

Is YOUR pension a sitting duck for scammers? A lifetime's savings can be lost in an instant because vital protections are not in place

- Pension freedom reform of 2015 have helped cause a fraud frenzy, experts warn
- The scams aren't new but 'liberalised' pensions has created a big new market
- Fraudsters use copycat websites and deceptive adverts hosted by web giants
- Victims tricked to move savings to a risky investment or a fraudster's pocket

By [BEN WILKINSON](#) and [ROBERT JACKMAN](#) FOR THE DAILY MAIL

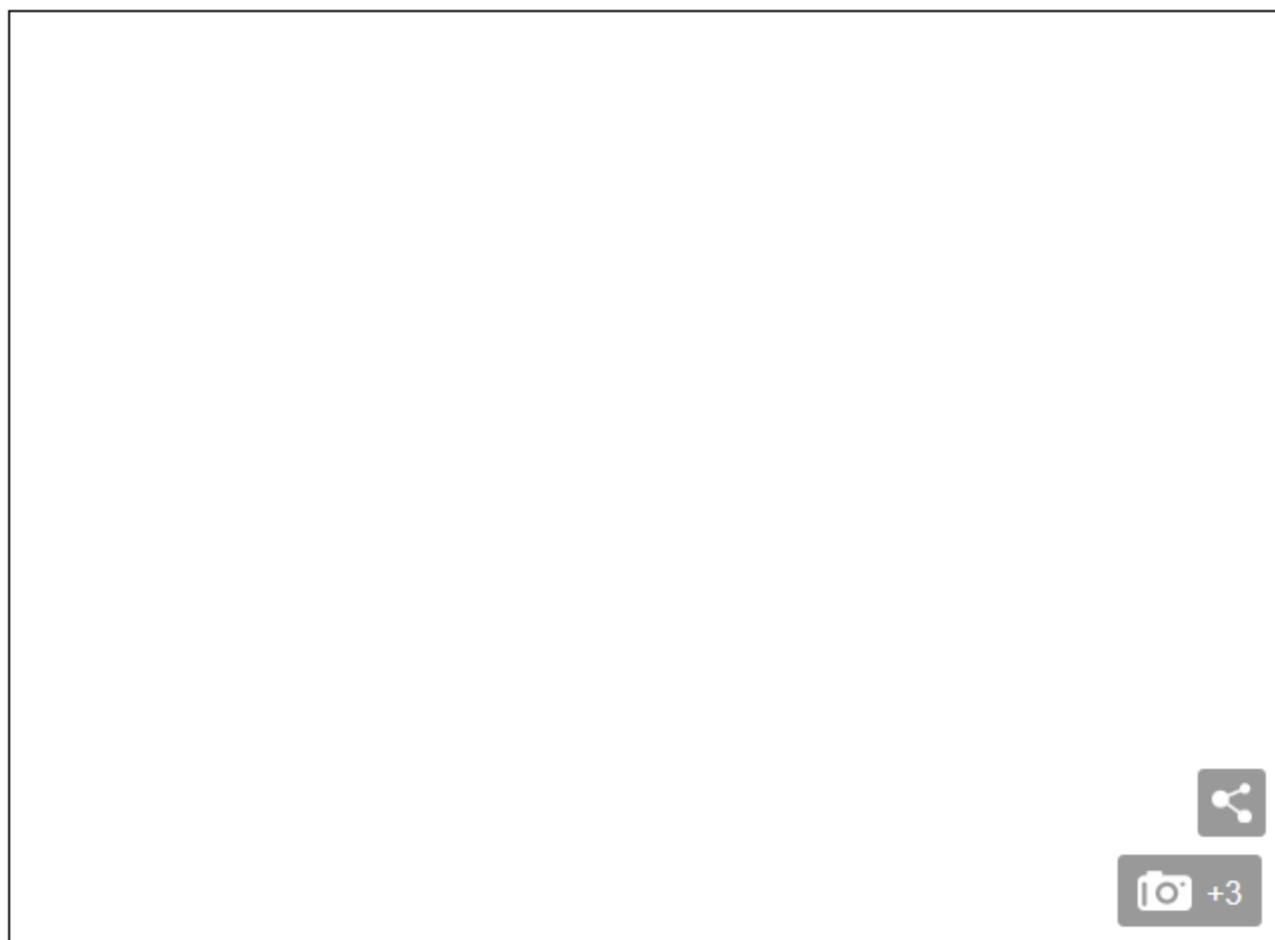
PUBLISHED: 22:00, 15 September 2020 | **UPDATED:** 10:37, 16 September 2020

 Share      **15** shares  **19** View comments

It starts with an out-of-the-blue phone call, email or text message and an offer to help with your pension: a plausible pitch explaining how you can enjoy a richer retirement in a few simple steps.

The promise sounds too good to be true, and it almost certainly is. Yet pension-scam victims are still losing millions of pounds to sophisticated cons.

The pension industry is now warning that savings worth £2.5 trillion are exposed to scammers because vital protections are not in place.



Fraud threat: The pension industry is now warning that savings worth £2.5 trillion are exposed to scammers because vital protections are not in place

This colossal figure is the cash that pension savers are now free to move out of their workplace scheme if they so choose.

In Money Mail's second special edition on fraud, we today expose how pension and investment scams are soaring during the pandemic — and tell you all you need to know to protect your nest egg.

SHARE THIS ARTICLE



15 shares

RELATED ARTICLES



Social media scams on the rise: Shoppers warned over surge...



How the cyber scammers suck you in: Enticing adverts,...



BEN WILKINSON: Government, regulators and providers must...



Should you ever pay over the asking price? As buyers battle...

HOW THIS IS MONEY CAN HELP

[Are you saving enough for retirement? Check with our pension calculator](#)

Money cons have spiked this year as fraudsters exploit the panic caused by coronavirus.

We revealed last week how victims lost a devastating £356.6 million in July - nearly four times the £92.3 million lost in March when the crisis began.

And today we warn how pension and investment scammers have been left free to run riot online, using copycat websites and deceptive adverts hosted by web giants to lure you in.

We also look at how holiday and romance scams have boomed [here](#).

The pension freedoms of 2015 gifted savers the power to access their pots from the age of 55 and do with them what they pleased, including withdrawing the lot.

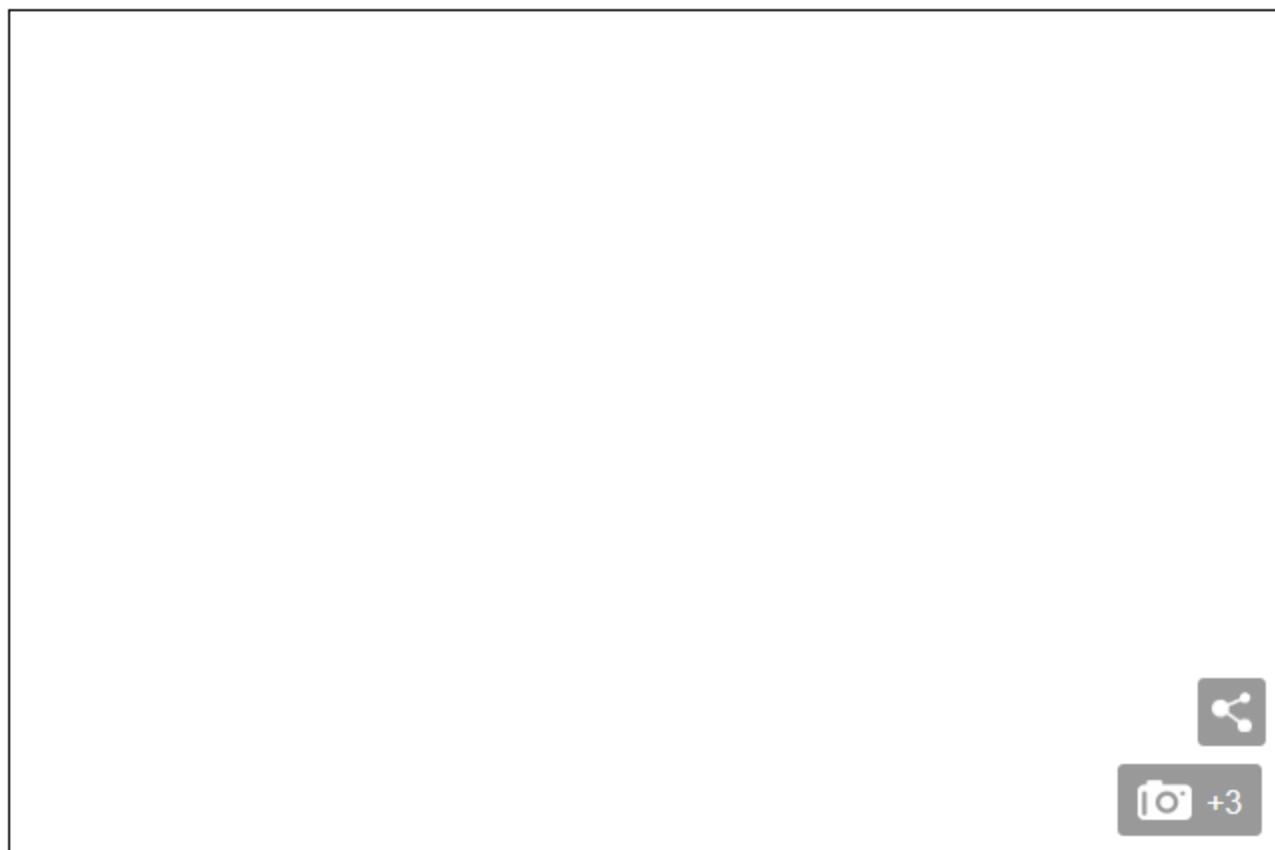
Beat the scammers
We expose the latest tricks
So you can give the crooks a hard time

But this has sparked a fraud frenzy, with scammers able to dupe retirees out of their life savings with ease.

Workplace pension scheme The People's Pension, along with think-tank the Police Foundation, is now calling on the Government to hand firms and regulators the power to put a stop to a scam if they spot it.

Investment companies are also saying internet firms should be forced to act over online scams.

Currently, pension schemes can only warn a customer if they spot a suspicious transfer request. The People's Pension found scammers last year targeted £54 million - £31 million of which was still moved to dodgy schemes after such warnings.



Internet risk: Pension and investment scammers have been left free to run riot online, using copycat websites and deceptive adverts hosted by web giants to lure you in

Yet High Street banks have the power to alert the police and freeze a money transfer if they suspect fraud, which has prevented £116 million worth of cons and led to 744 arrests in three years.

Phil Brown, of The People's Pension, says: 'Pension providers can flag a potential scam to a customer, but we can only stand by and watch if the individual chooses to proceed with a risky transfer that could lose them all their savings.'

A pension scam will typically see a saver contacted out of the blue and convinced to move their retirement savings from a regulated scheme to a risky investment, or directly into a fraudster's pocket.

Scammers will pressure you into moving money quickly, and will sometimes promise to unlock your pot early — without warning you of the destructive tax implications of doing so.

The scams themselves aren't new. It's just that the sudden arrival of billions of pounds in 'liberalised' pensions has created a big new market.

Yet there are no special protections for cash taken from a pension. In fact, victims will be unlikely to see their money again.

But police rarely investigate pension scams. Figures, from wealth management firm Quilter this week reveal that last year just two cases of pension fraud were passed to police to investigate every month, despite 400 reports to Action Fraud.

Meanwhile, pensions consultancy XPS, says **half of all pension transfer requests in the pandemic triggered alarm bells.**

Its scam detection system raised red flags in one in eight cases, but this spiked to one in two in July and August.

Fraudsters are cashing in

Scammers are easily parting desperate savers with their cash because interest-rate rewards have been so low for so long.

Pension experts have also backed calls to give providers more power to stop scams.

Former pensions minister Baroness (Ros) Altmann says: '[The law] is too balanced in favour of the scammers.

STEVE WEBB ANSWERS YOUR PENSION QUESTIONS



- **My partner died suddenly after we lived together for 23 years: We never married, so do I have any right to his pensions?**
- My husband was a firefighter for 30 years but died before getting his state pension - will I inherit it?
- **Help! My sister is 62 and only on a small pension - why can't she get universal credit?**
- Why does carer's allowance stop at state pension age? I'm still caring for my husband who had three strokes
- **Why is my friend on a much bigger £250 a week state pension, though I earned more?**
- I'm 39, have lost my job and am in debt - can I unlock my £18k pension? With huge tax penalties and scam risks, Steve Webb warns: DON'T do it!
- **My late husband wanted me to inherit his extra state pension payments: Did I lose out despite all his efforts?**
- We are much worse off from losing benefits since I began drawing my state pension - can I stop taking it?

There are a lot of customers who do not understand pensions, who have had calls from people who sound so convincing. Especially now with Covid and people desperate to make the most out of their money, the sales job for the scammers is easier than it has ever been.'

She added that due to tax relief on pension savings, at least a quarter of all pension cash lost to scammers is taxpayers' money.

Another former pensions minister, Steve Webb, now a partner at consultancy Lane Clark & Peacock, says: 'The huge sums of money sitting in pension funds are an incredibly attractive target for scammers. Those who run pension schemes should be given the power to act on reasonable suspicion in order to protect members.'

Jon Greer, head of retirement policy at Quilter, says the lack of police action effectively hands fraudsters a 'get out of jail free card'. He says: 'If you are mugged, it's highly likely that the police will investigate; but lose your life savings to a pension scammer and your odds don't look good.'

Legal loopholes

Last year a Daily Mail investigation revealed hundreds of thousands of savers may have lost around £10 billion in unregulated pension schemes that had taken advantage of loopholes making it easier to register with HMRC.

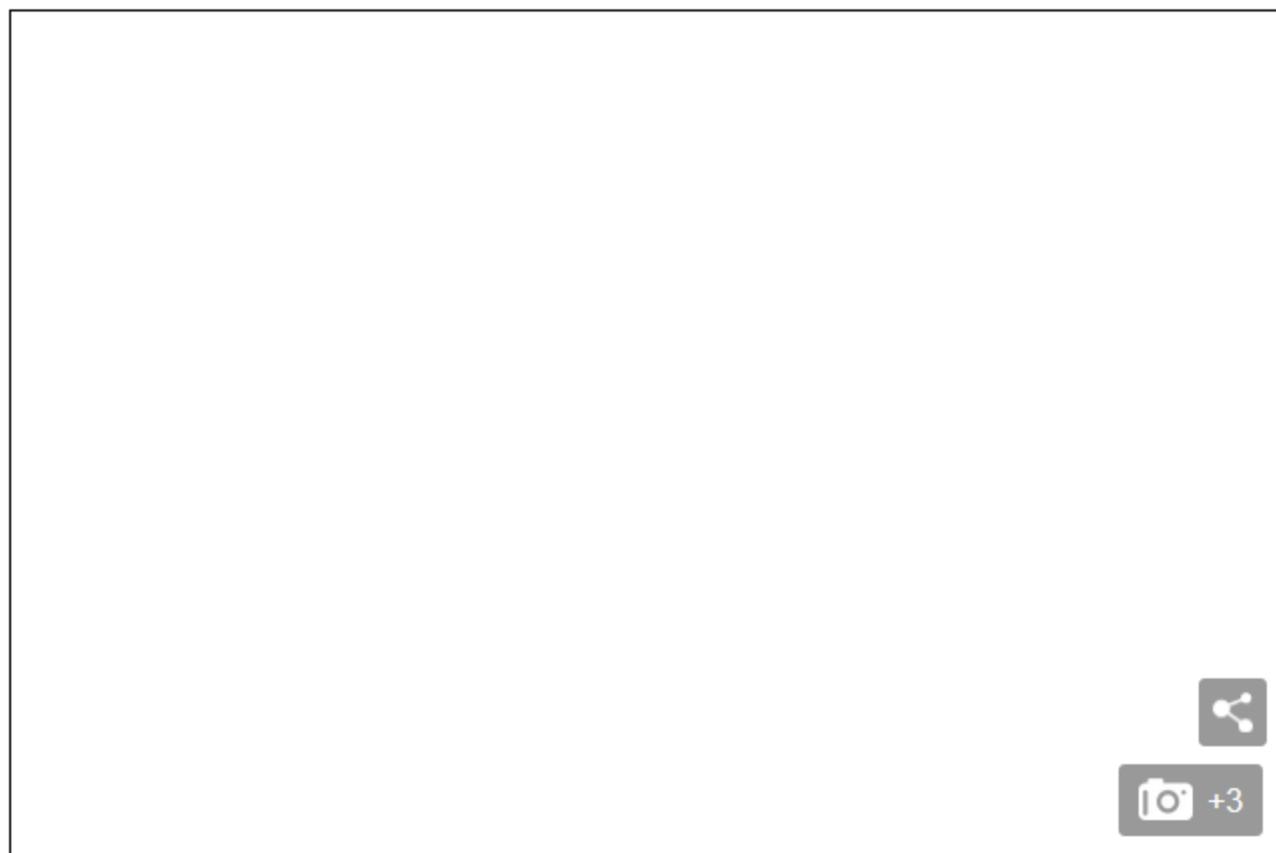
The scammers took large fees to transfer the pensions, before reinvesting them in high-risk ventures without guarantees for savers' money.

Many of the victims had received a cold-call offering a free 'pension review' — a tactic that helps fraudsters find people of the right age with sizeable pension pots.

Once they spot a potential victim, they will pressure them to draw down a large chunk of their pension in cash, and then invest that in novel schemes promising a high annual return.



The advertisement features the 'This is MONEY' logo in the top left, with 'MONEY' in a larger, bold font. To the right is a red headphones icon with a pulse line. The main headline reads 'What you need to know about money' in large, bold, red text. Below this, it says 'This is Money podcast' in black, followed by 'Every week' in red. A dark purple play button icon is positioned to the right of the text.



Pension and investment scammers have been left free to run riot online, using copycat websites and deceptive adverts hosted by web giants to lure you in

Retired sales manager Sue Flood says she and her company director husband worked 12-hour days to put away £250,000 for retirement.

But they lost it all after being duped into investing their pensions in the collapsed Ark scheme, which promised annual returns of 8 per cent.

Sue's husband later had a heart attack. 'Even if the money were returned tomorrow, it wouldn't be able to make up for what we have endured,' she says.

Now an active campaigner against pension scams, Sue says more needs to be done to prevent fraud in the first place: 'All the regulatory bodies need to come to the table and address the systemic failures which have led to people like me being cheated out of our savings.'

The Government has now banned cold calls about pension products, meaning that an unsolicited call is likely to be a con.

Disappearing trick

Tom Selby, analyst with AJ Bell, says thousands of savers could be unaware they've been scammed.

He says: 'Criminals might claim to be investing the money — often in an exotic overseas project — when in reality they have stolen, and possibly spent, the cash.'

As with investment fraud, many of the most effective scams aren't entirely fake; they're just mis-sold to investors who don't realise their entire nest egg is being staked on a high-risk venture.

They're also unregulated, which means that you won't be able to claim compensation from the Financial Services Compensation Scheme (the Government-backed insurance scheme) should things turn sour.

To add insult to injury, victims aren't warned that anyone making significant cash withdrawals from their pension leaves themselves open to a large tax bill, with anything above 25 per cent subject to income tax.

For people aged under 55, this may result in being pushed into a higher income tax bracket, and **potentially owing more than half of their pension cash to HMRC - even if that money has already vanished.**

The fact that you were scammed makes no difference to the taxman: it's the drawing down of your pension that brings the tax liability, and not how you spend it.

The Department for Work and Pensions has announced an inquiry into the impact of the 2015 pension freedoms. Experts are due to give evidence on scams before MPs today.

Minister for Pensions Guy Opperman says: 'Scammers who steal people's hard-earned savings are the lowest of the low. We have added new measures in the



Play our **Share Picking Game** to win £15,000

PLAY THE GAME

This is MONEY

I'm 39, have lost my job and am in debt - can I unlock my £18k pension?

With huge tax penalties and scam risks, our pensions columnist **Steve Webb** warns: **DON'T** do it!



Pension Schemes Bill, presently going through Parliament, to empower trustees to take action where they suspect scam activity, and to require members to take guidance if they wish to make certain transfers.'

Savers should visit the Financial Conduct Authority's ScamSmart website at fca.org.uk/scamsmart before transferring any money.

A spokesman adds: 'Only coordinated action by the whole industry, including savers, will stamp out pension scams.'

The over-50s can also get free Government advice at pensionwise.gov.uk.

b.wilkinson@dailymail.co.uk