



# WATERMARK

## Financial Planning

Guide to

# Protecting yourself from scams

Don't let a lifetime's savings and investments be lost in moments



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# Guide to protecting yourself from scams

Don't let a lifetime's savings and investments be lost in moments

Fraudsters are getting more deceitful and ever more successful. Pension and investment scams are on the increase in the UK. Everyday fraudsters are using sophisticated ways to part savers from their money, and the Internet and advances in digital communications mean these kinds of scams are getting more common and harder to identify. A lifetime's savings can be lost in moments.

**N**early one in ten over-55s fear they have been targeted by suspected scammers since the launch of pension freedoms, new research<sup>[1]</sup> shows.

## Tactics commonly used to defraud

The study found 9% of over-55s say they have been approached about their pension funds by people they now believe to be scammers since the rules came into effect from April 2015. Offers to unlock or transfer funds are tactics commonly used to defraud people of their retirement savings.

One in three (33%) over-55s say the risk of being defrauded of their savings is a major concern following pension freedoms. However, nearly half (49%) of those approached say they did not report their concerns because they did not know how to or were unaware of who they could report the scammers to.

## Reporting suspected scammers to authorities

Most recent pension fraud data<sup>[2]</sup> from ActionFraud, the national fraud and cybercrime reporting service, shows 991 cases have been reported since the launch of pension freedoms involving losses of more than £22.687 million.

## Alternative investments such as wine offered

The research found fewer than one in five (18%) of those approached by suspected scammers had reported their fears to authorities. Nearly half (47%) said the approaches involved offers to unlock pension funds or access money early, and 44% said they involved transferring pensions.

About 28% of those targeted by suspected fraudsters were offered alternative investments such as wine, and 20% say they were offered overseas investments, while 13% say scammers had suggested investing in crypto currencies. Around 6% believe they have been victims of fraud.

## Safeguarding hard-earned retirement savings

Pension freedoms, though enormously popular with consumers, have created a potentially lucrative opportunity for fraudsters, and people need to be vigilant to safeguard their hard-earned retirement savings.

If it sounds too good to be true, then it usually is, and people should be sceptical of investments that are offering unusually high rates of return or which invest in

unorthodox products which may be difficult to understand. If in any doubt, seeking professional financial advice from a regulated adviser will help ensure you don't get caught out.

### Source data:

*The Financial Services Compensation Scheme.*

Some scammers have very convincing websites and other online presence, which make them look like a legitimate company. Always check with the FCA to make sure they're registered. ■

## If it sounds too good to be true, it probably is

Scams are increasingly sophisticated – but if it sounds too good to be true, it probably is. Scammers will usually call you out of the blue, but contact can also come by email, post, word of mouth or at a seminar or exhibition. For professional advice you can trust and to discuss your own unique requirements, please contact us – we look forward to hearing from you.

### Source data:

*[1] Consumer Intelligence conducted an independent online survey for Prudential between 23 and 25 February 2018 among 1,000 UK adults aged 55+ including those who are working and retired*

*[2] [www.actionfraud.police.uk/fraud-az-pension-liberation-scam](http://www.actionfraud.police.uk/fraud-az-pension-liberation-scam)*



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## Top five financial scams to look out for in the UK

### 1. Boiler-room schemes

These scams promise investors impressive returns, but they deliver nothing apart from a great big loss. More than 5,000 investors lost a combined £1.73 billion through boiler-room schemes reported to the Action Fraud crime-prevention centre in 2014.

Victims will receive a telephone call out of the blue and be offered an investment opportunity with sky-high returns of as much as 40%. You will most likely be told that you must act fast and asked to transfer your money straight away. It's common for victims to part with tens of thousands of pounds. Boiler rooms are not authorised by the Financial Conduct Authority (FCA). This means that if you hand over your cash, it might be the last you will see of it.

#### Take Action

Check the FCA status of any firm you intend to deal with for investments. Call 0800 1116768 or go to [www.fca.org.uk/register](http://www.fca.org.uk/register).

### 2. Phishing/smishing

The most common scams come from fraudsters posing as someone official, such as your bank or building society. Typically, you receive an email or text asking you to click a link and verify login, account and password details. The communication received is from a fraudster who will be able to read the information you type in, should you fall for their trick.

This information is then used to raid your account. If you lose money this way, you won't get it back.

#### Take Action

Your bank will never ask you to disclose full security and password details, so alarm bells should ring. If in doubt, call your bank and ask them if they have tried to contact you.

### 3. Pension liberation

Scammers are bombarding people aged 55 and over with bogus investment opportunities to try to get hold of their pension savings.

One of the most common scams since the pension freedoms were announced involves alleged investment opportunities abroad

Low interest rates are tempting some people to take extra risks, so they are vulnerable to such fake investments. Fraudsters can approach you by post, email or telephone.

#### Take Action

If you're offered a 'must-have' investment or a free pension 'review' out of the blue, be wary. Also, be concerned if you're warned that the deal is limited and you must act now. Choosing the right retirement income product is a big decision and shouldn't be done quickly or under pressure. Consult a registered professional financial adviser. If you think that you may have been made a fraudulent offer, contact Action Fraud on 0300 1232040 or visit the FCA's Scam Smart site to see if the investment you've been offered is on their warning list: <http://scamsmart.fca.org.uk/warninglist>.

### 4. Homebuying fraud

This con intercepts cash transferred as a home deposit to a solicitor in the lead-

up to exchange and completion. It's all done via the Internet where a computer hacker monitors emails sent between a solicitor and client. When a bank transfer is about to be made, the fraudster emails the homebuyer pretending to be the solicitor, telling them the details of the law firm's bank account have changed. The unsuspecting homebuyer sends their cash to the new account, where it is withdrawn by the fraudsters.

#### Take Action

If you're buying a property, watch for any emails about payments, such as a change in bank details at the last minute. Many victims are told that the account is being 'audited', and so another one must be used. Ring your solicitor if you're in any doubt.

### 5. Freebie scams

Seemingly free trial offers for products are duping consumers out of millions of pounds a year. To get the freebies, you need to enter your card details – although told you won't be charged for the introductory period. In fact, you are often signing up to an expensive monthly subscription that is very difficult to get out of. Once this type of billing is approved – known as 'continuous payment authorisation' – up to £100 a month can be taken without any further contact.

#### Take Action

Report such free trial offers to The Advertising Standards Authority contact 020 7492 2222 or to make a complaint visit <https://www.asa.org.uk/make-a-complaint.html>

# Are you making the best choices with your money?

Whatever your plans for the future, we are here to help you take the next step. To review your situation or discuss the options available, please contact us for further information

**We look forward to hearing from you.**

This guide is for your general information and use only, and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. All figures relate to the 2018/19 tax year, unless otherwise stated.