

Pensions Scams

Do not let a scammer enjoy your retirement – find out how pension scams work, how to avoid them and what to do if you suspect a scam.

Pension scams can be hard to spot. Scammers can be articulate and financially knowledgeable, with credible-looking websites, testimonials and materials that are hard to distinguish from the real thing.

How do pension scams work?

Scammers usually contact people unexpectedly via phone, email or text, or even advertise online. Or they may be introduced to you by a friend or family member who is also unknowingly being scammed.

Scammers will make false claims to gain your trust. For example:

- Claiming they are authorised by the Financial Conduct Authority (FCA) or that they don't have to be FCA authorised because they aren't providing the advice themselves.
- Claiming to be acting on the behalf of the FCA or a Government service called PensionWise.

Scammers design attractive offers to persuade you to transfer your pension pot to them (or to release funds from it). It is then often:

- Invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units.
- Invested in more conventional products but within an unnecessarily complex structure which hides multiple fees and high charges.
- Stolen outright.

What are the warning signs?

Scam offers often include:

- Free pension reviews.
- Higher returns – guarantees they can get you better returns on your pension savings.
- Help to release cash from your pension even though you're under 55 (an offer to release funds before age 55 is highly likely to be a scam).
- High-pressure sales tactics – the scammers may try to pressure you with 'time-limited offers' or even send a courier to your door to wait while you sign documents.
- Unusual investments – which tend to be unregulated and high risk, and may be difficult to sell if you need access to your money.
- Complicated structures where it isn't clear where your money will end up.
- Arrangements where there are several parties involved (some of which may be based overseas) all taking a fee, which means the total amount deducted from your pension is significant.
- Long-term pension investments – which mean it could be several years before you realise something is wrong.

How can you protect yourself, through four simple steps?

Step 1 – Reject unexpected offers

If you are contacted unexpectedly about a pension opportunity, chances are it's high-risk or a scam. If you get a cold call about your pension, the safest thing to do is to hang up - it is illegal and probably a scam. Report pension cold calls to the Information Commissioner's Office.

Be wary if you are contacted about any financial product or opportunity and they mention using your pension. If you get unsolicited offers via email or text, you should simply ignore them.

Be wary of offers of free pension reviews. Professional advice on pensions is not free – a free offer unexpectedly (from a company you have not dealt with before) is probably a scam.

In addition, do not be talked into something by someone you know. They could be scammed themselves, so check everything for yourself.

Step 2 – Check who you are dealing with

Check the FCA's Financial Services Register to make sure that anyone offering you advice or other financial services is FCA authorised, and they are permitted to provide those services regarding pensions.

Check they are not a clone – a common scam is to pretend to be a genuine FCA-authorized firm (called a 'clone firm'). Always use the contact details on the FCA's register, not the details the firm gives you.

If you use an unauthorised firm, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme so you are unlikely to get your money back if things go wrong.

Check to see if they are registered with Companies House and the Directors' names. Search the company name and the Directors' names online to see if others have posted any concerns.

Check the FCA warnings list – use FCA's tool to check the risks of a potential pension or investment opportunity. You can also search to see if the firm is known to be operating without the FCA's authorisation.

Step 3 – Do not be rushed or pressured

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and do not be rushed or pressured into making a decision.

Step 4 – Get impartial information or advice

It is a legal requirement for members of the 'Defined Benefit' section to take financial advice where the amount they were looking to transfer out of the Scheme is above £30,000. However, we strongly recommend that you take financial advice regardless of the value or the source of your benefits.

The Pensions Advisory Service provides free independent and impartial information and guidance.

If you are over 50 and have a defined contribution pension, PensionWise offers pre-booked appointments to talk through your retirement options.

You can also use a financial adviser to help you make the best decision for your own personal circumstances. If you do opt for an adviser, make sure they are regulated by the FCA and never take investment advice from the company that contacted you, as this may be part of the scam.

You can find suggested questions to ask your adviser on the FCA's website:
<https://www.fca.org.uk/consumers/what-ask-adviser>

with further information on pension transfers at:
<https://www.fca.org.uk/consumers/pension-transfer-defined-benefit>

If you suspect a scam, report it.

- Report to the FCA – you can report an unauthorised firm or scam to the FCA by contacting their Consumer Helpline on 0800 111 6768 or using their reporting form.
- Report to Action Fraud online or by calling 0300 123 2040.
- If you have agreed to transfer your pension and now suspect a scam, contact the Scheme Administrator straight away. They may be able to stop a transfer that hasn't taken place yet.

For further information about pensions scams, please contact the Pensions Manager, Sukhjit Dhillon at pensions@ratpdev.com or on 0208 400 6684.