Pension crime: Pension scams and fraud

Briefings

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As a tax professional, you will be familiar with the liberalisation of private pensions, introduced by George Osborne in 2015.

People over 55 now have greater access to their pension pots and more discretion on how they are invested and drawn down. At the same time, how pensions actually work and the tax implications of withdrawals remains poorly understood by the general public. Pension liberalisation has also coincided with a massive rise in digital crime. The Financial Conduct Authority has revealed that savers were nine times more likely to accept a pension review online than from a stranger in person. Only 28% realised that a free pension review could be the sign of a scam.

In addition to providing false information, fraudsters will typically phone, text or email your clients, claiming they have loopholes that can yield a higher level of tax-free cash than the usual 25%. They offer unfeasible returns of over 8% from overseas or new and creative investments. They offer loans, advances or cashbacks on pensions. Scams ignore the good advice and processes of pension professionals. They suggest a single investment or courier paperwork, requiring immediate signature. Pressure is applied to demand quick decision making to not ‘lose out’ on golden opportunities. The scammers will only have a mobile number or PO box, rather than a verifiable address.

At Tax Help for Older People, we help devastated pensioners who have lost the rewards of decades of hard work. Their dreams of finally enjoying their savings funding a comfortable old age are shattered. There is redress for any individual who receives poor advice from a financial adviser authorised by the FCA through the Financial Services Compensation Scheme. We help vulnerable people facing a large tax bill that has arisen as a result of scam who has no support and cannot afford an agent to help them understand what has happened and try to limit the damage.

Pension scams are particularly pernicious, as long-term investments mean that it is often many years before larceny becomes apparent. It is often some time before the tax implications of a scam become apparent. HMRC will contact the victim who is often completely unaware that they owe tax and penalties. They turn to us in confusion and despair.

Tax Help for Older People supports the victims of scams. We also work with other charities, the pensions industry and the tax professions to spread the word on avoiding scams. We want you to be involved, so please contact Alice Devitt at alice@taxaid.org.uk or follow us on @taxhelp4. If you feel that you or your firm can donate to support our work fighting scams, we'd be delighted to hear from you. View our CAF donation page to make a one-off or regular donation to the charities at cafdonate.cafonline.org/18211

Together we can help the fightback against pension crime. It is too serious to ignore and we hope we can count on you to support our work.

Valerie Boggs is Chief Executive of TaxAid and Tax Help for Older People

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