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## HALF of final salary pension transfers since the Covid-19 outbreak have tell-tale signs that savers are being scammed, warn fraud experts

- A steep rise in 'red flag' cases is being highlighted by anti-fraud detectors
- They have reported findings to MPs, who are probing pension scams
- There is a spike in schemes charging suspiciously high and unnecessary fees

By [TANYA JEFFERIES FOR THISISMONEY.CO.UK](#)

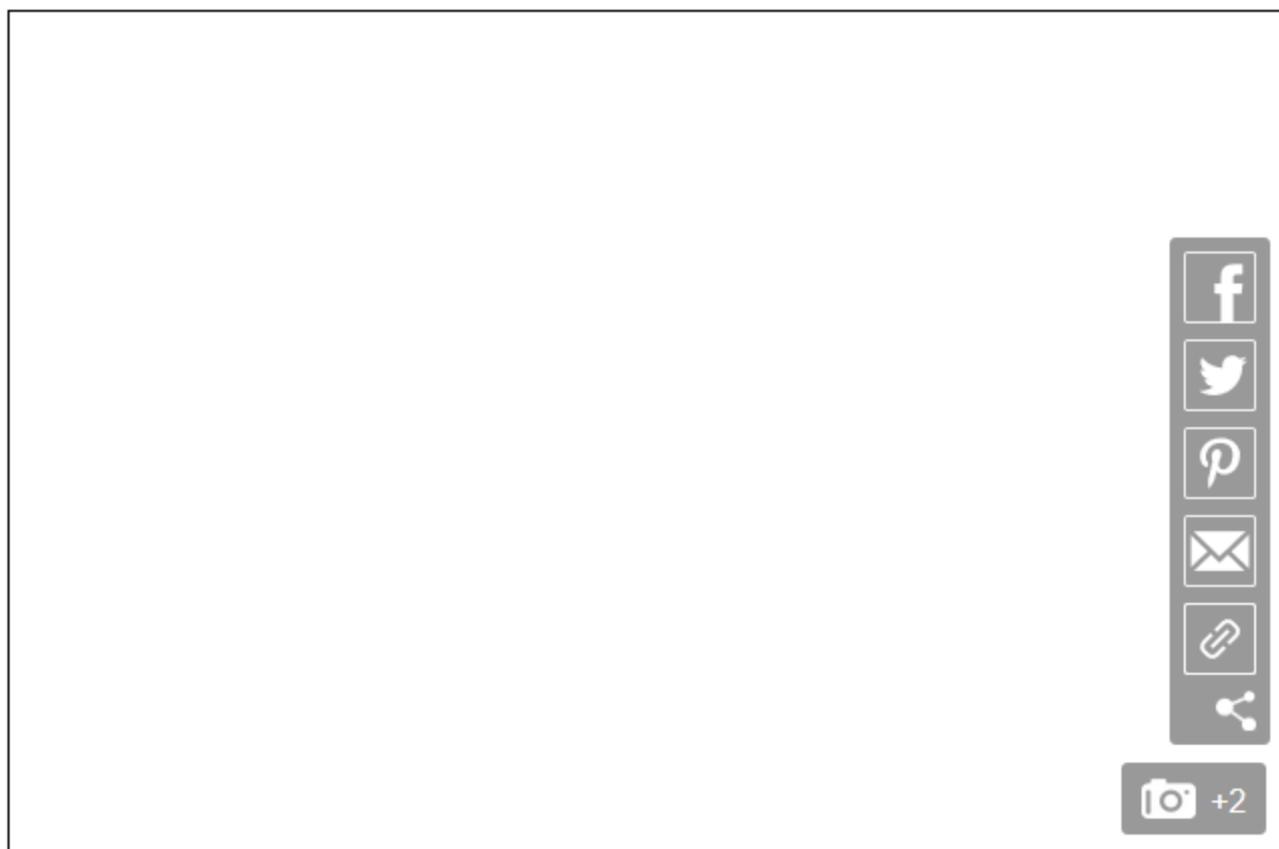
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Savers looking to ditch final salary pensions could be at heightened risk of moving to suspicious schemes during the coronavirus pandemic.

A steep rise in 'red flag' cases, which have one or more hallmarks of a scam, has been highlighted by anti-fraud detectors hired out to employers by consultancy firm XPS Pensions .

The number of pension transfer requests triggering concern was about one in eight between 2015 and 2018, rising to about one in three until June this year, before jumping to half of all cases in July and August, according to XPS.



#### **Fraud alert: Men in their 50s are the 'average victim' of pension scammers, according to regulators**

The firm has detected a spike in people trying to leave secure final salary pensions for schemes charging exorbitant and unnecessary fees which they don't understand, a typical sign that they are fraudulent.

This trend may be a result of people urgently wanting to get at their savings due to current economic conditions, according to XPS.

It has reported its data to MPs on the work and pensions select committee **who are currently investigating scams.**

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Savers who decided to move their pension after being targeted by a cold call fell from 22 per cent to 2 per cent between 2016 and 2020, according to XPS.

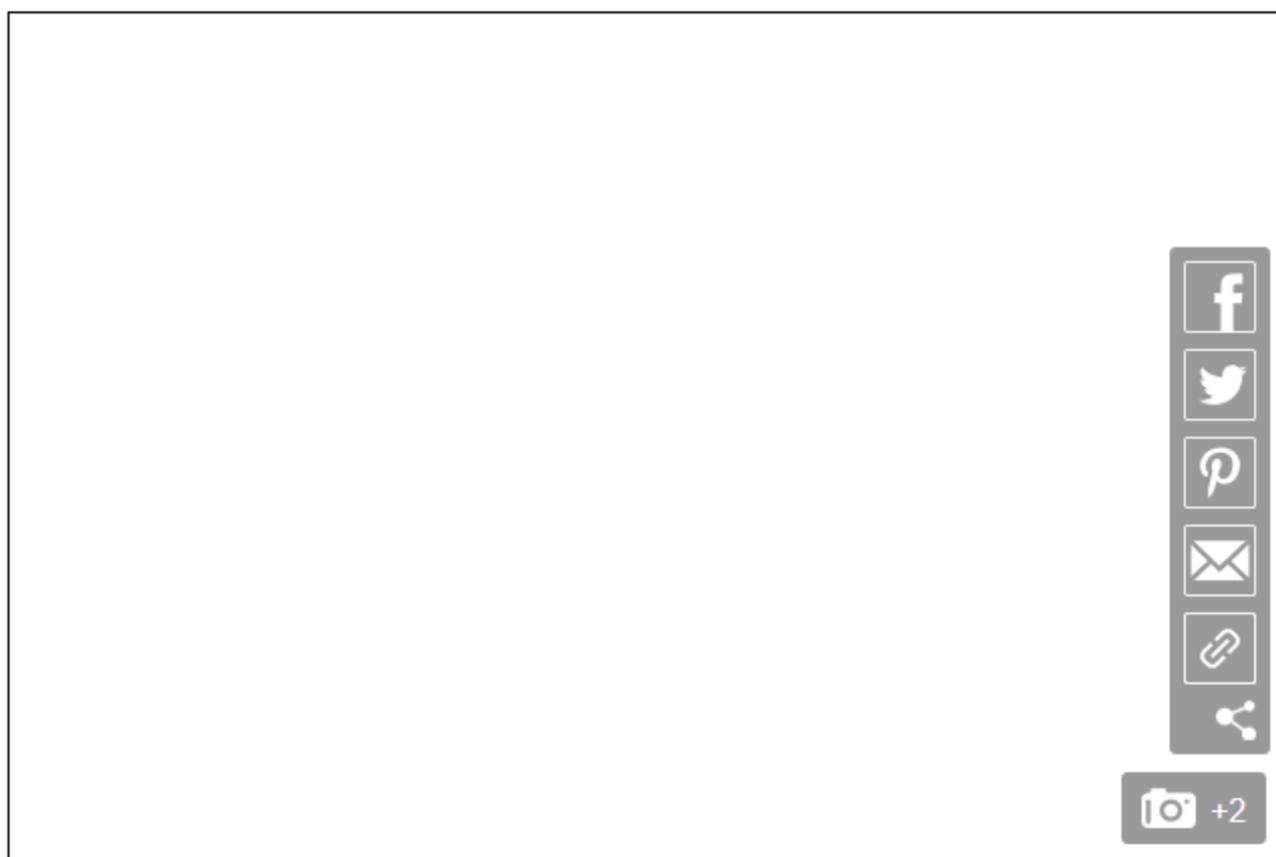
Pension cold calls are now banned following an industry campaign.

XPS offers a fraud protection service to employers in sectors including manufacturing, IT, universities, energy and charities, and helps their pension scheme members who seek to leave.

It tracks and analyses scam activity, and identifies and follows up 40 possible red flags when members request transfers, overwhelming out of final salary schemes.

However, it also deals with a very small number of transfers from defined contribution schemes - see the box below.

XPS says a receiving scheme charging high fees might not be a scam in itself, but some people may be moving to high-cost arrangements they do not need or understand.



**Number crunching: Frequency pension scheme red flags were triggered over the past five years. Checks on fees were introduced after June 2018 (Source: XPS)**

Lack of understanding of a pension transfer in general is also a red flag that merits further investigation, according to XPS.

'This could be an understanding of who is involved in the transfer process, the nature of the arrangement they are transferring to, or not having read all the necessary documentation,' says Colin Miller, head of the member engagement hub.

'It is important that we investigate areas where there is low member understanding as this could indicate that they are moving to an unsuitable arrangement.'

'Worse they may be a victim of a scam because an intermediary has initiated the process and done all the work for them, a common approach used by scammers.'

Fears were raised at the outset of the pandemic that savers who are under financial pressure or have lost jobs could be vulnerable to scammers tempting them to transfer pensions into dodgy investments, or unlock pension pots early.

This is Money's pension columnist, Steve Webb, has received a string of questions in the past few months from people looking to raise cash by tapping pensions before they are 55. The former Pensions Minister explains the dangers [here](#).

Another ex-Pensions Minister, Ros Altmann, proposed a six-month freeze on pension transfers in March to help protect people who could be scammed while in desperate financial straits.

She also supports a recent call by the Police Foundation and The People's Pension for pension firms to get greater powers to delay customer requests if they suspect a scam.

'Pension providers are on the front-line to protect against scams – if they didn't transfer the money, customers would not lose out but they can't legally hold up the transfer,' says Baroness Altmann.

She adds: 'There seems to be a scams

## Why are people giving up final salary pensions?

Final salary or 'defined benefit' pensions are typically generous and provide a guaranteed income for life.

But increasing number of people are tempted to give them up for a range of reasons - the huge offers they receive from employers, the desire to invest their savings in the hope they will continue to grow, and the opportunity to leave whatever is left over to loved ones when they die.

Meanwhile, pension freedoms launched in 2015 give people in 'defined contribution' schemes, where they and employers contribute to a pot that's invested for retirement, the power to do what they want with their savings once they reach the age of 55.

Those still saving into final salary pensions cannot take advantage of these freedoms unless they transfer to a defined contribution scheme, but they have to get financial advice if their pot is worth £30,000-plus.

However, leaving a final salary pension scheme means people must bear all the investment risks to their retirement pot going forward.

**Should you transfer out of a final salary pension? [Read a guide to the pros and cons here.](#)**

epidemic at the moment, with increasing numbers of people at risk of losing their entire pension and ending up in poverty.



'Some of the red flags to look for include being cold-called, being offered a free pension review or being told that you must invest money very quickly.

'I also believe that the Government and regulators need to do much more to protect people against these scammers, partly because taxpayers have put so much money into private pensions over the years, alongside the person's own contributions and any employer contribution.

'If they lose their pension, then all that taxpayer money is lost as well.'

A new football-themed campaign to flag the risks of pension fraud fronted by legendary commentator Clive Tyldesley **was recently launched by financial regulators.**

As the coronavirus crisis broke in March, MPs launched a new all-party parliamentary group to combat pension scams and give victims a voice.

## What does the pension industry say?

'There have been many initiatives to try to address scams but, as is the nature of such criminal activity, scams constantly evolve so it is essential that all parties monitor the situation closely and adopt new solutions as needed,' says Nigel Peale, a director at the Pensions and Lifetime Savings Association.

'The Government's Pension Schemes Bill will introduce a number of helpful measures, in particular narrowing the cases when a statutory transfer is mandatory to a smaller number of low risk schemes, and measures to ensure savers are encouraged to seek support from the Money and Pensions Service, a move the PLSA supports.'

Sarah Coles, personal finance analyst at Hargreaves Lansdown, says: 'Defined benefit [final salary] pensions are targeted by scammers, because of the high values involved, so it makes them particularly vulnerable.'

'In the vast majority of cases, transferring out of a defined benefit scheme isn't a good idea. It often only really works for people with very specific circumstances, such as those who are very unwell or those whose primary interest is passing the value of their pension onto family members.'

'If you fall into this bracket you need to take high quality specialist advice to make sure it's right for you.'

'If someone approaches you out of the blue to talk about pensions it should ring alarm bells immediately, because cold calling about pensions is banned.'

'If they tell you a transfer will make you better off, without knowing your specific circumstances, you can assume you're being scammed.'

Kate Smith, head of pensions at Aegon, says: 'The rise in pension scams since the start of the pandemic is really concerning.'

'It's a regulatory requirement that members wishing to transfer out of their defined benefit scheme, where the funds are £30,000 or more, must take authorised advice about whether or not to transfer, and this includes looking at the new arrangement including investment funds and fees.'

'Due to the increasing risk of pension scams, the pension industry carries out significant due diligence to protect savers' pensions.'

'However, as savers have the statutory right to transfer their pension funds, it's difficult for trustees and pension providers to block such transfers, although the Pensions Bill will be adding new criteria to restrict some defined benefit transfers.'

## I kept my final salary pension, but my colleagues are taking pots worth hundreds of thousands - did I make a big mistake?

This is Money's pensions columnist Steve Webb replies to a reader question [here](#).

