



Pension Scams

Pension scams are becoming increasingly more frequent in the UK. In 2015, the Pension Schemes Act gave individuals over the age of 55 more flexibility in accessing their pension pot. However, this has allowed scammers to find ways to exploit victims in parting with their hard-earned money which often has been saved up over numerous years.

48%

of those who lost money to a scam over the past twelve months received unwanted calls, texts and emails about their pension*

OVER HALF

of adults now say pension scams are harder to spot*

7.3 MILLION

people received unsolicited contact from someone encouraging them to move their pension or release money from it*

There were
559

reports of pension fraud in total and

£17,750,635

lost in 2023, with an average loss of

£46,959

per person **

This scam can target anyone, regardless of how large their pension is. Fraudsters identify potentially vulnerable people and deceive them into transferring or releasing part or even all of their pension, often promising lucrative returns or quick cash. Pension scams are also becoming harder to identify, leaving the pension holder with significant losses and sometimes serious tax implications.

Here we explore the most common types of pension scams and explain what to look out for.

Free pension review scam

Due to the harmless nature of how this scam sounds, it is frequently used by swindlers. From fake websites and social media accounts, to direct unsolicited contact, this scam involves an offer to individuals of a 'free review' of their pension savings. Once this review has been conducted, the scammer will make up problems with someone's current pension and persuade the victim into transferring funds to a different scheme which provides greater flexibility and can produce large, guaranteed returns. In reality, these investment opportunities are badly run, high risk, unregulated and sometimes don't even exist.

Once funds have been transferred, the victim won't see these 'promised' returns and part, or all of their pension pot will be gone for good. These schemes are presented as long-term pension investments; therefore, it can be several years before individuals even realise they have been scammed. Remember if it sounds too good to be true, it normally is.



Additionally, scammers sometimes ask their victims to refer friends, family and colleagues to them. By this point scammers have already built a strong relationship with their original victim, who believes they have received a good service. Individuals who are referred to someone who can help with their pension should remain vigilant and conduct thorough checks.

Remember professional advice on pensions is not free. The only way to get a proper review of your pension is to consult a regulated financial adviser. If you are contacted out of the blue by someone offering a free pension review, it is almost certainly a scam. Pension Wise from MoneyHelper is a free, government-backed service for over 50s offering clear and impartial guidance on your retirement options.

*LV= Wealth and Wellbeing Research Programme Spring/Summer 2024 Edition

**Action Fraud - Pension Fraud in 2023



Early release scam

Offers to access a pension early may also be called 'pension liberation' or a 'pension loan', as scammers often claim people can borrow money from their pension fund.

For those struggling financially, the opportunity to withdraw money from a pension pot early can be very tempting. Currently money can only be withdrawn from a pension when someone is 55 or older except in certain cases, such as poor health. This will increase to 57 from 2028. If individuals take money out sooner, they are likely to face large tax charges. Fraudsters are using this barrier to exploit potentially vulnerable people.

The scam which is conducted via a third-party lures people to believe they can access their pension early through exploiting a loophole where they don't have to pay tax. The victims are encouraged to move part or even all their pension into a different pension scheme that allows unauthorised payments. If the offer has been taken up, funds will be transferred into the scheme set up by the scam, which often will be based abroad.

Individuals will then be 'loaned' an amount which was originally promised (sometimes around half of the pension), with the company involved taking a fee, perhaps as much as 30%. This 'fee' is where the scammers make their money. Unfortunately, victims are hit twice as hard with this type of scam. Not only could individuals lose a big percentage of their money to scammers through a 'transfer fee or charge', HMRC would view this as an unauthorised payment, thus leading to a tax charge up to 55%. Therefore, only a small percentage will be left for the individual.

Be aware, any scheme offering to help release cash from a pension before the age of 55 is usually a scam.



Warning signs of a pension scam

- Out of the blue phone calls, email, texts or contact via social media regarding your pension. **Since January 2019, cold calling about pensions has been made illegal.** This means you should not be contacted by any company about your pension, unless you've asked them to contact you.
- Phrases used like '**free pension review**', '**pension liberation**', '**loan**', '**savings advance**' '**loopholes**' or '**cashback**'.
- Guarantees of better or high returns on your pension savings.
- Help to release funds from your pension plan before the age of 55, with no mention of the tax bill that can arise.
- Unique or unusual investment opportunities e.g property abroad. These are usually unregulated and high risk.
- Pressurised sales tactics that refer to opportunities being 'time limited' or 'one-off'.
- Complicated investment structures.
- Claiming to be from government-backed organisations.



Steps to avoid your pension savings being scammed

- Reject any unsolicited approaches such as calls, emails, messages or visitors to your door. Legitimate companies won't cold call or contact you out of the blue. Also be beware of being talked into something by someone you know. They could be getting scammed too.
- Ensure that the person or firm you're dealing with is regulated by the Financial Conduct Authority (FCA) and authorised to provide pension advice. Check the FCA register of regulated companies, or the FCA warning list. If you need any further help checking, **call the FCA Consumer Helpline on 0800 111 6768.**
- Take your time and don't feel rushed. Scammers will often try to pressure you into making a decision. There is never a rush. Take your time to make all the checks you need.
- Get impartial advice. Consider seeking financial advice before making any decision regarding your pension arrangements. MoneyHelper provides free independent, impartial information and guidance over the phone or through webchat.

What should you do if you think you've been scammed?

There's support available if you think you've been scammed:

Action Fraud: Report a scam, or get more advice of scams and fraud.



Financial Conduct Authority: Check whether a company is authorised or view their Warning List of unauthorised companies.



There are also organisations that can help you understand more about pension scams and fraud:

Financial Conduct Authority ScamSmart: Keep up to date with the latest investment scams and fraud.



Pension Wise: Independent pension advice through the Pension Wise service from MoneyHelper

