

Citizens Advice evidence report: consumer experience of pension and pensioner scams before April 2015



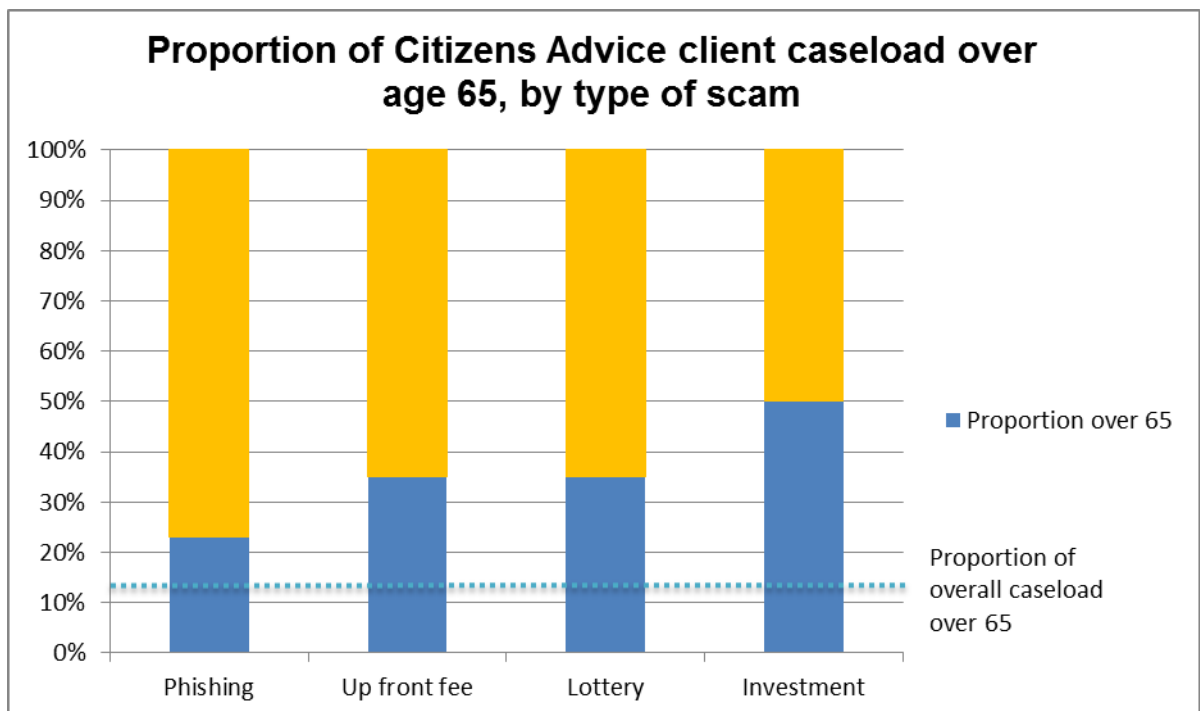
Executive summary

This evidence report explores the different pension scams that consumers have brought to the Citizens Advice service up until the start of April 2015. It synthesises more than 150 case reports and also draws on our wider consumer data. It seeks to identify the key risks that consumers face around scams when making pension choices and throughout their retirement. This in turn can help inform our understanding of the threats to consumers in the new world of pension freedoms and of how they can empower themselves to make the right decisions about their savings. The report has four sections.

<p>Type of scam</p> <ul style="list-style-type: none"> • Gaining personal information • Moving savings • Offering free 'advice' or services • Charging for services • Other scams aimed at pensioners 	<p>Contact method</p> <ul style="list-style-type: none"> • Phone • Text • Post • In person • On the internet
<p>Tactics</p> <ul style="list-style-type: none"> • Playing on optimistic instincts • Pressure tactics • Bombarding with information • Prominent internet presence • Imitating legitimate services 	<p>Customer impact</p> <ul style="list-style-type: none"> • Loss of pension savings • Tax and Benefit implications • Stress and confusion • Emotional implications • Loss of trust

- **Types of scam.** We know that people are more likely to be targeted by scammers just before and during their retirement. Our data shows, for example, that people aged 65 or older are more than twice as likely as our average client to come to Citizens Advice with a fraud or scam issue. We have identified four key types of pension scam - gaining personal information, moving savings, offering free "advice" or services and charging for services – plus other scams aimed at pensioners. These others range from £500,000 lottery jackpots and £35,000 investment scams to £15 scams for a punnet of raspberries.
- **Contact routes.** We have observed five main ways that scams are promoted: by phone, text, post, in person or on the internet. Of these, the most common approach is unsolicited phone contact, which represented two thirds of the cases reported to the Citizens Advice Consumer Service over the past six months. In some cases scammers contact people in multiple ways: for example phoning and then sending someone to their house; texting then phoning or calling and then following up with letters.

- Tactics.** Scammers often use a carrot and stick approach, offering extremely promising benefits while also using pressurising tactics. We've heard from many consumers who have been offered the chance to take advantage of a 'tax loophole' or a 'special investment rate', while others have been told they've won lotteries despite never entering one. Pressure is often applied by saying that special offers are time limited, or by bombarding people with correspondence to catch them at a weak moment. To appear authentic, some scammers claim to be acting on behalf of a client's pension provider. In other cases they use official sounding names like 'the Pensions Office' or say they are a Citizens Advice 'pensions office'.
- Impact.** The most obvious impact on scam victims is financial, with one consumer featured in this report losing £200,000. For many, the money lost in a scam can mean the difference between a comfortable retirement and a life on the breadline. As well as direct losses, people can also lose through unexpected tax or benefit consequences. Beyond headline financial losses, however, we found a number of other significant detriments. Some people are very distressed by the pressurising tactics or the paperwork they are sent. One consumer spoke for many when they said *"I feel really stupid to have given away my pension money to a crook on the phone"*. Others recoil from engaging with their savings, exactly not what the new system of pension systems wants to promote.



Introduction

Citizens Advice welcomes the new pension rules promoting freedom and choice which took effect on 6th April 2015. We believe that consumers should be empowered to make decisions about their own lives. These reforms allow people to manage their retirement in a way that best suits them.

We know that consumers face complicated decisions in their retirement. Half of the people who visited us about pensions last year also sought advice on other issues such as debt, benefits and family relationships. In this context, individuals are best placed to understand their own priorities, whether that is to pay off a debt, insulate their home or save money for a rainy day.

However, these decisions are not simple and can determine people's living standards for the rest of their lives. It is more important than ever that savers with Defined Contribution (DC) pension savings understand the implications of their choices. And it's essential that consumers have access to guidance that is good quality, impartial and free, so we are pleased to be playing a part in the new Pension Wise service.

We recently published new research examining how people think about older age and pensions.¹ Over the coming months we will be conducting a major programme of research to understand how individual consumers navigate their decision-making process around retirement. There are many potential ways that people could get suboptimal outcomes, such as by spending their pension pot too quickly, or by being unnecessarily cautious. In this report, we focus on the most detrimental outcome for consumers: scams. As a consumer champion, we are working hard to raise awareness of the risks around pensions choices, and will be focusing on pension scams during our Scams Awareness Month in July.

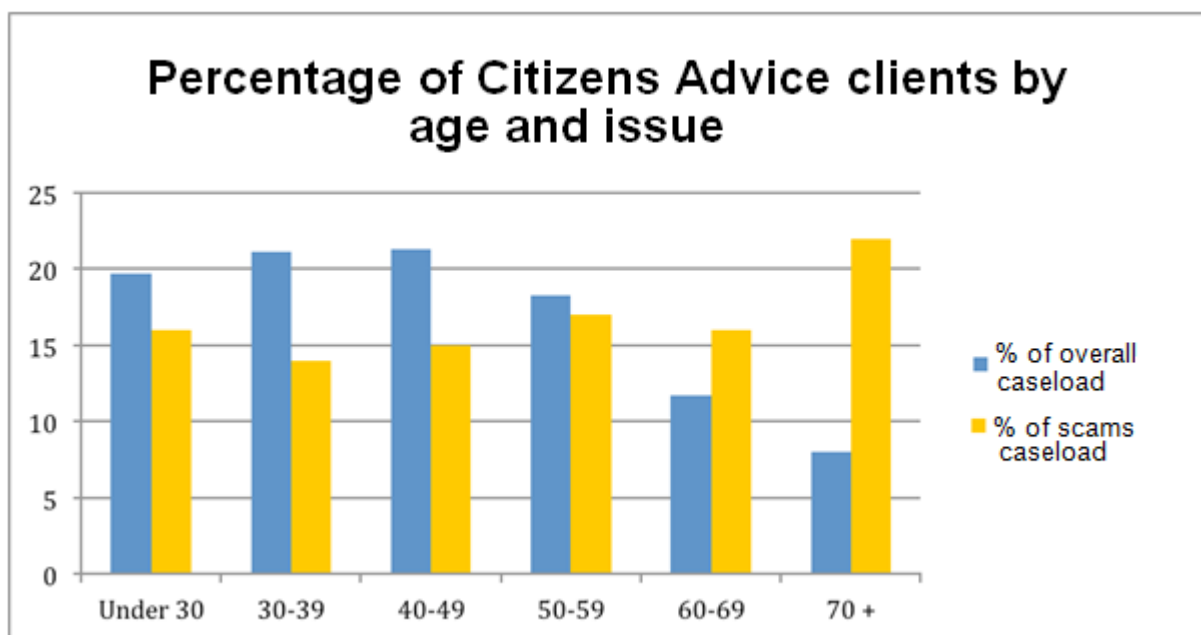
In this report we consider the evidence seen by Citizens Advice *before* the pension changes were made to show what existing scams around pensions or aimed at pensioners exist. We draw on a rich body of data; in 2014/15 almost 200,000 people sought our help online with pensions issues and local Citizens Advice offices helped people face to face with 93,000 pension issues. We are already many people's first trusted point of contact about complex financial issues.

Pension freedoms and scams

Our own data shows that people eligible for pension freedoms are particularly vulnerable to scams. Last year, people aged 55 and over were 64 per cent more likely than our average clients to visit us about scams or fraud. Figure 1 below illustrates this point and shows that clients aged 70 and above are three times more likely to visit us with scam and fraud issues.

¹Citizens Advice, [How people think about older age and pensions](#), March 2015,

Figure 1: Percentage of Citizens Advice clients by age and issue



Source: Citizens Advice Management Information 2014/15

These figures come from a system of near-compulsory annuitisation. As the pension freedoms take effect, more and more people will have access to money from their pension pots. This is likely to increase incentives for scammers to seek access to their savings.

Short term risks

In the short term, some consumers will struggle both to understand how pensions work and what the new freedoms mean for them. Our recent report ‘How people think about older age and pensions’² showed how hard it is for people to understand their pensions options. There is a risk that this lack of confidence will be exploited.

The introduction of new freedoms, combined with a lack of confidence, could create fertile ground for scammers. As Ofcom recently said: “Pension reforms coming into force next week could lead to a rise in scam texts and nuisance calls”.³ One poll found that following the reforms’ announcement, three times more people were contacted by scammers, with 45 per cent of people with pension savings who haven’t yet retired reporting being contacted by unsolicited calls or texts.⁴

Scammers now know that people can access their pension savings more easily at 55 and, armed with their birthdate, will be able to target consumers aggressively. It will be easier for scammers to sell or promote other products to people now they don’t need to purchase an annuity. In many cases an offer of high returns, a loan or a lump sum will be particularly appealing to the most vulnerable people.

² Citizens Advice, [How people think about older age and pensions](#), March 2015.

³ [Ofcom Pension Scam Warning](#), 31 March 2015.

⁴ [Phoenix Group research](#), January 2015.

These risks are widely recognised. Even before the pension freedom changes even took effect, the Financial Conduct Authority (FCA) had already shut down fake websites posing as Pension Wise. It also introduced risk warnings without consultation “on the grounds that the delay involved in consulting would be detrimental to consumers’ interests”.⁵

Medium and longer term risks

There are a number of longer term risks. Fear or experience of scams further harms people’s financial confidence, which will become more problematic in the era of pension freedoms: we want them to engage with their savings throughout retirement. If consumers don’t feel empowered to engage with the financial services sector, or feel like they are at risk of being scammed, they will be less likely to make the most of their savings.

As life expectancies increase further, more people will be vulnerable to scams; at Citizens Advice, clients in their eighties are three and a half times more likely to seek advice about scams and fraud than our average client. Last year, research by KPMG found that fraudsters are increasingly targeting *vulnerability* rather than wealth, and that pensioners are particular targets.⁶

We have also seen directly how illness or disability can make people more vulnerable to scams, and 40 per cent of over 65s in the UK have a limiting longstanding illness.⁷ One client featured in this report, for example, told us “*I didn’t read the small print because I have cataracts but can only think I’ve been scammed because the numbers they gave me don’t work and I’ve never had the money.*”

Finally, as people have more fragmented careers, it is likely that there will be an increasing demand for pension tracking services. It’s important that the official government tool to support this is effective and promoted well so people don’t resort to using scammers.

Methodology

This report is based on analysis of Citizens Advice clients’ experiences. We have analysed data from three key sources: Bureau Evidence Forms, the Citizens Advice Consumer Service, and Citizens Advice Management Information.

We looked at the experience of more than 150 clients who contacted us about scams through Bureau Evidence Forms and Consumer Service data to understand:

- What type of pension related scam it was.
- The selling techniques used by the firm.
- Whether the consumer had entered into an agreement with the firm concerned.
- Details of any detriment experienced by the consumer as a result of contacting or being contacted by a scam pension firm.

⁵ Financial Conduct Authority, [Retirement reforms and the guidance guarantee: retirement risk warnings](#), February 2015.

⁶ KPMG [Fraud Barometer](#) 2014,

⁷ Age UK, [Later life in the UK](#), April 2015.

We contacted some of the clients to speak to them in more detail about their experiences. We also analysed our Management Information to understand what type of problems affected different people around pensions and scams.

Figure 2 shows the wide spread of cases across England and Wales that we have analysed for this report.

Figure 2: location of cases used for this report



Source: Citizens Advice BEFs and Consumer Service Data

Types of scams

Our analysis has highlighted five main types of scam; these are getting personal information from people; moving savings into a new 'pension'; charging a fee for a service; offering free "advice" and support; and general promotions and lotteries targeted at older people. This section explains how these scams work and shows how some appear to be targeted on older consumers.

Getting personal information from people

Many pension scams appear simply to be seeking access to consumers' personal details. Our data shows that clients aged over 65 are 77 per cent more likely than our overall client base to visit us about scams that are fishing for personal information.⁸

The information sought can vary from basic details, such as date of birth and National Insurance number, to more specific details about the level of consumers' savings, the status of their annuity, or – most worryingly – their banking details. In some cases it is not clear what the information is going to be used for. The most common type of scam reported to our Consumer Service involves 'lead generators' who gain and then pass on details to third parties. With pensions scams this often involves sharing information with financial advisers in return for a fee.

Many scammers already hold some details about individuals, such as their employer, which they use to convince the client of their authenticity.

A 69-year-old client visited her local Citizens Advice office after receiving a letter purportedly from her former employer. It requested she confirm that she was the person named on the pension. It asked her to send details such as birth date and National Insurance number. The client was confused because she was receiving her occupational pension and knew the real provider already had the information.

Another retired client, 77, was contacted with information saying he was entitled to a pension worth £466.66 a month for five years. He was asked to send his personal details to an address in the Netherlands to confirm that he was entitled to the pension.

In other cases, firms seek to access customers' basic details with offers of advice and support. We've seen examples of so-called pension tracking firms contacting consumers and offering to help them locate old pension pots. These are often lead generators. In some cases they offer this service for free (in return for the person's details) while in others they charge a fee.

One client, aged 52, told us that a company contacted her at her new address and offered to find any lost pensions she might have. Although the client suspected this was a scam, she also didn't want to miss out on any money she was due.

Other scams trawl for information about people's pension arrangements.

⁸ Citizens Advice Management Information, 2014/15

One client, aged 83, had received phone calls from an organisation calling itself “the Pensions Office”, asking how much money she currently had saved in her pension.

Another client reported having received two phone calls in successive days asking about the level of his annuities.

Finally, some scams focus on obtaining customers’ banking details. These could have the most serious financial implications for customers.

A client in his eighties came to see us because he’d been told he could win a “pension” by providing his credit card details. When the local Citizens Advice staff looked at the paperwork it became clear that the “pension” was a prize for entering a competition, but the client would have handed over his credit card details thinking he was going to receive a pension.

Moving savings into a new ‘pension’:

Some of the most serious scams seek to move consumers’ pension pots, either charging large fees for doing so or transferring the money into unauthorised accounts. In some cases they do this without permission, whereas in others they forcefully encourage clients to transfer. This is a particular concern for more vulnerable customers, who may become confused or anxious in the face of such approaches.

Some scammers attempt to transfer funds without the customer’s explicit approval by gaining access to details about their pension. This is possibly the most alarming use of information access discussed in the previous section.

One client, aged 51, was called by someone saying they were checking she was getting the correct amount of pension. The client answered some of the questions, and soon after received a letter from her occupational pension provider stating they have received a request for a cash equivalent transfer.

Other scams explicitly encourage customers to transfer their pension pots into fraudulent schemes. This is usually on the basis of a promise of higher returns or other benefits.

“In 2012 after reading about moving pensions to get the best out of them I received a call from a company advising me about moving the two frozen pensions I have and after much deliberation I decided to go ahead. I had to prove my identity and get authority from my pension companies who never questioned my motives and I moved a total of £84,775.76 and was told this was being moved to the retirement benefit scheme promising 3 per cent on my investment and I also received £1,000 for doing this transaction. I first started to worry when I asked for a policy but was told I would get a letter every year about my investment. I have not received any documents”.

Another client was contacted and encouraged to transfer his pension into a new higher profit pension. He had £60,000 saved up, so visited his local Citizens Advice office to ask for advice.

In addition to being offered higher returns, some scammers promote other benefits to transferring pension pots. Some offer access to money upfront, which may be particularly attractive to those with debt or other financial problems.

A client was persuaded to move her two DC pots into a new pension by the offer that she could then use her savings as collateral for a loan (as well as paying an annuity when she retired). The company offering this service successfully transferred the money by posing as the client's employer and asking to transfer the accounts into a new occupational fund.

Scams can involve existing pension pots but also the creation of new ones.

A 61 year-old British client had not spent enough of his working life in the UK to be eligible for a state pension. To support his retirement, he agreed to pay £200,000 to create a pension fund. To make matters worse, he was contacted by another department of the company which had taken his money saying it could assist the client to reclaim some of his money for a further fee – an attempted case of 'fraud recovery fraud'.

Charging a fee for a service

The third category of scams sees consumers offered services for a fee. In some cases no service is provided at all, whereas in others a service *is* provided but it is either expensive or not in the consumer's best interest.

A client, 54, who had opted out of SERPS for 4 years on the advice of his previous employer, was contacted out of the blue. He was told that the caller would help him recover £17,200 compensation for poor advice from his former employer about opting out. In return, the client was told he only had to give his bank details so they could deduct a £600 fee directly from his account.

Another common fraudulent service aimed at people below the age of 55 is to release their pension savings early.

"I have received two unsolicited calls trying to convince me that I was losing money by having a frozen private pension. ...When I asked whether they were a company or an independent organisation, I was told repeatedly they were a government organisation. When I pushed which government department I was told they were a company."

Another client, 48, was told that he could release 30 per cent of his frozen rate pension early. The company said it could transfer the money to another firm in Hong Kong, which would reduce the tax burden on the client. The client agreed to transfer the pot in return for releasing £12,000 from their pension.

Offering free "advice" and support

The complexity of pensions and the frequent changes in pension policy mean that many consumers feel they have limited knowledge of the subject. They also know that there is a chance that they are not getting the most out of their pension or that they may lose track of some savings.

Therefore the offer of free 'advice' about pensions is attractive to many. In the period before April 2015, our evidence suggests that too few consumers knew where to seek independent, free guidance and scammers often filled this void.

One client, who was 6 months away from retirement age, received at least 2 phone calls from people who said they understood that she was about to retire and offered their 'help'. The client put the phone down each time this happened, but was worried that other people could be drawn in. One client with health problems, aged 61, was contacted by scammers offering what they described as free advice. Following a consultation, in which he was told he would gain tax advantages by moving his pension, he agreed to transfer his savings into two separate accounts.

Advice scams vary in complexity and intent: some will refer people onto other advisers for a fee; some simply see this as a way of fishing for further information; others use it to pressure individuals to move their pension pots to unregulated accounts.

One client, with limited mental capacity and an underlying long term mental health problem, was offered a free pensions review which ultimately convinced him to move his pension pot.

Providing pensions 'advice' gives scammers many different opportunities to gather information and use to the clients detriment.

One client came to us having received a call which purported to be helping check she was receiving all of the pensions she was entitled to. Having provided some details to help with this free process, she later discovered that an attempt had been made to withdraw money from her pension fund.

Given that many people have multiple pension pots and that the pension rules have changed over time, some scammers say they can help people by locating forgotten pensions. In some cases they provide a number that people can call to check their savings.

One 66 year-old client was told that a pension in her late husband's name was available and she could ring to check its value. The number given actually directed her to an HMRC helpline. This is an elaborate fishing exercise to determine whether people have savings (the scammers call back later to check the outcome of the review) which is dressed up as a free pension checking service. Whilst this is nearly always detrimental to the customers' interests, it is not actually illegal.

General promotions and lotteries targeted at older people

At Citizens Advice we hear about different scams affecting consumers of all ages. Many are targeted specifically at people either approaching retirement age or those who are retired. Our data shows that people aged 65 and over are 130 per cent more likely than our average client to come to Citizens Advice with a fraud or scam issue.

Not all investment scams targeting older people relate to pensions specifically. As with pension scams, however, the returns often seem too good to be true or involve complex transactions with international partners.

A disabled client, aged 62, owned some shares. He was contacted by a salesperson and told that they could sell his shares for a profit. To do this, however, he would need to take out a share in the caller's company to be on their books. The client paid out about £35,000 in return for a promise of more than £100,000 in return. He has since found out that his shares were not sold and that his payments went to a company in Brazil.

Another client, 79 was called about investing in wines. He subsequently withdrew all of his savings - worth £7,700 - to invest. Later the company sent him a letter requesting a further £5,500, stating that if he did not invest extra he might lose money he had already invested. The FCA has since confirmed that the company is not registered with them and that there is evidence that the company is a scam.

Many scams play on people's optimism and tell them they've won a prize or lottery but must pay a fee or provide personal information to access it. Our data shows that more than a third of all people visiting local Citizens Advice offices about lottery and prize scams are aged 65 and over, making them 160% more likely to have a problem than our general client base.

A 72 year-old client contacted a local Citizens Advice office on behalf of his wife, who was told by the "European Union Lottery" that she'd won £500,000, despite the fact that she didn't buy lottery tickets.

Another retired client, who lives alone and receives Severe Disability Allowance and Disability Living Allowance, lost £15.29 after responding to a letter offering her a prize of £7,500 in return for buying a basket of raspberries. The client never received the raspberries or the prize.

Sometimes these offers come from existing (and in many cases trusted) suppliers.

One man, aged 66 and in receipt of pension credit, ordered some goods and received them along with a letter telling him he had won £46,397.88. He sent back a form giving personal details to claim his prize.

As well as prize draws, some older people also fall foul of copycat or 'fake' website scams which take advantage of potential limited online experience.

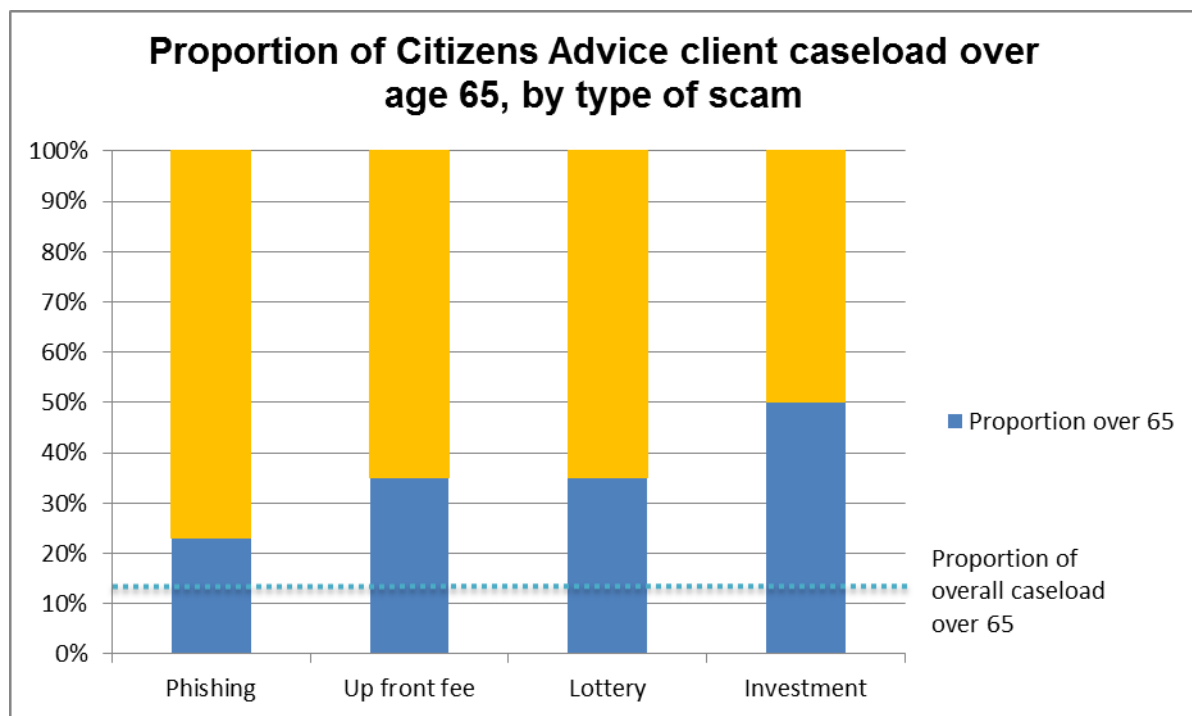
One client aged 68 and on pension credit, lost £1,310 when booking a holiday for himself and his wife. He thought the company was plausible and it had a convincing website but, after paying for two flights to Mauritius online with his bank card, he never received the tickets. When he tried to contact the agents he found that their website had been taken down and their phone line had been cut off.

Another client, 66, became the victim of a copycat website when he paid his car tax. Although he did receive his tax disc, he was charged £40 more than the official price. The client paid by debit card and only realised that he had been scammed a few days ago.

Age distribution

We have analysed different types of scam according to the age of consumers reporting problems to Citizens Advice. As Figure 3 illustrates, older consumers are partially overrepresented among people reporting experience of scams relating to investment, lotteries, phishing, and demands for up front fees.

Figure 3: Proportion of Citizens Advice client caseload over age 65 by type of scam



Contact methods

We have observed five key ways that scammers contact consumers: phone calls, texts, letters, the internet and door-to-door tactics. Data from our Consumer Service shows that more than two thirds of reported scams used unsolicited telephone contact.⁹

Phone calls and text messages are a common way for scammers to contact people. The Information Commissioner's Office has said: "*We're already aware of the potential for a huge spike in the number of scam texts and calls linked to pensions when the law changes in April*".¹⁰

In some cases people receive a single phone call, but in others they are called numerous times.

One client who had been phoned told us that scammers "*know to ring the old and vulnerable*". Another, approaching her retirement age, had multiple phone calls offering "help" with her pensions.

⁹ Citizens Advice Consumer Service Helpline, October 2014 – March 2015.

¹⁰ [Information Commissioner's Office](#), 1 April 2015.

Some pension scams are promoted via text messages, with consumers asked to reply if they are interested or “eligible”.

One 80 year-old client received a text saying that he was missing £3,000 of pension entitlement and asking him to text back to reclaim the money. The client told his local Citizens Advice office that he thought this was a scam, especially as he had received nothing through the post from anyone.

Many clients receive letters about pension offers.

One retired client received a letter asking him to send details about his pension to a PO box in the Netherlands.

A 69 year-old woman received a letter from a company claiming to be her former employer asking for personal details to check her pension.

We have observed that it is particularly common for individuals to receive details of scam promotions or lotteries through the post. In some cases people receive offers like this alongside legitimate mail order catalogues which, in some cases, they already use.

We have also seen clients who have encountered online scams, including scams promoted through social media, through adverts and on search engines. Other clients have been scammed after finding copycat websites on search engines or clicking on online adverts. In some cases, people have become victims after trusting companies on the basis of their professional-looking websites.

We have also seen clients who have had scammers visit them in person. This can involve traditional door-to-door speculative visits as well as planned visits from couriers or other salespeople after contact has been established in another way.

In some cases, scammers contact the same consumer in different ways.

One client, 79, received a phone call encouraging him to invest in wine, and was later sent letters encouraging him to invest money.

Another client, 47, was texted about releasing a frozen pension early, and was asked to text back. Once she had responded to the text, the scammers built up contact over the phone.

Tactics used by scammers

We have considered different types of scams, and how scammers contact consumers. In this section we analyse the specific tactics that are used to convince people that offers are genuine and to encourage them to part with information or money.

Many scammers play on people’s optimistic instincts. This involves tempting people with higher returns, money up front or prizes. Many clients have told us that they didn’t want to miss out on any money that they were due, even though they were suspicious.

Another common approach is to use boiler room or high pressure tactics. This can involve a single encounter or repeated engagements to encourage an individual to accept an offer. Often people are told about a special 'tax advantage' or 'unbeatable returns'. When combined with people's everyday lives, these simple and persistent tactics often trick people.

It is not uncommon for scammers to send couriers to people's houses after contacting them in an attempt to seal a quick deal. They also often try to hurry people or place them under time pressure, such as by saying an offer is for a 'limited time only'. As one client told us:

"I had a phone call from a company asking me about my pension and then they sent someone round straight away. I was trying to deal with my crying granddaughter and read the documents they gave me at the same time. I'm dyslexic too and just panicked and signed."

"I was cold called and then two days later someone came to see me. The company said they could get me my pension money within a couple of weeks. I didn't read the small print because I have cataracts but can only think I've been scammed because the numbers they gave me don't work and I've never had the money."

Some scammers bombard people with information and requests hoping that this will add legitimacy or catch the individual at a moment when they are off guard. Many clients we've heard from have been inundated with phone calls, text messages or letters.

One client told us that they received constant phone calls on their mobile – around 4 or 5 a day, from the same company. The company wouldn't stop calling, despite being asked repeatedly to do so.

"They called so many times and I never gave in and then the day they caught me off guard I was weak and vulnerable and they took advantage. I have lost my pension savings and have nothing to top up my pension with or leave to my children."

Scammers also have tactics to make themselves sound more legitimate. These include associating themselves with a known company (e.g. a person's bank or pension provider), use personal information or use a name that sounds official.

A client, 61, was called by a pension review company which claimed to be acting on behalf of his pension provider. When he visited Citizens Advice, their adviser called the pension provider who confirmed they had nothing to do with the pension review company.

Some scam companies use official-sounding names, such as "The Pensions Office", or the "Pensions Centre".

One client has been receiving calls from trader which is using a name including "Citizens Advice" and "Bureau" along with a reference to pensions. The client is concerned if they call elderly people they may be trusting when they hear Citizens Advice.

We observed an alarming trend of scammers taking this approach to the extreme and simply claiming they were from the government and giving what they described as official advice.

“When I asked whether they were a company or an independent organisation, I was told repeatedly they were a government organisation. When I pushed which government department I was told they were a company. Someone less sceptical than me would have believed the government were about to advise me to do something”

Other scammers are able to get people’s attention and trust using the internet. They can use search engine optimisation to both increase exposure and make websites look more authentic. Another common approach is to use a professional-looking website, which often engenders trust.

One client, 68, who’d lost more than £1,000 to an online company, told us he thought it seemed plausible and that it had a convincing website.

Impact on consumers

This section explains how pension scams have a range of impacts on those targeted ranging from clear financial detriment to more subtle emotional reactions such as shame, confusion and stress. They can also raise people’s hopes that they have extra money before dashing them, can consume considerable amounts of people’s time, and can undermine trust in pensions and financial services more generally.

The most serious implications are financial, with some of our clients fearing they have lost all their pension savings. This can create severe hardship, especially for those with few assets and additional pressures such as ill health or disability. For many, being the victim of a scam can mean the difference between a relatively comfortable retirement and a very difficult one.

A disabled client, aged 64, feared he had lost around £200,000 of his savings, having entered into an agreement with a fraudulent company. The client did not have a private pension so this was going to have a major impact on his retirement income. Both his bank and the police were pursuing the issue, but the client faced uncertainty over whether his money would be recovered.

Another client, 62, lost £35,000 through an investment scam. He’d been pressured into a quick deal, so had taken £15,000 from his pension savings fund account and borrowed £25,000 from his bank. As well as reducing his pension income, the scam also created a new debt for him.

The financial impact of scams also often extends beyond the immediate loss of savings. These include repercussions on the tax and benefit arrangements of affected clients.

For example, a 58-year-old client was left facing a heavy tax bill on top of the potential loss of her pension pot as a result of falling victim to a scam. After being persuaded to transfer her occupational pension to a fraudulent company, the company withdrew money. As a result, she was later issued with a notice from

HMRC that she was liable to pay tax on the withdrawal, in addition to interest and a penalty for failing to disclose the withdrawal when it had taken place.

A 55-year-old client with long-term health problems, who was in receipt of ESA and DLA, was also approached by a fraudulent scheme offering to release a lump sum from her pension. If the scam had gone ahead, the client would not only have been left with a smaller weekly pension, but her entitlement to her means-tested benefits could have been affected.

Yet there are numerous other impacts on those affected by scams beyond financial problems. Repeated cold-calls and confusing terminology and documentation are common features. Scammers often target the vulnerable, and even the potential of future fraud can lead to a great deal of stress and confusion.

One 61-year-old client with limited mental capacity and a long-term mental health problem received a series of cold calls from a company offering him pension advice. Having been persuaded to transfer his pension, he began to receive large amounts of documentation he could not understand. By the time he spoke to a Citizens Advice adviser he was in distress, as well as in danger of losing his savings.

A 66-year-old client had been cold-called by a company claiming to have located a frozen pension fund for her husband, who had died five years previously. When the client came to Citizens Advice she was anxious and confused – and ultimately also disappointed to discover the scheme was a scam and the additional pension did not exist. Resolving these issues required considerable investment of time and effort from the clients affected.

Those targeted by scams often reported feeling embarrassed and ashamed at having been ‘taken in’. This shame factor is likely to prevent some from seeking advice and redress early on, when there is greater chance that the problem could be solved or averted.

“I haven’t told my husband that I nearly lost our money because I signed some papers without reading them. I just don’t know how he would react. I thought this was the answer to my debt problems but instead it’s just made me feel stressed and stupid.”

“I feel really stupid to have given away my pension money to a crook on the phone”

Scams also affect consumers’ trust in pensions and the financial services sector in general. Many were angry that fraudulent companies had been able to access their personal and pension-related details and wanted to know how this had happened. Clients approaching retirement reported receiving cold calls from companies who appeared aware of their circumstances – including details of previous pension plans – and were offering ‘help’. Many were concerned that, even if they had avoided a scam, their details could be accessed again.

One client who had spoken to a scammer who knew their personal circumstances said they were left wondering how this caller had managed to obtain details of his

former pension plan, and how much more of his personal financial details can be obtained by unscrupulous people.

“I’m angry because I don’t know what these people have been playing at. They have my pension details, my National Insurance details and my date of birth but I don’t know what they’re planning to do with it.”

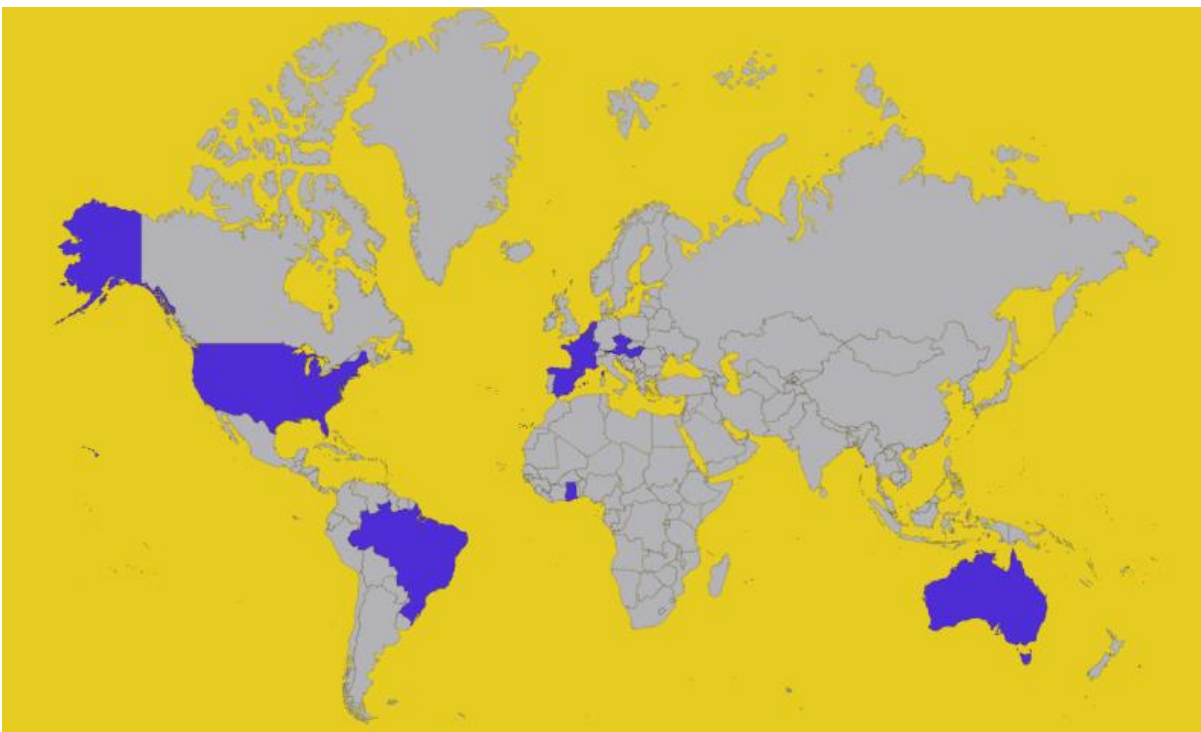
Frauds that involved companies posing as fabricated government departments, such as the ‘Pensions Office’, made clients confused and uneasy at the extent to which they could trust official channels.

Our clients’ experience makes clear that pension scams can have a devastating impact on victims. In the worst instances, vulnerable people have lost savings which had taken a working life to accumulate, and face severe financial hardship in old age. However, even those who avoided falling victim to scams in a financial sense are often left anxious, confused and distrustful, with many concerned at the extent to which their financial details were open to exploitation.

International Scams

The cases we analysed for this report included scams sending money to six different continents. Figure 4 shows in blue the countries where our clients had sent or been asked to send money are marked in blue.

Figure 4: Origins of the international scams featured in this report.



Conclusions

Our research has shown how different types of scams work and how they affect consumers. It is crucially important that more people are aware of scams and how to avoid them. It is also vital that regulators continue to act quickly to prevent new scams as they emerge.

Citizens Advice supports The Pension Regulator's campaign, 'Don't Get Stung', which urges people never to respond to unsolicited marketing; to operate on the basis that if something sounds too good to be true it probably is; and to always check that anyone you are dealing with is regulated by the Financial Conduct Authority. As an independent consumer champion, we are working hard to raise awareness of the risks around pensions choices, and will be focusing on pension scams during our Scams Awareness Month in July.

As well as promoting awareness amongst consumers, regulators must also ensure that measures are in place to protect consumers who aren't, in the FCA's terms, ScamSmart investors. Citizens Advice will also work closely with the Financial Conduct Authority and The Pensions Regulator to share intelligence on pensions and pensioner scams in the future.

There is also a risk that more consumers will come into contact with the types of scams explained in this report as people approaching retirement gain more control over their pension savings. When people don't understand their situation they are at risk of getting sub-optimal returns from their pension savings - fraud and scams represent the worst case scenario for consumers. To ensure that consumers are able to take control and make the most of their pension savings in the future, it is essential that they also have access to good quality, free and impartial guidance on their choices.

Our aims

- Provide the advice people need for the problems they face.
- Improve the policies and practices that affect people's lives.

Our principles

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities.

We value diversity, promote equality and challenge discrimination.

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