

# A lifetime's savings lost in a moment.



**Pension scams.** Don't get stung.

**ActionFraud**  
Report Fraud & Internet Crime

THE  
**PENSIONS**  
ADVISORY SERVICE

## **Pension scams are on the increase in the UK.**

'One-off pension investments', 'pension loans' or upfront cash are being used to entice savers.



For most people the offers will be bogus and **you will probably lose most, if not all, of your savings.**

In the future you may be able to take more than 25% of your pension savings as a cash lump sum after the age of 55 – but this would not come into effect until at least April 2015.



As well as losing most, if not all, of your savings, you may also receive tax charges of over half the value of your pension for taking an 'unauthorised payment'.

This booklet explains in more detail how to spot potential pension scams, what to do if you suspect a scam and who to contact.



**Check the facts before you make an irreversible decision.  
A lifetime's savings can be lost in a moment.**

# Types of scam to watch out for

Pension scams can take many forms. Some scams will appear to be legal, and some scammers may even suggest that the Government has asked them to contact you. Watch out for these common features of pension scams:

- Phrases like 'one-off investment opportunities', 'free pension reviews', 'legal loopholes', 'cash bonus', 'government endorsement'
- Victims are approached out of the blue over the phone, via text messages or in person door-to-door
- Transfers of your money or investments overseas, meaning the money is harder to recover
- Access to your pension pot before age 55
- No member copy of any documentation
- Victims are encouraged to speed up transfer of their money to the new scheme.

Scams may be presented as unique investment opportunities. They may try to get your attention by offering a free pension review. You may be encouraged to transfer your pension quickly, and they may even send documents to you by courier in an attempt to pressurise you to sign.

**Once you've transferred your pension, it's too late. Many victims will lose their entire pension and will have to pay a large tax charge on top.**

## Pension facts

What can I do?	What can't I do?
You can start to draw your pension once you reach 55 if your scheme allows it.	You cannot access any of your pension before you are 55 (other than due to ill health).
You can take a cash lump sum of up to 25% when you start receiving your pension.	You cannot take more than 25% of your pension as a cash lump sum. This may change from April 2015, however only 25% of the pot will be tax free.

# Examples of real life scams



## Victim A: upfront cash scam

Ruby is 53 years old and due to retire in six years. She's recently re-mortgaged her home to free up some cash for her son's university costs. She has had a pension scheme for over 30 years and now it's worth £114,000. She wants to explore whether she can access it early, so she searches on the internet for '**early pension release**'.

### The trap

Ruby finds a website that offers pension release so she fills out their contact form and is called the next day. She is told that she can take 5% of her pension in cash now and the rest will be invested in UK storage facilities, which will generate a **guaranteed 8% return** for her savings. She is disappointed that she can only release £5,700 now but is happy at the prospect that the rest will grow quickly.

### The point of no return

**A courier is sent** to Ruby and she signs the papers provided. One week later £5,700 is transferred to her bank account and she receives a welcome letter as well as an opening statement showing her pension monies.

### What happened next?

For more than a year, Ruby heard nothing about her pension. She called the contact number she had been given to find out how the investment was going but the phone lines were constantly engaged. She visited the address and was told by a company on the premises that they were not responsible but to call a different number. This number was also constantly engaged.

### The punishment

Ruby called Action Fraud and was told that it was likely she had lost all of her pension. Three months later she was contacted by HM Revenue & Customs (HMRC) and told that she would be hit with unauthorised payment tax charges of £62,700.

### How did it happen?

Ruby's desire for short term cash meant that she agreed to a investment opportunity that didn't exist. The upfront cash she received was a deliberate attempt to lure her in from scammers who knew that, if successful, they'd walk away with over £108,000 of her money. By the time she reported it, it was already too late. And by accessing her pension before age 55, Ruby broke rules which meant that she was hit by a tax charge. The fact that she lost most of her pension didn't mean that she was exempt from these heavy charges.

Points in **bold** are hallmarks of a pension scam.



## Victim B: Tricked into being part of the scam itself

Henry is 44 years old and has been in his company pension scheme for 17 years. He receives a **cold call** out of the blue with an offer of a **free pension review**.

### The trap

The caller offers Henry a **'unique investment opportunity'** for his pension savings, specifically in property developments overseas. The investment promises much higher returns than the current return on his work pension. Henry is told that the more he invests, the better the interest rate he'll receive.

### The point of no return

Henry is interested and tells the cold caller that he'd like more information. The next day a **courier arrives** with forms for him to sign. Henry has questions that the courier can't answer, but he signs the forms because he was told the day before that if he doesn't take the investment opportunity it'll be **offered to someone else**. A week later, Henry receives a brochure in the post giving details of his investment.

### What happened next?

Six months later Henry wanted to know if he could invest any more money in the property developments. He called the number in the investment brochure and it was disconnected. He investigated online and discovered that some pension transfer offers may be a scam. Concerned, Henry called Action Fraud to register a suspected crime.

### The punishment

18 months after he transferred his pension, Henry had heard nothing about the investment and had no records of where his money was. But losing his pension savings was just the start. HMRC issued a tax penalty against Henry for not filing his tax returns; and a charge for making an unauthorised payment. Companies House informed Henry that he might also be fined and banned for life from being a director of any company.

### How did it happen?

When Henry signed the papers several things happened. Firstly, he lost his entire pension. Secondly, he unwittingly agreed to become a 'director' of the investment company at the centre of the scam. This meant he had legal duties with Companies House and HMRC that he didn't even know about. Henry lost 17 years' worth of savings because he was coerced into transferring without knowing all the facts.

Points in **bold** are hallmarks of a pension scam.



## What to do if you think you're being targeted

- Never be rushed into making a decision
- Make sure the adviser is authorised by the FCA at [www.fca.org.uk/register](http://www.fca.org.uk/register)
- Before you sign anything, call The Pensions Advisory Service on 0300 123 1047 for information and guidance about pension scams
- If you have already accepted an offer, raise the alarm by calling Action Fraud on 0300 123 2040.

**Don't proceed unless you are absolutely certain your money will be safe. Once you transfer, it's too late.**



For impartial information  
and guidance on scams:

THE  
**PENSIONS**  
ADVISORY SERVICE  
**0300 123 1047**  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

If you have already  
accepted an offer, call:

**ActionFraud**  
Report Fraud & Internet Crime  
**0300 123 2040**

---

A cross-government initiative by:



**Pension scams**  
Help for individuals

© The Pensions Regulator July 2014

You can reproduce the text in this publication as long as you quote The Pensions Regulator's name and the title of the publication. Please contact us if you have any questions about this publication. We can produce it in Braille, large print or on audio tape. We can also produce it in other languages.