchase of structured notes or investment bonds, which hides a myriad of fees and charges. This 'fractional scamming' or 'skimming' sees multiple entities taking a cut and the value of the underlying investments can be destroyed. Some discretionary portfolios have featured share trading accounts in which trading activity generates substantial commissions for the trader, to the clear detriment of the member.

The complexity of today's scam models poses significant challenges, not only for trustees and administrators, but also for the regulators and police in understanding what is going on and identifying the numerous parties that can be involved.

The Pension Scams Industry Group (PSIG) *Code of Good Practice* also highlights the issue of what have been termed 'international SIPP's'. Members seeking such transfers are frequently resident overseas, with the transfer

Ever-changing risks



being facilitated through intermediaries and advisers outside the UK and its regulation. In addition, some UK residents are also being targeted. In some cases, it is clear that the scammers are playing on Brexit fears as they look to facilitate investment overseas but through a UK-registered SIPP.

Even if checks identify concerns, the overriding challenge for trustees, providers and administrators is the fact that, as the transfer is to a UK SIPP, a statutory right to transfer is likely to exist. This is a major issue and many millions of pounds are being paid under discharge to international SIPP's of concern. In such cases, because of the legal right to a transfer, the transferring scheme may only be able to highlight the concerns to the member in a discharge or indemnity letter, but not to refuse to transfer.

Scams have also broadened to include 'secondary scamming', where someone who has been scammed is approached by a third party, often a claims management company, which, for a fee, offers to attempt to recover the lost money. When they fail to do so, the individual is even further out of pocket.

Organised crime is behind much of today's pension scamming activity and every pension scheme member is a potential target.

The FCA has highlighted that vulnerable consumers may be the most likely to fall victim to scammers.

They may be specifically targeted through unsolicited approaches, or more likely to be persuaded to disclose personal financial details.

Their research has shown that older consumers who may be lonely are more likely to be at risk of being scammed.

It is not just the vulnerable or the less well-educated who are targeted or fall victim however. Those with a university degree are 40 per cent more likely to accept a free pension review from a company they've not dealt with before and are 21 per cent more likely to take up the offer of early access to their pension pot. Both are common scam tactics. Many highly intelligent people fall victim.

The regulators have also warned that 'overconfidence' can lead to savers missing signs of a scam. Almost two-thirds of people felt 'confident' making pension decisions, with a similar proportion saying that they would trust someone offering pensions advice out of the blue. These really are alarming statistics.

✓ **Written by Pension Scams Industry Group (PSIG) deputy chair, Tommy Burns**