SCAMS

A coming storm?

The increasing cost of living across Europe may have made pension scheme members more vulnerable to scams. But are industries, associations and governments doing enough?

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The cost-of-living crisis continues across Europe. A conflagration of circumstances, including the war against Ukraine, the lingering impacts of financial support during the coronavirus pandemic and supply chain issues, continue to impact the continent. A few months ago, it was reported that food prices across the European Union had risen by an average of 18.4 per cent year on year.

This issue stands at the forefront of people's minds. In January, the European Parliament conducted its *Eurobarometer* survey, in which 93 per cent of respondents said they were concerned about the cost-of-living crisis.

It is against this background that many pension holders may look to buttress their incomes by gambling with their pots for better returns. These are actions underpinned by legislation allowing people to dip into their retirement savings.

DWF partner and pensions legal expert, Marcus Fink, says: "There will be people who can promise you ready cash as part of a transfer package. But the rules are fairly complex and it's possible for even an intelligent person to be confused and hoodwinked into transferring benefits, getting cash, and then ending up with a sizeable tax bill."

In 2020, Crowe and the University of Portsmouth released a report called *The Nature and Extent of Pensions Fraud.*

That report said: "In recent years, the pension liberation reforms have stimulated an increase in frauds targeting those with pensions. This has, in turn, led to an increase in the action by authorities to tackle this problem. However, the media focus on 'pension liberation frauds' has masked a range of opportunities for fraud in the wider pensions sector. These include frauds by those running pensions schemes, inappropriate investments, and the targeting of pension schemes by external fraudsters, sometimes those involved in organised crime. These risks have received less attention."

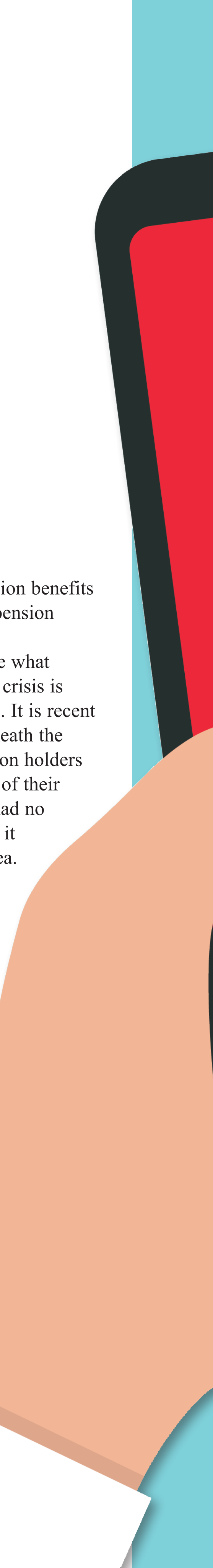
Defining a pension scam or fraud

A pension fraud or a pension scam, writes financial firm Fidelity, essentially targets pension scheme members to part with their hard-earned money and can happen in several ways.

"Fraudsters," writes Fidelity, "might ask their victims to transfer their pension pot into either non-existent or non-genuine schemes set-up to defraud people of their investments. Or they might offer them cash incentives to gain early access to their pension benefits – referring to them as a pension loan."

It is tricky to determine what impact the cost-of-living crisis is having on pension scams. It is recent and many scams slip beneath the radar, with cheated pension holders embarrassed or ashamed of their naivety. Europol said it had no statistics on this, nor had it done any work in this area.

The European Insurance and Occupational Pensions Authority (EIOPA) says similar, writing in a statement: "EIOPA closely monitors risks to pension holders, as can be seen in our annual consumer trends report. We are currently working



on the 2023 edition of the report where we are looking into the impact of inflation/cost-of-living crisis on pension holders. As we are still in the data gathering and analysis stage, we are not in a position to conclude whether there has been an increase in pension holders losing money through fraud during the cost-of-living crisis."

"We are definitely seeing more," said People-tech founder, Saq Hussain. "There are scammers approaching people with offers of better returns and then there are 'advisers' telling those under 55 how they can access their pension pots."

There are extensive examples on the continent. In November, Germany's Deutsche Renterversicherung (DRV) warned of 'dubious telephone calls' using number spoofing to pose as the pensions body. The calls, said the DRV, were threatening and warned people that they had to quickly make arrangements to transfer money, with "talk of pension cuts or garnishments, sometimes other sanctions" if a refusal to pay was made.

It was not the only one. In July, Germany's Federal Network Agency said it had received over 7,500 complaints about the 'Europol' ploy in the previous month. This scam surfaced over a year ago, leading to a reported 22,000 cases. This number, it advised, was underreported. Within Bavaria, it was estimated that the damages from this came to more than €2.5 million.

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The German version of *The Local* described the fraud process: "The scam starts with a phone call, which, when answered, plays an automated message saying that the police are waiting on the line. Users are then asked to press 1 to continue and those who follow the request are connected to a fraudster claiming to be from Interpol, Europol or the German Federal Criminal Office (BKA). The scammers impersonate officials and tell their victims that they are involved in serious crimes or are victims of a crime, such as identity theft, and urge them to provide personal information and make payments."

And in April, the BBC reported on a network known to the police as the Milton group and its offshoots that targeted through social media those of pension age, subsequently bilking many for thousands with promises of inflated investment returns.

The BBC wrote: "From their first phone call, victims can be directed into regulated companies or sometimes unregulated, offshore entities. Some victims who signed up to regulated brands within the Milton group are directed by their

Cost of living

broker to place high-risk trades likely to lose the customer money and make money for the broker. Some victims are instructed to download software that allows the scammer to remotely control their PC and place trades for them. And according to former employees of Milton group brands, some customers think they are making real trades, but their money is simply being siphoned away."

Much of the money taken, it seems, came from liquidated pension pots.

The way forward

Fidelity lays out several factors indicating a probable pensions scam: Unexpected contact, unrealistic offers and promises, persuasive and time-sensitive sales tactics, unusual investment opportunities, offering early access to pensions, and impersonation of firms and 'government' schemes.

Hussain says that there has been a shift by pension providers to tackle these sorts of scams at the point at which a pension pot gets liquidated.

He says: "Providers have become more mindful and are asking questions when they have members looking to access funds. But the problem is not just scams, but terrible investments. I've seen people persuaded to transfer money into property schemes in Europe that have never gotten off the ground and the venture has then fallen apart."

There are also cross-border issues if someone in one European country is persuaded to take their pot and invest in another nation. Such cross-border moves may end up being flagged and paused in the home country, even if the ultimate decision is made by the pension holder.

"The pensions admin team," notes a WTW spokesperson, "have strong due diligence in place for members when it comes to processing their pensions transfers etc, but beyond that I don't think we have much sight of pension scams and certainly no analysis across the region."

The question, then, is what – if anything – is being done at the higher levels around Europe? That would be something to put to the funds themselves, along with the regulators.

However, it was hard to find any evidence, any trace, of concerted efforts around Europe. EIOPA states it had not published any advice for those wishing to avoid pension scams or frauds during the cost-of-living crisis. But given that it will have a better idea in the future what the cost-of-living crisis is doing to pension holders, it may know more later this year.