

# FINANCE UPDATES NOVEMBER 2019



## THE DANGERS POSED BY PENSION SCAMS

Getting to grips with the warning signs.

Cold calls, time-limited offers and claims of guaranteed returns are among the tactics being used to tempt pension savers into risking their retirement income.

Fraudsters have been deploying these tactics, and tweaking them to get around legislation along the way, ever since pension freedoms were expanded in 2015.

Scammers prey upon the fact that over-55s had more choice when it comes to accessing their pension, which meant an opportunity to convince them to make ill-advised choices.

Last year, 180 savers reported to Action Fraud that they were victims of pension scamming – losing on average £82,000 each.

While that number is relatively low, the actual number of those affected in 2018 is likely to be considerably higher given that pension scams are often unreported.

It can take years for fraud victims to realise they have been caught out, so it would be no surprise to see this number rise.

Research by the Financial Conduct Authority (FCA) found that 42% of 45 to 65-year-olds were at risk of being conned.

The chances of being sucked in by a scam increased to 60% among those who said they were actively looking for ways to boost their retirement income.

What's more, those who consider themselves smart or financially savvy are just as likely to be duped as anyone else.

So what is the Government doing to crack down on pension scams, and what steps can you take to get to know the warning signs and protect your savings?

### COLD-CALLS

Back in January this year, the Government banned unsolicited pension-related phone calls in a bid to stop an estimated eight scam calls a minute.

Under the rules, companies that make unsolicited phone calls to people about anything to do with their pensions could face fines of up to £500,000.

Exceptions to the ban include cases where the caller is authorised by the FCA or is the trustee or manager of an occupational or personal pension scheme. Another exemption exists where the recipient consents to the calls.

John Glen, economic secretary to the Treasury, said:

“Pension scammers are the lowest of the low. They rob savers of their hard-earned retirement and devastate lives.

“We know that cold-calling is the pension scammers’ main tactic, which is why we’ve made them illegal.”

Critics argue that the legislation was too slow to be introduced, having been first announced in Autumn Statement 2016, and that the delay will have resulted in millions of pensioners’ retirement savings disappearing into the hands of cold-calling fraudsters.

Those critics also claim that scammers have had time to create new ways to tempt savers to risk their retirement income, staying one step ahead of the legislation.

Despite the ban, almost one in four respondents told the FCA they would engage a company that called them out of the blue to discuss their pension.

Anyone receiving a cold call about their pension is advised to report it to the Information Commissioner’s Office.

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## OTHER COMMON TACTICS

Around a quarter (23%) of retirement savers told the FCA they would pursue **exotic investment opportunities**.

Typically, a fraudster will try to deceive you with an offer of high returns in either overseas property, renewable energy bonds, forestry, storage units or biofuels.

None of these investments offer guaranteed returns as these types of investments are extremely high risk and unlikely to be suitable for pension savings for most investors.

Be wary of **pension liberation scams** offering you the chance to access your pension savings before you reach the age of 55.

Almost one in five (17%) 45 to 54-year-olds said they would be interested in a company offering early access to their pension.

There are usually huge fees and substantial taxes in place for withdrawing your pension before you're 55.

These are considered by HMRC to be unauthorised payments, and the tax owed could be 55% plus charges of up to 30% to the firm that does it for you.

You can, however, change your mind within 30 days and ask your old pension provider to reinstate your pension before the funds are released.

While most people would not discuss their pension pot with a company they had never previously heard from, the FCA's research suggested 10% would accept a free pension review.

Pension Wise, a Government service for over-50s, offers free impartial guidance over the phone or by appointment.

**Time-limited offers** usually sound too good to be true, because they are just that. Yet 7% would accept an offer of a special deal from a fraudster.

If a company offers you a deal that won't be around for long, and pressurises you to sign by rushing the paperwork to you, put it straight in the bin.

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## WAYS TO PROTECT YOUR SAVINGS

As the TV advertisement launched by the FCA in August 2018 puts it: "Don't let a scammer enjoy your retirement".

Fraudsters want to get their hands on your hard-earned savings, regardless of the pension pot's value, which makes getting to know the warning signs before you make any decision relating to your pension arrangements vitally important.

There are basic steps you can take, however, to protect your savings from falling into the grip of a con artist.

Dismiss any unexpected pension offers you receive, whether made online, on social media, in person or over the phone through text message or cold-call.

Listen out for words like 'pension liberation', 'loan', 'loophole', 'free pension review' or 'one-off investment'. These should all raise red flags.

Watch out if you are contacted out of the blue and offered an investment opportunity described as 'environmentally-friendly', 'overseas' or 'unique'.

You can also check the status of the person or firm contacting you by calling the FCA or going to the FCA website. If they're not authorised, don't deal with them.

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## WHEN URGENT ACTION IS NEEDED

If you suspect you are the victim of a scam, report it to the FCA by calling 0800 111 6768 or reporting it at [www.fca.org.uk](http://www.fca.org.uk)

You can also report it to Action Fraud – the UK's fraud and cybercrime reporting centre. Call 0300 123 2040 or do it online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

If you have transferred your pension within the last 30 days and suspect foul play, get in touch with your provider and the Pensions Advisory Service. You can also inform the FCA or the police using the aforementioned methods.

👉 **We offer retirement planning advice.**

## IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change.

Pensions eligibility depends on individual circumstances and pension benefits cannot normally be taken before age 55.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any pension decisions based on its content.

While considerable care has been taken to ensure the information contained in this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.

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