

## **UK Pension Scams**

I worked in UK regulated pensions from 1985 and offshore since 2009 and hold a degree level qualification in pensions.

Since pension transfers became available in the 1980s there have been major problems with unscrupulous agents targeting transfers for their own gain, leaving clients at best in a mess and at worst losing valuable retirement savings. This exploded when QROPS became available for overseas transfers in 2006 and unregulated offshore advice was given with some agents taking massive advantage to hoodwink clients whether through all out scams or raking in hidden commissions on offshore insurance bonds and the underlying investments.

According to the UK regulators, the Financial Conduct Authority, a total of £2,241,774 worth of pension-scam losses has already been reported to Action Fraud between January and May 2021. This is likely to be the tip of the iceberg with many yet to know they have been scammed.

In a further effort to prevent pension scams, regulations coming into force on November 30 will require checks to assess whether a pension transfer request meets certain conditions to enable a statutory right to transfer.

The regulations will empower trustees and scheme managers to prevent a transfer request when a 'red flag' is present. If trustees spot indicators to a potential scam, an amber flag can be raised as an alternative – customers can still transfer, but only after they take scams guidance from the Money and Pensions Service (MaPS).

## Red flag

1. The member has failed to provide the required information
2. The member has not provided evidence of receiving MoneyHelper guidance
3. Someone carried out a regulated activity without the right regulatory status
4. The member requested a transfer after unsolicited contact
5. The member has been offered an incentive to make the transfer
6. The member has been pressured to make the transfer

## Amber flag

1. The member hasn't shown an employment link or overseas residency
2. The member can't show an employment link or overseas residency
3. High-risk or unregulated investments are included in the scheme
4. The scheme charges are unclear or high
5. The scheme's investment structure is unclear, complex or unorthodox
6. Overseas investments are included in the scheme
7. A sharp, unusual rise in transfers involving the same scheme or adviser

While the UK was in the EU, overseas transfers for those living in the EU was possible, but the regulations are clear that you can now only transfer where the trust is in the same country as you live, so no more 3<sup>rd</sup> party transfers.

International UK Self Investment Personal Pensions (SIPPs) are still fine, but the cowboys are having their wings clipped.

No more;

- insurance bond with hidden 7% up front commissions and very high charges and penalties
- unregulated investments with high hidden commissions
- hidden scheme charges
- unsolicited contacts and offers of incentives
- pressure with deadlines which aren't relevant just to make a sale
- professional categorised investments offered to retail investors

With any of these flags, UK scheme administrators have the power to block transfers and advise the regulators.

This is long overdue and hundreds of thousands of bad transfers have already taken place, but we see this as very positive for the industry.

AIMS ensure we meet UK and Thai regulations giving best advice for our clients. All our investment solutions are independent and regulated in quality jurisdictions. We closely vet pension trustees to

ensure costs are reasonable and only offer quality solutions. We are very confident we meet the standards required to enable transfers. Even though transfer requests from our advice will automatically be Amber flagged as we are an overseas advising firm, we are very happy for our clients to go through the process of formally reviewing in line with the new guidance.

Clients of AIMS benefit that all fees are clearly set out and explained, so they can make informed decisions with all the facts at hand. We therefore welcome these rules and are likely to be one of the few advisers in the region offering solutions which meet these strict new requirements.

If you have a UK defined contribution scheme which you need to review or know someone else in the same position or someone who has made a UK pension transfer where the advice seems questionable, please do ensure you or they get in touch with us for a review.

Please invest a few hours of your time, talking to AIMS, if you have uncertainty or confusion about any pension arrangements, especially where charges and investments are concerned. AIMS will not charge for reviewing your pension. Please consider AIMS, we are fees based and no commissions unlike other options in the region.

We cannot give advice on UK defined benefit transfers as you must be UK regulated with the appropriate pension transfer license to do so. If you or anyone else is approached by an overseas agent, it is likely to be questionable and would be a red flag.

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