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FYI® Alert

For Your Information®

Volume 2022

Issue 20

18 August 2022

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Pension scams – a new strategy from The Pensions Regulator

The Pensions Regulator has issued a new strategy to combat pension scams which seeks to:

- educate both the industry and members on the threat posed by scams;
- prevent practices which can harm retirement outcomes; and
- combat fraud by seeking to prevent, disrupt and punish those behind the scams.

Within the strategy, the Regulator helpfully identifies seven types of pension scam and also encourages more reporting of scams.

Background

For over 20 years the Regulator has been at the forefront of the battle against criminals who seek to scam people out of their pensions. For much of that time it has led Project Bloom, the multi-agency campaign against scammers – set to be renamed as the Pension Scams Action Group (PSAG).

Despite the best efforts of all those involved in Project Bloom and the pensions industry generally, criminals continue to find large numbers of victims to scam out of their pension savings.

This new strategy follows a joint assessment of the threat from pension scams carried out by the Regulator and the National Fraud Intelligence Bureau and complements the work carried out by Project Bloom.

What is a pension scam?

The Regulator has identified seven kinds of pension scam in the strategy, although acknowledges there are others:

- Investment fraud – misrepresenting high-risk or false investments;

- Pension liberation – where savers are misled into accessing their pension savings before their normal minimum pension age, without realising they will incur a tax charge or potentially engage in tax evasion;
- Scam pension schemes and providers – set up to deceive victims, which either don't exist or exist fraudulently;
- Clone firms – disguised as legitimate entities;
- Claims management companies – such as cold-callers who claim savers have been mis-sold a pension and then ask for an advance fee to begin a claims process;
- Breaches of employer-related investment – where pension payments are diverted to invest inappropriately in an employer's business; and
- Excessive fees – often layered through unnecessarily complex business structures.

Related to these examples are recovery room scams, where fraudsters approach members who have already been scammed, offering to help them get their money back for an upfront fee.

What measures are proposed in the strategy?

The strategy proposes a number of measures which include:

- developing a regular PSAG strategic threat assessment and looking to establish a dedicated PSAG scams hub to co-ordinate intelligence and direct fraud prevention activity;
- devising an online facility to enable the industry to test scam prevention solutions and share intelligence gathering;
- revising the guidance on member communications for scam-prevention messaging;
- continued promotion of the Regulator's pledge to combat pension scams; and
- encouraging poorly run schemes to consolidate.

Challenging the pensions industry

The task of combatting pension scams has to be a collective effort. The Regulator expects the industry to lead the way in thinking of innovative ways to protect savers now and in the future.

There is also concern about the lack of reporting to Action Fraud (the UK's national reporting centre for fraud). Although as many as 5% of pension transfers could have features of a scam, just 253 crime reports were made to Action Fraud in 2022/23.

Comment

In the UK, fraud is the most common form of criminal activity. It is often complex, time consuming, and difficult to prove. Perhaps understandably, given the competing priorities that police and law enforcement agencies have to cope with, it is often not given the priority it deserves. One of the reasons for the underreporting of pension scam activity via Action Fraud is the perceived lack of cases pursued following such a report.

Sadly, in the last 20 years the message about pension scams has not been successfully communicated. This is despite the best efforts of many, including the Regulator, with people still falling victim to this criminal activity. It is important that trustees remain vigilant and continue to take every opportunity to repeat the warnings about such criminal activity to members.

Much of what is in the strategy is not new, but it's good that the Regulator is continually refreshing its campaign against the scammers. It is a helpful addition to the tools available to the pensions industry and one to be welcomed and promoted.

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