

## Pensions Bulletin April 2013

### Focus on Pensions Liberation

Pension liberation is the release of cash from a pension scheme before age 55 in a manner inconsistent with HMRC's regulations.

This type of scam first came to light over 10 years ago when the then Inland Revenue, coined the term 'trustbusting'. These early scams were relatively crude; otherwise dormant schemes would accept transfers in which, after the deduction of substantial fees, would be passed on to the member.

Although still triggered by a transfer, the recent arrangements have evolved into much more sophisticated vehicles, with many claiming to operate within HMRC's framework of 'authorised payments'. High pressure marketing campaigns involving spam texting and cold calling, often claim to have identified a 'loophole' in the regulations and will offer 'pension loans' or 'reciprocal arrangements' whereby assets supposedly remain within the scheme. In reality, some cash usually finds its way to the member with the balance of the fund disappearing through a mixture of high upfront fees, opaque charging structures and questionable investments often placed overseas or in failing companies.

Pension liberation companies are certainly taking advantage of the economic downturn. As many people find themselves out of work, the prospect of releasing even a small part of their pension can seem very attractive. Some companies are quite open about upfront fees of up to 40% of the fund value. What they fail to point out is that the hefty tax charges HMRC will apply can leave them with no cash and no pension.

### What can be done to stop it?

The Government are obviously keen to stop this sort of thing but recognise that, if someone is determined, there is actually very little they can do. One thing they are doing is turning to the industry to help. The Pensions Regulator has published a suite of material for both scheme members and pensions professionals, to raise awareness of the issue.

Quattro are revising transfer out procedures to ensure every member requesting details is provided with the Regulator's 'awareness leaflet'. We will also be putting additional questions to both the member and the receiving scheme to identify warning signs of suspicious activity.

Where we have concerns about the legitimacy of any transfer, in the first instance we will raise these with the member, highlighting the potential tax consequences and ensuring they have not been misled. If the member still wants to proceed and we cannot satisfy ourselves regarding the receiving scheme's intentions, subject to the agreement of the Trustees, we will contact Action Fraud who are coordinating investigations on suspect arrangements.



ISO27001



ISO9001

Although falling short of endorsing non-payment of a suspect transfer, the Regulator has stated that where trustees or administrators can evidence their concerns, *'this would be a relevant factor ... when deciding whether it would be appropriate to take action'*.

Further information is available on The Pension Regulator's website:

<http://www.thepensionsregulator.gov.uk/regulate-and-enforce/pension-liberation.aspx>

For further assistance please contact Andrew Allsopp FIA on 01527 598688.

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