

Podcast Transcript:

Minisode 6: Can someone steal a pension?

Rob In today's minisode, we're talking about pension fraud. Can someone really steal a pension? They're usually our largest and most valuable financial asset at any one time, which makes them prime targets for fraudsters. But what is pension fraud and how does it even happen?

Emily It's a good question, and here with us today to talk us through all of that is Liz Scully, Risk & Control Director, and she's going to take us through what pension fraud is, how it happens, what we're doing to combat it, and how members can protect themselves.

Rob Liz, thank you so much for being with us today. Welcome to the podcast.

Liz Thank you, guys. Great to be here.

Rob So let's start with the basics, Liz. What is pension fraud?

Liz Well, pension fraud is exactly what it says on the tin. It's where scammers are trying to target pension scheme members to get hold of their hard-earned money, basically, your pension is one of the biggest assets you probably have. A house obviously is a big asset if you own your own home, but it's in the range of that. That's how important it is for you. When you think about it, your pension is something that you are depending on in retirement as your source of income, potentially for 40 years. The same amount of time you've already been working.

Liz If you're lucky. Yeah. So if you think about it, the value of that is huge. So for a scammer that's a great thing to target.

Rob I suppose value wise, it's valuable to you because, obviously, you're going to live off of it.

Liz Absolutely. It's your income.

Rob But in terms of monetary value, I guess it's equivalent, if not perhaps in some cases, worth more than your house.

Liz Absolutely. Yeah.

Rob I guess it's one of those things that unlike a house which you're in, it's something that you can't see.

Liz ...you can't see. So sometimes you don't realize the value of it because you can't see it. You know, the civil service scheme is a really great scheme and it gives you an excellent benefit because it's defined benefit. So you get that income, you're sure of what you're getting in retirement every month, every year. If you had to put a monetary cash value on that, you're talking about potentially hundreds of thousands of pounds.

Rob So does it happen? Does pension fraud happen?

Liz Yeah, it does. Absolutely it happens. I mean, in the UK over the last five years, roughly about the last five years, over £31 million has been subject to pension fraud.

Scammers have got £31 million across the pensions industry from members. People are living off scamming people out of their pension. They then have no pension or potentially a much-reduced pension, depending on whether they've got one or more than one. And their life has changed, then, for when they retire.

Emily Yeah. £31 million. Wow, that really, really gives you an idea of the scale of what we're talking about.

Liz It's huge, isn't it? People don't realize that.

Rob Absolutely.

Liz Anyone can be a target. It doesn't matter how financially savvy you think you are. If you look at any of the programs that you see on the TV, for instance, BBC have that "scam interceptors" or something. And that gives you an idea of the lengths people go to. And, you know, you're not stupid if you get scammed. People are very smart, but scammers are also very smart. This is their business. This is what they do for a living. You know, so, yes, they can be very sophisticated. They can try and get you to transfer your pension, so your civil service pension, that's really valuable. They can try and get you to transfer that out. Various reasons they'll give you why it would be really good for you to transfer it out into something that basically either doesn't exist or it's investing in something that actually you're not going to see any returns over, but they are going to get huge chunks of money out of. High risk investments like overseas property and hotels, renewable energy, parking, storage units, all sorts of things actually they could be investing in. But, also it could just get stolen outright. It's their income, and they are very sophisticated.

Rob Wow. That's pretty terrifying. So how would somebody know that they were being scammed out of their pension?

Liz I suppose one of the most common things that people get is cold calling. You know, either contact through social media, let's say, contact through email, phone calls. Now, that's illegal. That is illegal. There is a law against that. So, yeah. So if somebody does contact you, you can practically guarantee that that person is a scammer because they're already breaking the law by making that call to you. And you should contact the [Information] Commissioner's Office. Because actually, they will follow up on that.

Rob Okay, that's good. So what about people who are making promises about, you know, if you get a call from somebody that says, "I can get you a better return on your pension". Is that a red flag?

Liz Yeah, absolutely. It's very common. Free pension reviews is another one. Doesn't that sound... "Oh, somebody is offering me a free pension review."

Rob Well yeah, sounds legit.

Liz Yeah, they're gonna look at my pension, and I may have another pension from somewhere else. Maybe they'll look at all of the things and tell me, is there a better way of investing my money? No, there isn't.

Rob I suppose, especially given that we're talking about the civil service scheme here, there isn't probably anywhere better for it to be than in the scheme.

Liz It's an excellent scheme to be in, and it gives you a guaranteed benefit in retirement, a guaranteed income. If you invest money in funds like in a DC pot, you have no guarantee there. You just have a value of money that you might invest and hope for some good returns. The civil service scheme is giving you a defined benefit, a defined income. So, offering free pension reviews, pension liberation, loopholes, how they can get you an advance on your savings, all of those things are a big, big red flag for a pension scam. And also saying they'll get you access to it before 55. Well, yes they can, and the taxman will take a huge chunk of it, but they don't tell you that and then they'll take the other chunk, probably. So you'll be left with nothing.

Rob Yeah. Wow.

Liz And high-pressure tactics as well. These people are very slick and very practiced at what they do. They may even say, "oh, you might think this is a scam, but it's not because we've got your details from wherever" and they'll come up with some story that sounds really plausible, but it's only on offer today. And there's always that pressure...

Emily Pushing you to do it.

Liz ...to make a decision and make a decision quickly. And they'll say whatever they need to, to try and get your pension off you, basically.

The civil service scheme has rules around what type of schemes you can transfer into. So you couldn't just transfer out into a DC scheme with investments.

You may transfer out into a scheme that looks like it's a legitimate scheme and you're being scammed. But there are things you can do to make sure that the scheme that you are transferring to is legitimate.

Rob Anyone who's wondering what DC and defined benefit is, our first ever episode was all about Pensions 101 and we go into the difference between those two types of scheme in quite a lot of detail. So yeah, anyone who wants to know what that means, go and listen to that episode.

Liz One of the aspects of trying to convince somebody to transfer their pension into another scheme is the high returns that you're going to get, etc. But, often, if you're making that transfer, you're making that transfer potentially well before you may be due to retire. And for the first, maybe, few months/year, whatever, they might be sending you some updates of how well your funds are doing. But actually in the long term, you come to retire, maybe even within a few years, you hear nothing. That scheme doesn't exist, actually.

Rob So in that instance, you've had your pension stolen, but you've not realized until years later?

Emily Oh my gosh.

Liz Until years later. Yeah

Emily That just feels terrifying.

Liz Yeah. Which is really scary. And you know, for people that have been conned into that transfer, they're unaware of that for years and they believe that they've got this fund that's building up and is going to give them a great return and they're going to retire with a really good income and actually they have nothing.

Rob Jeepers. My key takeaway from that is - anyone who contacts you and asks you to move your pension, no matter what they say, no matter what pressure they put you under, no matter what great things they appear to be offering you, just don't do it.

Liz Just don't do it.

Rob And I guess, unless you're speaking to an independent financial adviser...

Liz Exactly.

Rob ...just don't take advice from anybody.

Liz Don't take advice from anybody. And the civil service scheme has got lots of information on the website, you can contact us, you can also go on the financial services register and look at who the legitimate providers of financial advice are.

Emily Ah, so if you get told that you're speaking to somebody from a particular company, you can look that company up and check if they're legit. That's good advice.

Liz And if that person says to you, "well actually, we've just changed our names or we're part of this group", or whatever, hang up. Do your own homework. And then you call them at the number that's registered on the Financial Services Register. For me, I kind of think about it like, it's one of your biggest assets, as you said, Rob, probably even more valuable than your own house. You wouldn't invite a stranger into your house and let them look around and, you know, poke in all the corners...and all of that. You wouldn't invite somebody in to do that. So why would you do that with your pension?

Rob Yeah, it's a really good point.

Emily Really good way to think about it.

Rob We'll will include a link to Financial Services Register in the show description.

Emily So we've talked about the scale of the problem of pension fraud and, you know, what these scammers get away with. What role does the scheme play in identifying and preventing fraud?

Liz So we work really hard to tackle and prevent fraud from happening. And we've got a great track record, as well, of doing so. Staff are trained really well. There's lots of awareness training that happens, and we also have a lot of parameters in place that will trigger warnings or red flags. All transfer requests go through a Transfer team. There's lots of controls in place and lots of pointers to any red flags. The scheme has really good rules around transfers as well, but that doesn't mean to say that it isn't possible for somebody to try and commit fraud. I mean, it certainly is. So we always need to be on guard for that and be aware. So the past year or two, we've had about nine suspected fraud cases, and we see tactics like impersonation. So a fraudster could have got access to your personal details, your email, your personal information, your personal data, and they could contact us posing as you. We've also seen a particular incident of somebody actually phoning up and using voice-changing technology to pretend to be an elderly lady in her late nineties. When we started investigating that fraud, when we listened back to all the calls, we actually heard the change in that voice changer, which is very hard to pick up when you're

just on a call. Only when you're reviewing them really literally second by second, you could hear it was a man's voice.

Rob That's terrifying.

Liz Isn't it? So scammers are always looking for new ways to convince someone that they are legitimate.

Rob So your role is not just about having procedures and policies in place, it's about staying ahead of what's going on with the scammers and what they're trying to do?

Liz Absolutely. And we have really good procedures, as I said, and controls in place. We have a Fraud Forum, so we share information and make sure that we're up to speed on any trends, etc. So it's something you constantly have to be looking at and renewing your knowledge and awareness.

Rob So for anyone listening to this and thinking, "Crikey, you know, I'm terrified that someone is going to steal my pension", what kind of simple tips would you give to any members who are listening to avoid pension scams?

Liz So four simple steps, I suppose. And they are really quite simple, and they are recommended by the Financial Conduct Authority and The Pensions Regulator, and the first one being, reject unexpected offers. Like we've just said, that cold calling. That person is trying to convince you that you have never heard of before and they've just contacted you out of the blue. It's illegal. End the call and contact the Information Commissioner's Office. Don't be talked into transferring or even letting them do a free pension review. And also, bear in mind that somebody you know could actually say to you, "Oh, I've got this really great deal, you should look at it", because they also could be subject to a scammer, but they don't know it. Because these people are very, very clever. So check everything yourself. Don't take anything for granted. And then I suppose, number two, check who you're dealing with. Check the Financial Services Register, as we've mentioned already, because that will tell you if they're legitimate and there's also a warning list as well, which will give you the names of people that have already been brought to the attention of the Financial Conduct Authority.

Rob Oh, that's useful.

Liz So check that out, too. And don't do anything if you're not absolutely 100% sure of it. And don't be pressured. That's the other thing. If somebody is trying to rush you, or pressure into something, then you can guarantee they're scamming you. They're trying to get you to make a decision quickly, because anybody who is professional and registered and fully legitimate will never, ever try and put you under pressure and rush you.

Emily Such a good point.

Rob And I suppose pressure is not just people going "come on, we need a decision now". Pressure might be inferred by saying, "look, this deal is going to end at midnight tonight".

Liz Yeah, there's an expiry date, it's just for the next 24 hours, all of those things. Yeah, it's not somebody saying, do it now. Do it now.

Rob Anyone who makes you feel like you've got to make an urgent decision.

Liz Yeah, basically, yeah. And then, if you want to transfer your pension, people do. That's perfectly legitimate, but get impartial information and get some advice before you do that, from a legitimate person on the register. Get yourself a financial adviser and make sure that you make the best decision based on that information. Don't take advice from somebody that you haven't gone looking for the advice from. The MoneyHelper website provides free, independent and impartial information. And also, as I've mentioned already, the Financial Services Register, the FCA, etc. all of those. There is lots of information out there to guide you to the right place to go.

Rob We'll make sure we share links to all of those in the description for this show as well.

Liz And then finally, you know, spread the news, tell people, share information about pension scams. Scammers are looking at pensions as a really valuable source of income for themselves because every year, there's new ways of trying to scam people out of their benefits, their money. And scammers are always looking for new ways. Yes, it's a bit harder to get money out of the civil service scheme, to get you to transfer your money out of that. But nevertheless, people trying to impersonate you, people trying to access your money, your benefits, they're out there. So just be on your guard and don't do anything without getting the proper advice.

Emily Wow. Lots of really useful and quite powerful information and messages for members there. Liz, thank you so much for talking to us today. It's been great having you with us on the podcast.

Liz Thanks for having me.

Rob Thanks, Liz. As always, you can find out more about pension fraud on the scheme website. That's civilservicepensionscheme.org.uk.

Emily Make sure you follow or subscribe so you never miss an episode. Plus, you can leave a review wherever you get your podcasts. This episode was recorded in July 2023, and everything that we talked about today is accurate at the time of recording.

Rob Thanks for listening.