

# Pension liberation fraud

The predators stalking pension transfers



An action pack for pension professionals

Example scenarios • Warning signs • Reducing risk • Checklists • Educating members

The Pensions  
Regulator

As you may be aware, 'pension loans' or cash incentives are being used alongside misleading information to entice savers as the number of pension scams increases. This activity is known as 'pension liberation fraud' and it's on the increase in the UK.

In rare cases – such as terminal illness – it is possible to access funds before age 55 from a current pension scheme. But for the majority, promises of early cash will be bogus and are likely to result in serious tax consequences.

Members of the public who agree to send their transfer values to arrangements like this are **risking tax charges and penalties of more than half the value of their pension savings.**

This action pack provides some background on pension liberation fraud activities, including:

- example scenarios of pension liberation fraud
- the warning signs when members have been targeted
- information on what you can do to reduce the risk of pension liberation fraud
- a checklist for trustees and administrators to help spot liberation arrangements
- help for trustees and administrators on educating members.

## Example scenarios

A diverse range of tactics are employed to convince and mislead members to go along with plans to 'liberate' their pension. In some cases these arrangements technically operate within the law, but can still attract large tax charges; and some are outright illegal.

To help identify these sorts of arrangements, we've outlined how members are targeted and what they're asked to do. These are fictional situations, people and companies, but the behaviour described is based on cases that we have investigated.



## Meera

Meera is 48 years old and has been in her company pension scheme for 13 years. Meera receives the following text message from an unknown number:

‘Unlock the value of your frozen pension and get £5,000 cash back within days. Reply YES for info or STOP to opt out.’

Meera is interested so replies to the message to find out more. Soon she receives a call from Tony, who works for a company called Direct Pension Release Ltd. Tony tells Meera that Direct Pension Release Ltd can unlock her pension early via an overseas fund.

Meera agrees to transfer her pension to the fund and plans to take a lump sum on top of the £5,000 cash back, with Direct Pension Release Ltd investing the rest overseas. Meera is also offered a £1,000 incentive for transferring now. She is also told that all these payments will be made tax free. Direct Pension Release Ltd state that they will charge a 10% administration fee for their services, to be taken from the money she is transferring.

Meera signs the transfer papers that are sent to her, but because duplicate versions have not been provided she has to photocopy them. Tony calls Meera and encourages her to return the papers by special delivery so the transfer can happen as soon as possible. Tony also suggests that Meera chases her current pension scheme trustees to get the transfer paid quickly.

### What happened next?

Five weeks after she transferred and before she received her lump sum, HMRC launched an investigation and The Pensions Regulator took action against the trustees of this arrangement. As a result of these investigations, transfers in and out of the scheme where Meera’s pension was held were suspended and the scheme accounts were frozen.

The trustee in charge of this arrangement was replaced by a statutory independent trustee who traced the members’ assets overseas.

Eventually, Meera’s pension monies were made available to her and she transferred them to a personal pension scheme. The money available for Meera to transfer to that personal pension scheme was significantly less than the amount she had originally transferred to the scheme suggested by Direct Pension Release Ltd.

The 10% administration fee which Direct Pension Release Ltd took still hasn’t been traced and the £6,000 cheque that Meera eventually received for the cash back and the quick transfer incentive bounced. The transfer from her previous pension scheme was found to be an ‘unauthorised payment’. Meera had to pay more than half of her original pension value in tax charges.

## What were the warning signs?



### Unsolicited text messages

Meera was contacted out of the blue. Companies are increasingly targeting people this way, and there is evidence that they are succeeding in duping members of the public into transferring their funds to rogue pension arrangements. Critically, transferring members are often not informed as to implications of unauthorised payments.



### Transfers overseas

One technique that pension fraudsters use is to send a large portion of the pension transfer overseas. This makes the funds harder to trace and retrieve when the arrangement is closed down.



### Access to pension before age 55

Only in very rare circumstances can members access personal or company pensions before age 55. Any company that claims to be able to do this is likely to be engaged in pension liberation activity.



### No member copy of documentation

In order to make an informed decision about a transfer, and to seek any appropriate additional advice, it's important to have all relevant documentation and information about the transfer, the terms and conditions and how members' pensions will be paid on retirement.

Companies involved in pension liberation fraud may attempt to withhold information from members, while making excuses for the lack of documentation and pressuring you into making a decision without them.

It is crucial that members understand any transfer they agree to. Members should always receive the documents.



### Member encouraged to speed up transfer

Meera was encouraged to transfer her pension as quickly as possible because Direct Pension Release Ltd were likely to be concerned about being caught by the authorities at any moment.

**Members  
should  
never rush  
a decision**



## Sally

Sally is 50 and due to retire in five years. She was in her previous employer's company pension scheme for 28 years. Sally's husband was recently made redundant. Sally has seen an advert on the internet which offers the chance to exploit high-performance investments by using a legal loophole.

After clicking on the advert, Sally is taken to the website of a company called Pension Invest Associates. There she fills in a form with personal information, including her date of birth, her home address and her telephone number.

Sally follows the website instructions and notices that the company offers a cash bonus for investing immediately. She downloads some forms from the website, which she signs and returns, and contacts the HR department where she used to work to request a transfer.

### What happened next?

Two weeks after Sally transferred, The Pensions Regulator took legal action which resulted in the suspension of payments in or out of the scheme.

Without having retained any documentation, Sally was unable to provide a breakdown of the fees/charges she paid or the terms she had agreed to. This made the process of tracing her entitlements far more difficult.

Sally's transfer value was eventually refunded, but minus tax charges and further penalties worth nearly two thirds of the value of her original transfer.

## What were the warning signs?



### 'Legal loopholes'

Members who are enticed by offers which suggest there are 'legal loopholes' should ensure that they understand the financial effect of the transfer (including any tax charges and other fees) as well as the nature of the scheme receiving the transfer. Any action which results in accessing funds before a member is entitled to receive their pension will result in heavy tax charges. It's a cliché, but if the offer sounds too good to be true, it usually is.



### Personal information

It's highly unlikely that a legitimate company will demand a telephone number and/or home address just to provide information about the products they offer.

**Legitimate deals are unlikely to include cash bonuses**



### 'Cash bonus'

The offer of a cash bonus would be a particular warning sign. Members may be tricked into giving away their retirement savings in return for a short-term cash fix.



### Copies of documentation

As with the earlier scenario, a company deliberately withholding documentation about the pension arrangement should be considered a significant warning sign.



## Paul

Paul is 42 and was recently declared bankrupt. He has a pension from a previous job, where he spent 11 years making contributions. This pension has not been affected by his bankruptcy.

Paul receives a cold call from someone at Pension Loans For U. He is told that he can transfer his pension to get a loan and that there will be no tax charge. Paul doesn't receive any paperwork from Pension Loans For U, but agrees over the phone that he will request a pension transfer and then negotiates the terms of the loan.

He submits a transfer request to his old company pension scheme. A courier sent by Pension Loans For U brings Paul some documentation to sign. He signs the documents but is not given any copies.

### What happened next?

Six weeks after he transferred, Paul had still not received his loan. There was no answer when he repeatedly called Pension Loans For U, so Paul contacted Action Fraud to complain about them.

Simultaneously, The Pensions Regulator was taking action which resulted in the immediate suspension of all transfer activity and the accounts of Pension Loans For U being frozen.

Paul's loan was never paid. His pension money was paid out as part of a network of loans to other members of the public who had agreed to transfer their pensions as well. Retracing the payments and loans took a significant amount of time, and eventually it became clear that Pension Loans For U had taken 25% administration fees from all pension pots that were transferred to them.

After all the pension loan money was traced, Paul not only lost the amounts deducted by Pensions Loans For U, but he was also liable for a tax charge of more than half his pension pot. If he hadn't contacted the authorities when he did, it's likely that even more of Paul's pension would have been lost through Pension Loans For U fees and 'loan payments'.

## What were the warning signs?



### Targeting poor credit histories

Details of Bankruptcy Orders or County Court Judgements are in the public domain. Those responsible for pension liberation fraud arrangements will often target people who they know might be especially vulnerable and interested in short-term cash.



### Unsolicited call

As with Meera, Paul was contacted out of the blue. Companies are increasingly targeting people this way, and there is evidence that they are succeeding in duping members of the public.



### Loans to members from the scheme

Transfer arrangements that involve direct or indirect loans to members from the scheme are likely to be considered 'unauthorised payments' and attract significant tax charges. Additionally, the terms of any such loan may be extremely punitive and include further costs or charges to the member in future.



### Copies of documentation

As in the previous examples, those contacting members with such offers will often withhold documentation from the potential victims.



### Using a courier

Being encouraged to speed up the transfer process could be a warning sign. The use of a courier can also increase the pressure on the member to continue with a transfer, the details of which they might not fully understand.

**Financially  
vulnerable  
members  
are potential  
targets**

# Looking out for pension liberation fraud

When processing a transfer request, trustees and administrators may be in a position to identify the warning signs that suggest that pension liberation fraud is occurring.

If you are a trustee or administrator, and any of the following criteria apply to a transfer request you have received, then you may be about to transfer a member's pension to a scheme designed to liberate their funds.

Here are some of the things to look out for:



Receiving scheme not registered, or only newly registered, with HM Revenue & Customs



Member is attempting to access their pension before age 55



Member has pressured trustees/administrators to carry out transfer quickly



Member was approached unsolicited



Member informed that there is a legal loophole



Receiving scheme was previously unknown to you, but now involved in more than one transfer request

If any of these statements apply, then you can use the check list on the next page to find out more about the receiving scheme and how the member came to make the request.

**Use the  
check list  
for more  
help**

# Check list

The nature/status of the scheme	
Is the scheme to which the member wants to transfer:	How to establish
<ul style="list-style-type: none"> <li>newly registered with HMRC?</li> <li>if the scheme is a self-invested personal pension (SIPP), not registered with the Financial Conduct Authority (FCA)?</li> </ul>	<ul style="list-style-type: none"> <li>Ask the pension scheme in question for documentary evidence</li> </ul>
<ul style="list-style-type: none"> <li>sponsored by a newly registered employer?</li> <li>sponsored by a dormant employer?</li> <li>sponsored by an employer that is geographically distant from the member?</li> </ul>	<ul style="list-style-type: none"> <li>Obtain employer information from scheme in question</li> <li>Check with Companies House for details of the employer status (<a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a>)</li> </ul>
<ul style="list-style-type: none"> <li>sponsored by an employer that doesn't employ the member?</li> </ul>	<ul style="list-style-type: none"> <li>Ask the member</li> </ul>
<ul style="list-style-type: none"> <li>connected to an unregulated investment company?</li> </ul>	<ul style="list-style-type: none"> <li>Ask the receiving scheme for details of their investment service providers</li> <li>Check these providers with the FCA (<a href="http://www.fca.org.uk/register">www.fca.org.uk/register</a>)</li> </ul>

Description/promotion of the scheme	
Do descriptions, promotional materials or adverts:	How to establish
<ul style="list-style-type: none"> <li>include the words 'loan', 'savings advance', 'cash incentive', 'bonus', 'loophole' or 'preference shares'?</li> <li>allude to overseas investments?</li> <li>hint at unusual, creative or new investment techniques?</li> </ul>	<ul style="list-style-type: none"> <li>Ask the member for copies of promotional materials, emails or letters about the scheme</li> <li>Ask the member about the way the receiving scheme has been described to them over email/text/phone</li> </ul>

The scheme member	
Has the member:	How to establish
<ul style="list-style-type: none"> <li>• been advised by an ‘introducer’?</li> <li>• been advised by a non-regulated adviser?</li> <li>• taken no advice</li> <li>• decided to transfer after receiving cold calls, unsolicited emails or text messages about their pension?</li> </ul>	<ul style="list-style-type: none"> <li>• Ask the member about how he/she became aware of the receiving scheme</li> <li>• Check whether advisers are registered with the FCA at <a href="http://www.fca.org.uk/register">www.fca.org.uk/register</a></li> </ul>
<ul style="list-style-type: none"> <li>• pressured the trustees/administrators to carry out the transfer as quickly as possible?</li> <li>• mentioned that your pension scheme has transferred funds to this arrangement before?</li> </ul>	<ul style="list-style-type: none"> <li>• Check whether member has contacted trustees/administrators to hurry along transfer since first submitting request</li> </ul>
<ul style="list-style-type: none"> <li>• not received documentation from the new scheme?</li> </ul>	<ul style="list-style-type: none"> <li>• Check whether member has received documents</li> </ul>
<ul style="list-style-type: none"> <li>• been told they can access their pension before age 55?</li> <li>• been misled about the potential tax consequences?</li> </ul>	<ul style="list-style-type: none"> <li>• Review promotional material for receiving scheme</li> </ul>

Answering ‘yes’ to any of these questions individually does not necessarily indicate a dangerous pension liberation arrangement, but if several features are present there may be cause for concern.

Trustees and administrators should take care to ensure that they have the exact name of the scheme correct – in some instances, liberation schemes have been set up with names that are almost identical to already-registered non-liberation schemes.

## Next steps if you have concerns

Contact the member to establish their understanding of, for example, the type of scheme they’ll be transferring to. You may also want to direct the member to the Pensions Advisory Service (TPAS), who can help them understand the potential tax consequences of the transfer if any part of the arrangement is deemed as unauthorised. The template wording towards the back of this document can help you. Communicating with the member may also allow you to establish answers to more of the questions above, where you’ve been unable to answer them with the information you have available. If your concerns remain then you should alert the relevant authority (see back page).

## Delaying a transfer when you have concerns over liberation

Should you have concerns regarding a transfer request you may wish to seek your own legal advice.

Trustees have a duty to carry out a member's transfer request where the legislative requirements are met. This includes a member having made a valid application requesting the transfer.

If, for example, a member requests a transfer to obtain transfer credits in an occupational pension scheme, but the trustees of the transferring scheme have reason to believe that the receiving arrangement is not a legitimate occupational pension scheme they should consider carefully whether the application is validly made, and if not whether they have any duty to process the transfer.

For example, in certain circumstances where a scheme describing itself as an occupational pension scheme is sponsored by a dormant company, which has never actually traded, the trustees may conclude that it does not have the necessary characteristics of an occupational pension scheme.

We can't predetermine any future regulatory action we may take on any particular case. However, where the transferring trustees or administrators have reason to believe that member funds may be liberated and can evidence their concerns, then this would be a relevant factor to the regulator when deciding whether it would be appropriate to take action in respect to a non-payment of a transfer. For example, where a trustee has obtained evidence that subsequent to a member's transfer then monies would be passed back to the member before their normal minimum pension age, this factor would be given significant weight by the regulator in assessing whether it would be appropriate to pursue any action in relation to a non-payment of a transfer.

The Pensions Regulator would expect trustees/managers to be able to demonstrate that they have taken steps to establish the legitimacy of an arrangement where they have delayed making a transfer for that reason.

Any individuals or organisations that have concerns over any of the issues raised in this pack can report their concerns to Action Fraud using the details on the back page.

If you believe that you are dealing with the proceeds of crime, your existing obligations to report a suspicion of money laundering or criminal property under the Proceeds of Crime Act 2002 remain.

# Helping members who have been targeted

Members of the public are targeted in a variety of different ways. They will often be approached out of the blue over the phone or via text message, and in many cases will be under pressure from pushy advisers and/or 'introducers' most of which are not regulated and who offer up-front cash incentives in exchange for a speedy transfer.

Companies that offer a 'loan', 'saving advance' or 'cash back' may operate with the intention of tapping into the desire of some members to access their pension monies quickly. The promoters of these arrangements will often mislead the prospective member as to the tax consequences of making a transfer.

Government enforcement agencies and advisory services have worked in conjunction to produce a short leaflet that you can use to help pension scheme members understand the risks and warning signs of pension liberation fraud.

The member leaflet is available at [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk) and you may want to include a copy with any member correspondence that you issue. Trustees may wish to contact members direct where they have concerns about a proposed transfer. The wording below may prove helpful, subject to the specific circumstances of the scheme, in outlining the dangers of these arrangements to a scheme member:

'The Pensions Regulator has asked trustees to remind members who wish to make a transfer that it is unlikely that you will be able to take retirement benefits before age 55, however you should check the position under your scheme's rules with your current scheme trustee or administrator to verify this.

Usually, there are no tax consequences when a pension is transferred from one tax registered pension scheme to another. However if, after the transfer, you gain access to the transferred funds in a way other than receiving a regular pension at retirement (directly or indirectly) this is likely to be considered an 'unauthorised payment' for tax purposes. (This could also be the case if you receive a payment from a third party after the transfer.)

If you do receive an 'unauthorised payment', you must declare it to HM Revenue & Customs and you will have to pay tax on this payment of at least 40% and further charges and penalties all of which may reduce the value of your pension savings by more than half.

If you fail to declare an unauthorised payment to HM Revenue & Customs, you may be charged penalties in addition to the tax.'

# The Pensions Regulator

[www.tpr.gov.uk](http://www.tpr.gov.uk)



Suspected liberation activity  
should be reported to:

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

For impartial information and  
guidance on the topic, visit:

the pensions  
advisory service

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

A cross-government initiative by:

**ActionFraud**  
Report Fraud & Internet Crime



the pensions  
advisory service

The Pensions  
Regulator



**SFO**

serious  
fraud  
office

**SOCA**  
SERIOUS ORGANISED CRIME AGENCY



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**Action pack for professionals**

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