Old dogs, new tricks

Louise Farrand explores the new and varied way scammers are trying to get hold of people's pensions, and how the industry is responding to the challenge

Summary
• From skimming to cyber risk, pension fraudsters are using an array of new techniques to part people from their pensions.
• There's been a huge leap in the financial losses people have reported between 2022 and 2023.
• Better reporting and consolidation may help the industry to battle scams.

As technology transforms the world we live in, new opportunities are emerging for the underbelly of society. Pension scammers and other fraudsters are getting smarter, deploying an ever-changing array of tactics to separate people from their pensions.

The official figures are daunting, with a hugely stark jump in the scale of reported pension fraud between 2022 and 2023. Just under £8 million (£7,996,626)'s worth of pension fraud was reported to Action Fraud in 2022. An enormous leap in the number of frauds reported has happened in the first half of 2023, with just under £118 million (£117,952,627) lost in 263 separate reported scams.

Even these stark numbers are unlikely to reflect the true scale of the problem. People may not know where to report the fact that they have been scammed, not realise they have been the victim of a crime for many years, or feel too ashamed to tell anyone.

"I think the official statistics are probably the tip of the iceberg," says Sackers partner, Adeline Chapman.

So, what are the new generation of scammers doing to part people from their money – and what can the industry do to stop them?

Pension liberation

The talk of the pensions industry in the early 2010s, pension liberation, is on the decline, thanks to changes in the law. Pension Scams Industry Group chair, Margaret Snowdon, explains: "Pension liberation still exists but it's harder because new schemes can't be set up. Anyone operating liberation is doing it on an old scheme. It hasn't gone, but it is much less because it is easier to do other things."

"For a number of years, pension liberation has not really been prevalent," says The Pensions Regulator head of intelligence, Michael Broomfield.

That said, people may still be realising that they have been victims of a pension liberation scam, says Snowdon. For instance, someone could have unlocked some of their pension money in 2010, have put the rest away for later, and come back to take the rest of their pot, only to discover it has gone or is inaccessible.

Month	Reporting Volume	Financial Loss
2022		
Jan	34	£349,548
Feb	42	£570,301
Mar	37	£883,650
Apr	30	£307,283
May	37	£1,021,637
Jun	31	£385,384
Jul	37	£630,809
Aug	43	£836,909
Sep	40	£314,224
Oct	30	£92,833
Nov	33	£2,364,270
Dec	26	£239,779
Total	420	£7,996,626
2023		
Jan	32	£299,212
Feb	32	£223,483
Mar	37	£1,115,735
Apr	35	£239,264
May	31	£51,077,947
Jun	47	£542,074
Jul	49	£64,454,911
Total	263	£117,952,627
Grand Total	683	£125,949,253

Source: Action Fraud

Investment fraud and skimming

Broomfield says: "What we're seeing now is investment fraud and scams, where people are enticed into an arrangement and maybe the investment is high risk, they might pay high fees and high charges on their way into it. It is something we didn't really see before, but we have seen in the past few years."

Snowdon says: "One of the biggest pension investment scams at the moment is skimming, where you don't realise you are paying commissions to six, seven, eight different people."

She adds: "It is going to get worse until we can stop the online adverts that draw people in and unregulated people being able to practice at all."

Overseas transfers

People are attracted by transfers to attractive-looking overseas investment opportunities for a mixture of reasons, says Snowdon. UK SIPPs being marketed overseas are one issue. She explains: "If you look at pensions these days, a lot are being paid overseas. UK expats are being targeted by overseas advisers or sometimes UK advisers who hop around, and they are being sold SIPPs, which allow you to do some exotic and weird investments, as opposed to the standard sort of Hargreaves Lansdown type SIPP. This is bringing SIPPs into disrepute."

Chapman believes that a grey area exists, where pension scheme trustees may have a bad feeling about a transfer, even though legally it checks out. Perhaps the trustees have seen the same FCA regulated adviser making multiple overseas transfers, for example. "There's some discomfort there about reporting it, which I think people should get over because if they've gone through a proper process, you can still report something that gave you concerns or disquiet, even though eventually you got comfortable with processing the transfer because that was what the member wanted."

Cyber risk

"The biggest risk we're concerned about at the moment is cyber risk, where someone attacks your systems and steals a load of data," says Capital Cranfield independent trustee, Andrew Warwick-Thompson. "The Capita incident earlier in 2023 illustrates that even someone as sophisticated as Capita can be attacked. Following that, we as trustees of the Scottish Widows Master Trust, and I am sure lots of other people, went back to our administrators and said, do we need to take any further steps? Should we be bringing forward penetration testing, which we do periodically? What do we know about the Capita attack? Is there anything we should be testing as a result of that?"

Another major concern for Warwick-Thompson is a hacker getting into the Scottish Widows admin system and stealing personal data or holding the system to ransom.

He says: "Lloyds Bank, being a bank, is massively concerned about these kinds of attacks. As a trustee, I feel as confident as I can be that we've got sufficient expert support within the Lloyds Banking Group and that I as a trustee and the members of my pension scheme benefit from that. But you can never be complacent."

Scammers are also trying to trick people by duplicating websites, says Broomfield. "We've seen cloning of websites, where someone is purporting to look like a genuine administrator or insurer, which is a cue for people to check what they're doing when they're online to make sure they are operating safely."

What else can we do?

Measuring scams more accurately is an important first step in tackling the problem, argues Snowdon. A shift in attitudes needs to happen, she believes. "We need to lift the weight off people's shoulders. There is a feeling that 'you deserved it', or 'you have done something a normal person wouldn't have done.'"

Broomfield adds: "Part of the Pensions Scams Action Group (PSAG)'s work is looking at the victim's journey, so that, once a person is a victim of a scam or fraud, that they can report that to Action Fraud and get the support they need through the Money and Pensions Service to rebuild their retirement savings and take advice on where they need to go for further support."

Snowdon adds: "One of the things I am trying to do with PSIG is set up a database that will hold a database of bad actors, which the industry can look at and make a judgement on. However, I think it is easier to get to the moon than to set up an intelligence database that is safe from scammers. Scammers will use data protection laws to find out what we know about them and then they use defamation law to pursue us. It is a very dangerous place. To be able to get around that we need to spend a lot of money on legal advice and set up as a special outfit."

As Chapman says: "I would love a database of bad actors, but it comes with lots of problems. Unless you have a slam dunk piece of information that proves someone is a criminal, you're going to have people saying that it's inappropriate that they are on the list. What I can say is that under the bonnet, most advisers keep unofficial lists; suspicion lists. Making the list official would probably make it a very short list, because if we knew who was on the list, they'd be banned from the market."

Warwick-Thompson is unsure how much more trustees can do to help. "If you have transfer requests being scrutinised by the administrator and anything strange being referred to the trustees, there's not a lot more that we can do, apart from relentless communication to members about not trusting cold calls or emails out of the blue."

Consolidation may help, says Warwick-Thompson. "The regulator keeps saying there are lots of DC schemes out there that are probably not as well run as they should be. A lot of them don't even fill in their scheme returns or value for money assessments. I'll bet they're not keeping their data policies up to date either and are probably not asking questions of their administrators. This is just another reason why the regulator and the DWP are going to be trying to make consolidation happen faster. Because there are probably people in some of those schemes who are at greater risk than they would be if they were in a large master trust."

Written by Louise Farrand, a freelance journalist