

CLIENT ALERT

JLT EMPLOYEE BENEFITS | 29/2018 | AUGUST 2018

NEW CAMPAIGN TO COMBAT PENSION SCAMS

Victims losing average of £91,000 each



SUMMARY

The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) have joined forces to launch a campaign urging people to be aware of scammers targeting their pension savings, as it was revealed an average of £91,000 was lost per victim in 2017. The 'ScamSmart' advertising campaign targets savers aged between 45 and 65, which the regulators say is the most at risk group.

The campaign follows hot on the heels of a recent Ombudsman determination, where it was held that the administrator of a scheme had failed to take sufficient steps to protect a member from a pension scam¹. In that case, the administrator was directed to reinstate the member's accrued benefits in the scheme or provide equivalent benefits.

To avoid complaints, reputational risks and potential scheme sanction tax charges, and to protect their members, trustees need to work with their pension scheme administrators on transfer value procedures as well as member communications and education.

BE SCAMSMART

A poll commissioned by TPR and the FCA shows that almost a third (32%) of pension holders aged 45 to 65 would not know how to check whether they are speaking with a legitimate pensions adviser or provider. So, the FCA and TPR are calling the public's attention to the tactics used by pensions scammers.

One of the most common tactics is to offer a 'free pension review'. Research reveals that one in eight 45-65-year-olds surveyed (12%) said they would trust an offer of a 'free pension review' from someone claiming to be a pension advisor.

Cold calling is currently by far the most common method used to initiate pension fraud, although a ban on pensions cold calling is currently being consulted on. Other scam tactics include:

- unexpected contact about your pension via phone, post or email;
- promises of guaranteed high returns and downplaying the risks;
- offering unusual or overseas investments that aren't regulated by the FCA; e.g. overseas hotels, forestry, green energy schemes;
- putting people under pressure to make a quick decision, for example with time-limited offers and sending a courier round with paperwork to sign; and
- claiming to be able to unlock money from an individual's pension (which is normally only possible from age 55).

It is believed that only a minority of pension scams are ever reported. So, the FCA and TPR are urging anyone who believes they may have been targeted to come forward.

The FCA and TPR are urging the public to be ScamSmart with their pension and always check who they're dealing with. The regulators recommend four simple steps to protect yourself from pension scams:

¹ See our Client Alert 27/2018

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1. reject unexpected pension offers whether made online, on social media or over the phone;
2. check who you're dealing with before changing your pension arrangements. Check the FCA Register or call the FCA contact centre on 0800 111 6768 to see if the firm you are dealing with is authorised by the FCA;
3. don't be rushed or pressured into making any decision about your pension; and
4. consider getting impartial information and advice.

Those that think they have been a victim of a pension scam should report it. Visit www.fca.org.uk/scamsmart to find out more.

The joint advertising campaign shows the contrast between the impact on the victims of pension scams and the lifestyles enjoyed at their expense by the criminals. Using TV, radio and social media adverts, it urges anyone who is contacted about their pension to visit ScamSmart before they transfer any funds, so that they don't end up becoming the victim of a scammer.

WHAT MORE CAN SCHEMES DO?

There are a number of measures that can be implemented by trustees, employers and administrators in order to get tough with the pension scammers and to protect members and transferring schemes. Key amongst them are:

- ✓ Reading TPR's guidance and downloading the pension scams collateral²
- ✓ Ensuring members are educated about the risk of pension scams
- ✓ Explicit pension scams disclaimers for transfer forms, including indemnities for trustees
- ✓ A checklist for spotting the hallmarks of pension scams
- ✓ A maintained list of 'suspect schemes'
- ✓ Agreeing new due diligence procedures to deter and even refuse certain transfers
- ✓ Patience with third party administrators, where delays in processing transfers are incurred as

additional liberation checks are undertaken to protect the members and pension scheme assets.

We hope you find this Alert of interest. For further information, contact your usual JLT Consultant or John Wilson.

ABOUT US

JLT Employee Benefits is one of the UK's leading employee benefit providers offering a wide range of benefit and pension services, including administration, actuarial and pension consultancy, investment, Self Invested Personal Pensions (SIPPs) and Small Self Administered Schemes (SSASs) administration, flexible benefits, healthcare, benefit communication and financial education.

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² See <http://www.thepensionsregulator.gov.uk/pension-scams.aspx>