

Pension *Bee*

PensionBee Scams Awareness Report

In April 2020 PensionBee invited 500 UK adults to participate in a study about pension scams awareness among the general public, following a rapid increase in online fraud and scams since the start of the coronavirus pandemic.

The online pension provider found that up to two thirds of respondents failed to identify some of the most common scams, including early pension access and free pension advice. Less than half of those surveyed know that you can access your pension from age 55, while a fifth do not expect to be targeted by phone or email, highlighting serious misconceptions that are likely to make consumers more susceptible to scams.

Action Fraud, the UK's national reporting centre for fraud and cybercrime, announced in March that coronavirus-related fraud reports had increased by 400%¹, while the National Cyber Security Centre (NCSC) revealed it had taken down 2,000 online scams by mid-April – including 200 phishing sites seeking personal information such as passwords or credit card details².

The Pension Scams Awareness Report aims to highlight knowledge gaps among consumers so the pensions industry can work together to raise awareness and educate consumers on how best to protect themselves. Its publication follows the launch of *Scam Man & Robbin'*, a pension scams awareness game created by four of the UK's leading digital pension platforms: PensionBee, AgeWage, Smart Pension and Nutmeg. To win, players must correctly identify six of the most common pension scams and the good behaviours that can help protect savers' pensions.

¹ <https://www.actionfraud.police.uk/alert/coronavirus-related-fraud-reports-increase-by-400-in-march>

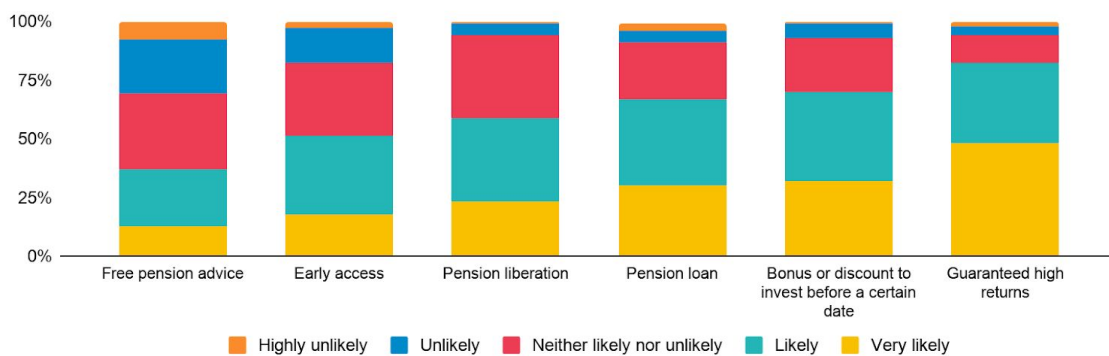
² <https://www.ncsc.gov.uk/news/public-urged-to-flag-covid-19-threats-new-campaign>

Alongside common pension scams such as cold calling and early pension release, *Scam Man & Robbin'* also features a coronavirus-specific scam, warning consumers against the newest risks.

Key findings

Up to 2/3 of respondents failed to identify common scams, including early pension access and free pension advice

How likely do you think each of the following could be a pension scam?



Despite the recent increase in scams and subsequent coverage in the press, awareness among the general public of the most common scams remains low, with little variance by age or gender.

An offer of “free pension advice” is the potential scam respondents were least likely to identify, unaware that financial advice from a regulated professional is rarely free. When it comes to pensions the old adage endures; if something sounds too good to be true it often is.

Worryingly, “early access” was also deemed unlikely to be a pension scam, despite it being one of the most prolific and often the most costly for savers. Early pension

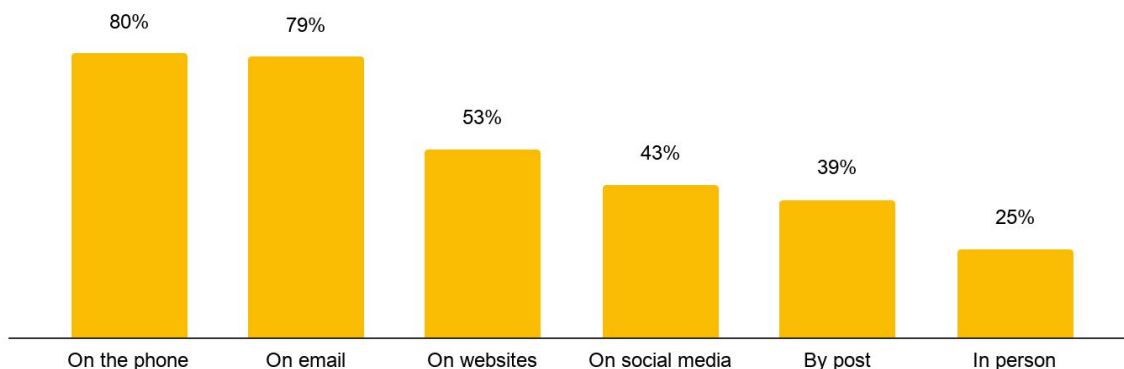
release can also be called “pension liberation” or a “pension loan”, and promises to give savers early access to their retirement savings.

While it’s not against the law to access the money in a pension before the age of 55, it’s not recommended due to the large fees a saver will incur. No reputable pension provider will approve an early withdrawal, unless there is a case of extreme ill health or terminal illness, usually signed off by a doctor.

If a saver withdraws their pension early, HMRC may view the early pension release as unauthorised, imposing a fine of up to 55% of the amount withdrawn. In addition, the third party, or scammer, offering to help release the savings could charge up to 30% to do so, leaving savers with little to no retirement savings.

1/5 of respondents do not expect to be targeted by phone or email

How do you think savers are usually targeted by scammers?



While it has been illegal to make cold calls about a pension since January 2019³, unfortunately it’s still not unusual for scammers to call savers out of the blue to discuss their pensions. In March former Pensions Minister Ros Altmann warned that

³ <https://www.gov.uk/government/news/pensions-cold-calling-banned>

in line with social distancing and lockdown restrictions, and many people at home or out of work, “there is a greater risk of cold-callers reaching more targets”.⁴

Although 80% of respondents recognised cold calls as a hallmark of scammers, it’s concerning that 20% didn’t, and may not be fully aware of the dangers of sharing private information about their pensions with strangers over the phone.

On a positive note, 79% of those surveyed are aware of email phishing scams which have increased exponentially in recent months. In early May, Foreign Secretary Dominic Raab warned that “predatory cyber criminals and hostile states are seeking to exploit the coronavirus pandemic”, by targeting individuals and organisations in the UK by deploying Covid-19 related scams and phishing emails. This followed the UK’s National Cyber Security Centre (NCSC) and the US Cybersecurity and Infrastructure Security Agency (CISA) publishing a joint warning to consumers on 5 May⁵.

About half of respondents do not expect to be targeted through websites, and 75% are not worried about scammers approaching them in person. In 2019 The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) released research showing that 42% of pension savers⁶, (the equivalent of over 5 million people across the UK), could be at risk of falling for a scam, estimating the average loss to be £82,000 per victim, which equates to around 22 years of pension savings⁷.

The same research also found that the more highly educated a person, the more likely they are to fall for a pension scam, due to overconfidence. PensionBee’s recent data suggests that consumers are sceptical that a scammer would try to defraud them of their pension savings in person, which could be a sign of over confidence, and as a result make them more susceptible to in-person scams.

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<https://pensionsandsavings.com/emergency-measures-for-pensions-to-help-protect-customers-from-scams-and-accelerate-pensions-dashboard/>

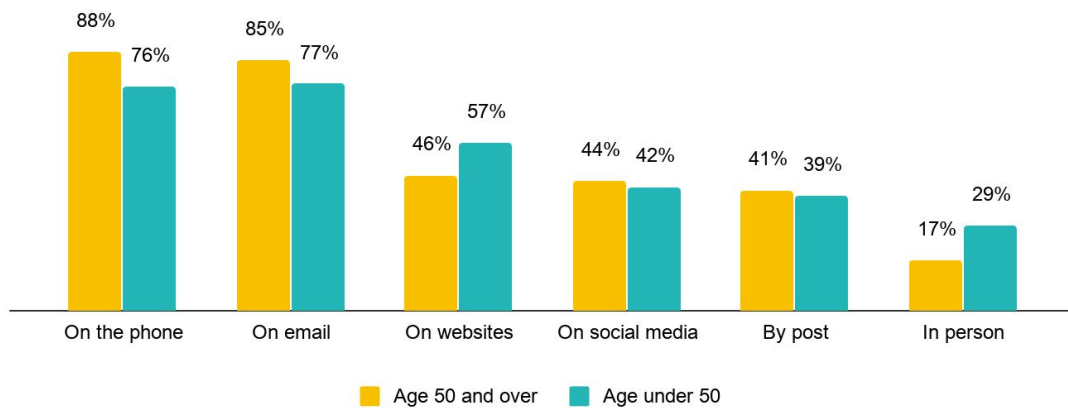
⁵ <https://www.ncsc.gov.uk/news/public-urged-to-flag-covid-19-threats-new-campaign>

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<https://www.fca.org.uk/news/press-releases/5m-pension-savers-could-put-retirement-savings-risk-scammers>

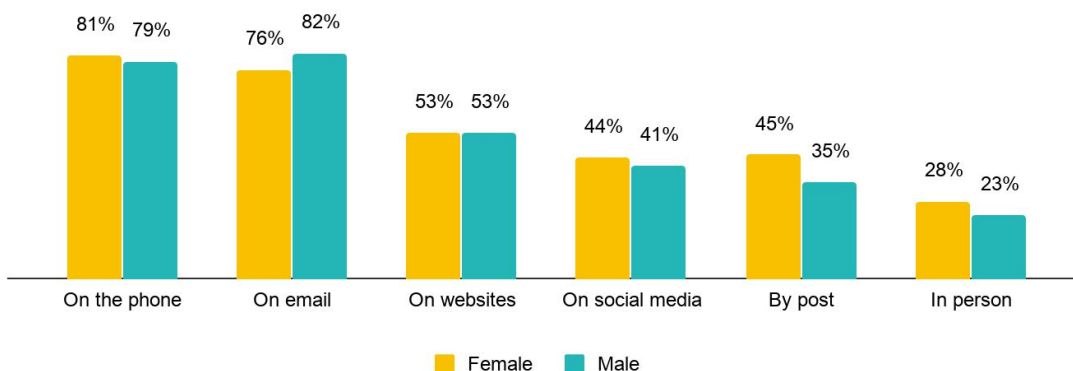
⁷ <https://www.fca.org.uk/news/press-releases/22-years-pension-savings-gone-24-hours>

How do you think savers are usually targeted by scammers?



It's particularly worrying that awareness of in-person scams falls to just 17% when we look at respondents aged over 50, despite reports by Age UK stating that older people are often targeted by doorstep scams⁸.

How do you think savers are usually targeted by scammers?



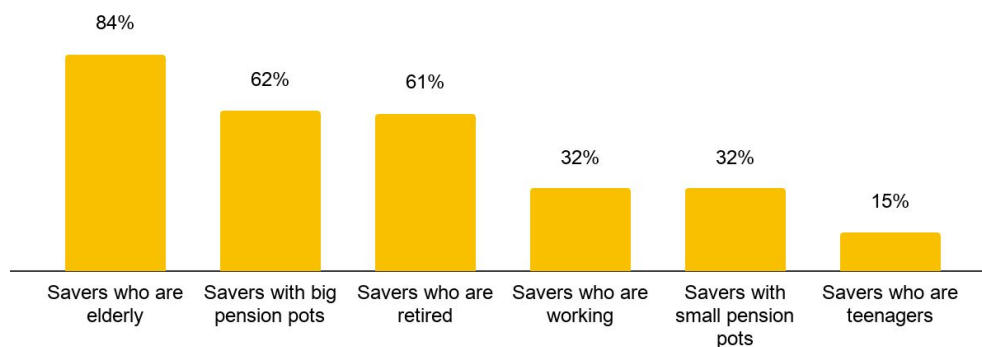
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<https://www.ageuk.org.uk/latest-press/articles/2019/july/older-person-becomes-fraud-victim-every-40-seconds/>

When responses are compared by gender, interestingly, the data suggests that women may be slightly more sceptical than their male counterparts, which could imply that men are more likely to fall victim to a pension scam overall.

The vast majority of respondents do not believe that scammers would target working people, or those with smaller pension pots

Who do you think scammers are usually targeting?



While scammers may choose to target the more vulnerable in society such as those in cognitive decline or those who are lonely, with no one around to sense check their decisions, scammers can target anyone.

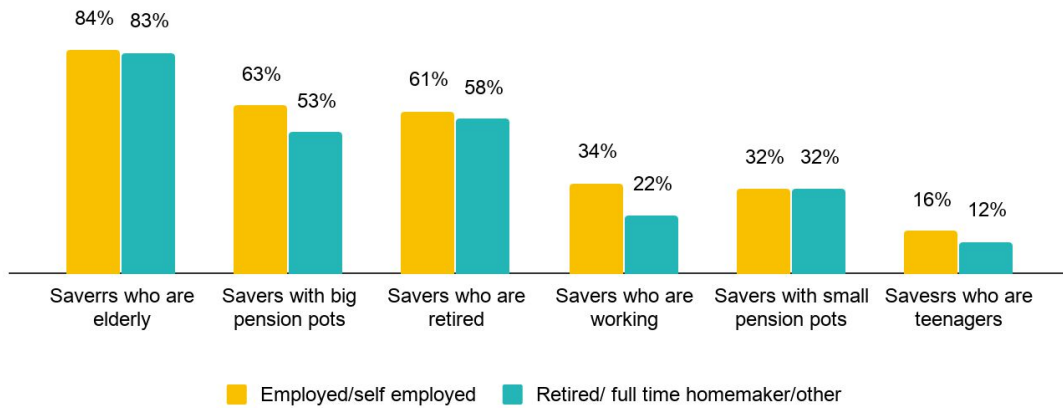
Coronavirus-related scams, for example, are specially designed to exploit savers of all types concerned about their job security or the financial markets. The FCA warns that savers should be especially vigilant about transferring pensions and any high-return investment opportunities, including investments in cryptoassets, during the pandemic⁹.

Despite warnings that everyone should be vigilant, the majority of respondents believe that only those with large pension pots or who are over the age of 55, and in retirement, would be targeted by scammers. While it is indeed less likely that

⁹ <https://www.fca.org.uk/coronavirus-support>

scammers would target teenagers, savers must remember that scammers are opportunistic and may manipulate anyone experiencing serious financial strain during these times.

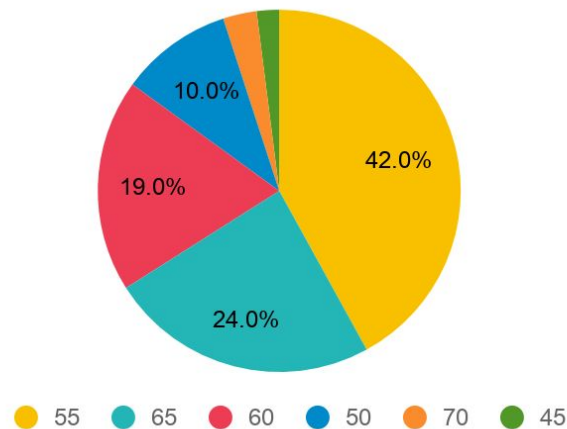
Who do you think scammers are usually targeting?



Interestingly, the data shows that the majority of consumers tend to see people in other situations as more likely to be scam victims, and may be influenced by common misconceptions. This is demonstrated by the two thirds of respondents who are currently employed, and think they are less of a target than those who have retired. Again, this could result in a false sense of security when it comes to identifying a pension scam and protecting themselves.

Less than half of respondents know you can access a pension from age 55

What is the minimum age you should reach before accessing a personal pension?



Only two fifths (2%) respondents were able to correctly identify the age at which they can begin to withdraw their retirement savings, highlighting an overall lack of awareness in how long a pension is designed to last. This could result in savers running out of money in later life or not saving enough to enjoy the retirement they desire, which could necessitate them having to work longer than planned.

More than 10% of respondents believe a personal pension can be accessed from age 50 or younger, and could face a shock when they learn the true age. While a personal pension - including those set up by an employer - can currently be accessed from 55, the age is expected to rise to 57 in 2028.

This is particularly concerning as early pension release is one of the most common pension scams, as mentioned earlier. Savers who may be planning to draw their pension before the age of 55 could seek out alternative ways to do so should their pension provider refuse them, leading them to scammers looking to capitalise on their confusion. Indeed there are a growing number of websites that offer to introduce savers to IFAs who can help them 'sell your pension', using Google

reviews and other legitimate review sites with hundreds of ‘happy’ customers leaving 5* reviews¹⁰.

About half of respondents think that the age they can access their pension is 60 and over, with around a quarter believing they can start withdrawing at 65, the same age when many nearing retirement can claim the State Pension – although this age is also rising, to 66 for both men and women by October 2020¹¹. This lack of clarity could make consumers vulnerable to scammers who lead them to believe that accessing a pension at 55 is a perk that only they can provide.

Scammers are increasingly sophisticated criminals who prey on savers simply seeking to make the most of their money in a confusing pensions world. All consumers must be vigilant in order to protect themselves from scams and fraud. They should be especially careful whenever sharing personal information online (via websites, email and social media), and refuse to engage with anyone who contacts them out of the blue, by any method.

There is also a wealth of resources about protecting oneself from scams online. For example, the *Scam Man & Robbin’* game challenges some common misconceptions which may initially seem positive about an investment, but may in fact be warning signs to watch out for. Consumers can visit scam-man.com to learn about types of scams proliferating today, ways to avoid them, and where to seek help and advice should they suspect a scam.

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<https://www.pensionbee.com/press/pensionbee-warns-of-online-scammers-offering-early-pension-relief>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/310231/spa-timetable.pdf



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