



## No Fool Like a Young Fool

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Once upon a time, when I was a very young pension lawyer, I came across a scam involving pension schemes. No, it was nothing to do with newspaper magnates being pushed off the back of their yacht. It predated that by several years. It concerned the Hill Kestrel Pension Scheme and it worked like this.

Mr Foolish was a deferred member of a pension scheme. He wanted to get hold of some ready cash and on being approached by Mr Scammer was told that if he signed this little bit of paper requesting a transfer to this shiny new scheme – complete with a fake contract of employment -he would be able to access lots of cash.

This was all highly illegal of course for so many reasons, and yet Mr Foolish signed on the dotted line and in due course, having paid the 'fees' for the transfer and ultimately the inevitable penalty from the Inland Revenue (as was) after the scam was discovered, he found to his cost that his nice little pension had now disappeared, leaving him to look forward to penury in his old age.

Now this was in the mid 1980's and after a concerted campaign which included questions being asked in the House of Commons and the initially slow but dedicated investigation by the financial authorities of the time, we all thought that the scammers had gone away.

Alas, if only that were true. With difficult financial circumstances, the fraudsters are back and with a vengeance. In the last month, the Pension Regulator, FSA (now FCA), HMRC and police have raided a call centre which was misleading the desperate and the foolish with cold calls and stories of 'pension release' schemes which would 'allow access to your locked pension before the age of 55'. Often the background would be that the scammers had 'found a loophole' in the legislation which would allow the 'liberation' All at a substantial fee of course.

So, take an average pension pot of £30,000 – not much to be honest but this is the figure the actuaries tell us is the norm for most people. The scammer will take a fee of a third of the fund – in this case £10,000. The sum 'released' with thus be £20,000. Mr Foolish Jnr (for it is he) spends the money. Then along comes the tax man with his 55% penalty – not of course on £20K but on the full 30K. £16,500 must now be found. The only winner here is the fraudster. He's off on the Costas with his ill gotten gains. And Mr Foolish Jnr? Thousands in debt with no pension.

If a story sounds too good to be true – it inevitably is. The recent clampdown on such misery making scams by the Pension Regulator is to be welcomed and greater vigilance by the industry and particularly by Trustees of schemes who are being asked to act as the Gatekeeper when transfer requests come in is to be encouraged. But Trustees have also to comply with the law in relation to transfer requests which places them in a very invidious position and makes the refusal to make a transfer almost impossible.

The DWP must sort this out and soon to ensure trustees are adequately protected if they suspect a pension liberation scam is happening to their members. One might have wished this had been sorted before the TPR came out with its guidance but the lack of a bit of joined up thinking is sadly no great surprise where pensions are concerned!