

Written evidence from Stephen Sefton [PPS0009]

Summary

1. I am not a Financial or Pension expert.
2. I am a victim of a Pension scam that occurred in 2015 and one of very few people that managed to recover my pension. My contribution to this Inquiry is drawn from my own experience, research, evidence and what I have learned from a very stressful experience.
3. In summary:-
 - The majority of the public underestimate the sophistication of the career scammer to get unfettered access to their pensions because they are not taught how to spot a well orchestrated, highly organised scam.
 - UK Trustees/administrators treated the 2013 Scorpion Campaign with contempt and also underestimated the sophisticated career scammer.
 - The FCA are more interested in hounding only regulated advisers and appear to view unregulated advisers as not their problem.
 - Action Fraud throw their hands up in horror at the scale of the problem, say the job is too hard and the victims are 'morons' anyway.
 - The Serious Fraud Office think a couple of convictions per decade is a job well done so why do more?
 - Scamming is a low risk high reward career and perpetrators have nothing to fear from the authorities.
 - One could advertise the scamming job as: customer facing, must have good communications skills, mustn't have a conscience and have no issue telling the occasional lie. Benefits include: international travel; cars; holiday homes; boats and even your own helicopter; seven figure remuneration but there is no limit; the company might be closed down but you get to keep the spoils and your freedom; 'customers' will face financial ruin but no one will care and you can always start another company and recruit more 'customers'.

Introduction

4. The inquiry's terms of reference summarises the goals as "... looking at ... preparing and protecting people moving from saving for retirement to using their pension savings."
5. The keywords here are "preparing" and "protecting" and it is important to learn lessons from known pension scams that began well before the increased freedoms were available to people in 2015.
6. In my case, ignorance was the primary factor that contributed to my being caught in a scam. I was not prepared for what ensued. In my opinion, ignorance is probably the single biggest reason people get snared by scammers – not greed and not stupidity, as is so often the accusation.
7. Every scammer just wants unfettered access to a person's pension for their own enrichment without being burdened by a duty of care.
8. All victims have a goal of one sort or another, either an immediate need for cash or a perceived improvement in their retirement that they believe, rightly or wrongly, cannot be fulfilled by their current arrangement.
9. The scammer exploits the ignorance of the victim and with frequent use of fraudulent misrepresentations, either sells a "convincing" con to satisfy the immediate need for cash – pension liberation – or offers investments claiming a better than average growth, when in fact they are offering nothing but high risk pie-in-the-sky ventures with poor governance, that generally fail, leaving victims facing financial ruin.
10. In August 2019, the FCA published a press release that said "... research also found that those who consider themselves smart or financially savvy are *just as likely* to be persuaded by these tactics as anyone else".¹ Scammers are able to con people from diverse backgrounds and educational achievement, including Policemen, Doctors, Teachers and Airline Pilots. There doesn't appear to be a "typical" profile of a victim, nor does academic achievement appear to protect victims.
11. **The committee** should examine why this is. If I was to hazard a guess, I would speculate that our education system inadequately covers vital topics like investment decisions or pension planning. So the government gives people the freedom to choose what to do with their pension but not the skills to know what they are doing. People generally don't even know how to distinguish a regulated adviser from an unregulated one, or spot fraudulent misrepresentations used by scammers.
12. In January 2015 I learned of the new pension freedoms that would be available from April. I was at that time in a Defined Benefit ("DB") scheme that only offered the usual 25% tax free lump sum and an annuity. Because of my personal circumstances, I believed at that

¹ <https://www.fca.org.uk/news/press-releases/5m-pension-savers-could-put-retirement-savings-risk-scammers>

time an annuity might not be the best option for me and asked my trustee/administrator how I could access the new pension freedoms post April. I was told that I couldn't and would have to leave the scheme if I wanted to access the freedoms post April. In January 2015, two years after the pensions regulator launched its Scorpion Campaign, this was an ideal opportunity to ensure I was fully informed about pension scams. Trustees/Administrators were required to have robust and compliant procedures in line with the regulator's requirements.

13. I was not so informed.
14. I looked online for an adviser, but as so often happens, scammer's adverts are more prominent and I unwittingly fell onto the radar of a scammer and offered the characteristic, no obligation, "free pension review".
15. The process to transfer my pension took from January to May 2015. In May, the money was transferred to a Qualifying Recognised Overseas Pension ("**QROP**") in Malta and from there was invested in two high risk funds owned, as I later discovered, by those that transferred my pension.
16. The scammers now had unfettered access to my pension.
17. I suspected I was in a scam in early 2016 when I came across negative comments on the internet about the funds my pension was invested in and the people that had transferred it.
18. I contacted the FCA and they confirmed my situation had the characteristics of a scam and that because the advisers were only authorised for insurance mediation (I later discovered that was from May 2015 and not even at the time of my transfer request) and not for giving investment advice or transferring pensions, I could not get access to the compensation scheme (FSCS) or Ombudsman services. The FCA did nothing more.
19. This was a typical example of how scammers rely on a victim's ignorance of FCA regulation and "permissions" of the services they can offer and how the FCA just shrugged its shoulders.
20. I contacted the receiving trustee in Malta and explained how I believed they were facilitating a scam. They denied this was a scam. Over many months I persistently researched and gathered evidence this was a well orchestrated scam and the trustee was facilitating it. I complained to every authority in all jurisdictions, presenting irrefutable evidence against the scammers.
21. I believe the trustee was genuinely surprised at discovering they too had been unwittingly conned into facilitating this scam by the architects of the scam. The receiving trustee, uncharacteristically, put in a lot of effort to rectify the situation and clearly had some leverage over the scammers but I have no idea what. After 8 months of my single minded determination they managed to redeem my investments in the two funds; persuaded one fund to waive their 7% early exit penalty and refunded all their admin charges and I

repatriated a substantial amount in early 2017 to a UK regulated SIPP provider with the aid of an FCA regulated IFA. One fund however, refused to waive their exit penalty and mysteriously, whilst my holding was in the process of redemption, the value plunged 30%. This was never explained.

22. I submitted a damning complaint to all stakeholders of that fund in early 2017, copying the Maltese regulator and the Malta finance minister since the fund was regulated in their jurisdiction only as professional fund, advising them scammers were transferring UK pensions of retail clients and investing it in this inappropriate fund via a platform, also managed in their jurisdiction, that enabled exploitation by scammers.
23. Shortly afterwards, the fund closed and the scammers tried to silence me with an offer of £6000 if I would sign an agreement that said I was not to speak to any authority in any jurisdiction including the police! I refused.
24. I later discovered – from a suggestion made by a journalist in late 2017 – I might have a case against my ceding provider for maladministration and following the successful complaint by Mr. N against Northumbria Police Authority, published in July 2018, I submitted my own complaint to the Ombudsman in September 2018 against my ceding provider.² That process took an extraordinary long time but ended successfully in Feb 2020. Again, because most victims are ignorant they can do this, hundreds miss an opportunity for restitution.
25. I also made a complaint to Action Fraud but got the response “there were no leads” and they weren’t going to pursue it further. Seriously? I have more leads than Crufts!
26. I count myself lucky. I am probably one of a very few victims that got all their pension back. But it took 4 years of my life, relentlessly pursuing the actors and authorities, with all the stress and sleepless nights of knowing I might lose everything and face financial ruin in my retirement. At the age of 59 when it happened, there was no way I could start over. I am now comfortably retired.
27. I have no idea if the pension I now receive from a fully FCA regulated UK provider is better or worse than the defined benefit pension I left in 2015 but the outcome is infinitely better than it could have been.
28. There are thousands of victims not so lucky.
29. I shall now address the questions of the Inquiry in the context of my own unique perspective.

2 Pensions Ombudsman Determination PO-12763 against Northumbria Police Authority: <https://www.pensions-ombudsman.org.uk/decision/2018/po-12763/police-pension-scheme-po-12763>

Q1: What is the prevalence of pension scams?

30. How common are pension scams? No idea. Many studies have been carried out and the results vary enormously as to just how many victims there might be and the cost. The Pensions Regulator CEO – Lesley Titcomb – in a letter, dated Nov 2017, to the chair of the previous Pension Freedoms Inquiry referred to a figure of £1bn.³
31. In July 2019 The Times reported the cost could be as much as £4bn a year.⁴ It is important the committee accurately sizes the problem.
32. In my own case, the receiving trustee in Malta published its annual report to end Dec 2015 and reported that in January 2015 they had 26 members and by Dec 31 they had 1126 members. That represents c.100 transfers per month for 2015 alone. The trustee only targeted UK defined benefit pensions. In my opinion, this volume could only have been achieved with a cold calling campaign and I doubt the offshore trustee could do this alone. This transfer rate does not surprise me however. The same people, based in Manchester, that transferred my pension in 2015, had prior experience of using a successful cold calling strategy. I later discovered they earned c. £1m generating 100-200 leads per month for the Capita Oak and Henley pension scams between 2012 and 2014.⁵ When that collapsed they set up their own unregulated fund on the Isle of Man and began transferring pensions into that, including mine. In 2016/17 they climbed aboard the unregulated mini bond gravy train and that has recently collapsed spectacularly. They are no doubt onto the next gig.

Q2: What are the current trends in Pension Scams?

33. Parliamentary Business News, 11th Dec 2017, acknowledged pension scams evolve.⁶
34. The issue is scammers can adapt much quicker than the authorities.
35. At the beginning of the last decade, scammers employed the lure of unauthorised early access to pensions. Victims were offered schemes which they believed in good faith, to be legitimate access to as much as 50% of their pension pots before the age of 55 but this turned out not so and victims have since found themselves penalised by HMRC in a double whammy. Not only losing the remaining 50% to unregulated high risk ventures but having huge tax bills for the unauthorised withdrawals. More on this in Question 8.
36. Then came a slew of scams involving pension transfers, many to QROPs – the scammers in my case, used QROPs in Isle of Man, Malta and Hong Kong to name just three I have

3 CEO Pensions Regulator, 13 Nov 2017, <https://www.parliament.uk/documents/commons-committees/work-and-pensions/Correspondence/Letter-from-Chief-Executive-The-Pensions-Regulator-to-the-Chair-relating-to-Project-Bloom-13-November-2017%20.pdf>

4 The Times, 19th July 2019: <https://www.thetimes.co.uk/article/pension-scams-cost-4bn-k6rh6jmfc>

5 Witness Statement of Leonard Fenton, dated 27th May 2015, in the Insolvency of Transeuro Worldwide Holdings Ltd. & Imperial Trustee Services Ltd. & Omni Trustees Ltd.,

6 <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/pension-freedom-report-17-19/>

evidence of – then a superfluous Life Assurance policy was added that served no purpose other than to add another layer of charges for the Life Assurance companies and provide a trailing commission for the advisers who promoted them. The pension was then invested in high risk, illiquid, unregulated funds not suitable for pensions.⁷ The owners of the funds deny any knowledge of who the beneficiaries are, arguing the investments were placed by the intermediaries – QROPs and Life Assurance companies. However, the fund owners knew exactly who the beneficiaries were in my case because they were also the ones that carried out the transfer. In fact I later discovered my day to day contact during the transfer, stated on his LinkedIn profile, he was a Director, since 2014, of the very company that owned the fund. He has since deleted that entry but I kept a copy in case I was asked to give evidence. Of course none of this was disclosed during the transfer.

37. I later learned the Life policy served two purposes. First, it added a layer of commission for the scammers and annual charges for Life Assurance companies for absolutely no work. The second purpose involved regulation. The ‘financial advisers’, often being offshore companies – mine was domiciled and regulated in the Czech Republic – were authorised for Insurance Mediation only. The mistaken belief – also, naively believed by the QROPs – was that since they were selling Life Assurance Policies they were properly authorised with just having Insurance Mediation permissions. In 2016, the FCA confirmed to me this was not true. The FCA confirmed that as there was an investment component, it was investment rules that applied and my adviser was not authorised to give investment advice or transfer my pension. I informed the receiving trustee who made their own independent enquiry to the FCA. They never confirmed what they learned.
38. However, Malta has since changed its rules and made regulation of advisers to their QROPS more strict. There are also new rules on the types of investment held in QROPs designed to reduce the problems associated with unregulated funds.⁸
39. How pension scams have evolved today is not entirely clear. However, history has shown one thing is crystal clear, scammers will always devise the next scam and will always be ahead of the authorities.
40. The actors in my scam are career scammers. Evolving swiftly from one scheme to another. The challenge for the authorities is to get ahead of the game and not be forever running to catch up.

Q3: What are the common outcomes of pension scams for perpetrators and victims?

41. The answer to this question seems obvious.
42. Scamming is a Low Risk, High Reward business for the perpetrators. Very, very few perpetrators get prosecuted, regardless of the fraudulent misrepresentations they employ

⁷ Ibid, “Pensions Under Threat from Scams”

⁸ <https://www.aesadviser.com/2019/09/changes-in-malta-rules-for-qrops-2019-contact-us-today-if-these-changes-have-affected-you/>

to con people from all walks of life and educational ability. Perpetrators make millions and get to keep it even after the authorities finally catch up and close down the scam.

43. Perpetrators have nothing to lose and they know it.
44. The victims however, lose everything and not only do they rarely get compensation, they don't even see justice. They rarely ever see the perpetrators punished.
45. The perpetrators get rich while the victims face financial ruin with all the stress and sleepless nights that comes with it.
46. The outcomes are diametrically opposite. It really is a one sided affair heavily biased in favour of the perpetrators. There is nothing more to be said.

Q4: How are existing enforcement tools being used?

47. It's not a question of 'How are they being used?' but 'are they being used at all?' and the answer in my opinion is a resounding **NO**.
48. The more important questions the committee should be considering is why are existing enforcement tools **not** being used? Why are authorities just passive bystanders?
49. There is existing legislation prohibiting invitation to participate in unregulated collective investment schemes ("**UCIS**") to people not categorised as sophisticated or High Net Worth.⁹ In 2005 the legislation defined the terms "Sophisticated" and "High Net Worth" and how investors get categorised as such.¹⁰
50. Many pension scams involved pensions being invested in such collectives – mine was, in 2015. I have written evidence the unregulated [mis-]adviser not only invited me to participate but used fraudulent misrepresentations in the invitation, even telling me one investment was suitable for retail pensions, when in fact I later discovered it was specifically prohibited to promote that fund to UK investors that were neither "sophisticated" nor "High Net Worth". That fund closed soon after I complained to the Maltese regulator in January 2017, as they were the regulating authority for that fund. The advisory firm attempted to silence me with £6000 if I signed an agreement not to speak of this to any authority in any jurisdiction, including the police. I declined the offer so I could give evidence if called upon to do so. I craved justice but so far not seen any.
51. Complaints to the FCA and [In-]Action Fraud, as so often happens, fell on deaf ears.
52. How many advisers have been prosecuted for either unlawfully promoting UCIS's to retail investors or for employing fraudulent misrepresentations to promote UCIS's? I would wager none. The FCA appears to take the position unregulated advisers are not their problem, they will only take action against regulated advisers who break the rules. How is that right?

9 Financial Services and Marketing Act ("**FSMA**") 2000, s.238.

<https://www.legislation.gov.uk/ukpga/2000/8/section/238/2001-02-25>

10 FSMA 2000, Promotion Order 2005, s. 48 & 50. <https://www.legislation.gov.uk/uksi/2005/1529/contents>

Unregulated advisers were/are breaking the law. The FCA are the custodians of that legislation.

53. The preceding inquiry into pension freedoms, chaired by Frank Field, then MP for Birkenhead, invited David Green, then Director of the Serious Fraud Office (“SFO”), for details on the types of pension fraud cases prosecuted by the SFO.¹¹
54. That letter, in my opinion, is a damning admission of just how little the SFO is doing and explains why the perpetrators believe they have nothing to lose.
55. In that letter the SFO is patting itself on the back for “successfully [prosecuting] two multi million pound investment frauds”. Seriously? Just two? And they were concluded in 2014.
56. Page three of that letter specifies criteria for taking on pension fraud cases. The first observation to make is the phrase “... the SFO only tackles the very top level of economic crime ...”. No definition of “top level”. It goes on to list vague, subjective criteria used to commence an investigation:-
 - “Whether the actual or potential financial loss is high”. There is no definition of “high”.
 - “Whether actual or potential economic harm is significant”; no definition of significant.
 - “Whether there is significant public interest element”;
 - Whether there is a new species of fraud”.
57. These are looking at it all wrong. Very often, scammers, when “found out” will close one scam and start another. In paragraph 33, I referenced the Parliamentary Business News, 11th Dec 2017 which acknowledged scams evolve. Loosely (very), in the past decade, the evolution could be described as Pension Liberation in the early part, then the transfer of pensions to offshore QROPs and invested in inappropriate, high risk unregulated collectives – as in my case – and then came the curse of the unregulated mini bond, perhaps the most well known being London Capital & Finance but there are numerous others. Each of these could be described as a “new species”. Individual scams in each “species” by the same perpetrators, may not meet the criteria for the SFO but collectively they clearly meet all the criteria. The Times described pension scams as “the next big financial scandal”.¹²
58. The consequence of these criteria is that very few perpetrators get on the SFO radar because the SFO are looking at individual scams in isolation and discounting them, rather than focusing on the perpetrators of scams – career scammers - and the cumulative effect of them starting one “species” after another in succession. I would wager that over the past

11 Letter from David Green to Chair Pension Freedoms Inquiry, 27 Nov 2017
<https://www.parliament.uk/documents/commons-committees/work-and-pensions/Correspondence/Letter-from-David-Green-Serious-Fraud-Office-Director-to-the-Chair-on-pension-fraud-27-November-2017.pdf>

12 The Times, 19th July 2019: <https://www.thetimes.co.uk/article/pension-scams-cost-4bn-k6rh6jmfc>

decade, the actors in my pension transfer scam would, if all their scams were taken cumulatively, total a figure that would get SFO attention. Since their most recent venture - their now collapsed mini bond in April this year - they are no doubt again flying under the radar onto the next “species”, having banked the spoils of the past decade, leaving in their wake a career path littered with hundreds of victims facing financial ruin.

59. And the scams just keep on coming.
60. In addition to the SFO there is Action Fraud – colloquially referred to as Inaction Fraud. The committee will discover, if they ask, the vast majority of victims that have reported a pension scam to Action Fraud are generally met with the response that no action is being taken because there aren’t any leads – as they did with me.
61. My understanding, the purpose of Action Fraud is to pass complaints to the Police Force for investigation but this doesn’t seem to be happening and scammers view Action Fraud with contempt.¹³
62. In my case, I was threatened by the lawyers of the unauthorised advisory firm, in 2016, when they discovered I was describing my experience on the Citywire forum. Legal threats toward victims who speak out is a common tactic of scammers. In response I told them, among other things, I was making a complaint to Action Fraud and their reply (in writing) was: *“That’s fine, Action Fraud are nobody and have no authority”*.
63. Action Fraud are a laughing stock amongst victims and perpetrators alike. This further strengthens my assertion that scamming is a low risk, high reward venture because perpetrators have nothing to lose – neither money nor freedom. There is no incentive whatsoever to discontinue whilst there are huge sums to be gained that they get to keep. It will never stop while it remains low risk, high gain for perpetrators.
64. In the article I referenced (footnote §13) it said: *“Commander Karen Baxter of City of London Police, which runs Action Fraud, said it wouldn't be possible for police to go through every single fraud report manually every year”*.
65. Basically what the Commander is admitting to is, the job is too hard.
66. Is that where we leave it? It’s too difficult, so we will do nothing. Just make excuses?
67. I began this answer posing the right question: are existing enforcement tools being used at all? I think I have shown the answer is a resounding **NO**.
68. The next question is: What is the committee going to do about it?

Q5: What more can be done to prevent pension scammers operating?

¹³ <https://www.thisismoney.co.uk/money/beatthescammers/article-7538323/Senior-police-officer-says-Action-Fraud-doesnt-police-cases-investigate.html>

69. It is clear scammers will operate for as long as there is no incentive to stop. They can make and keep, millions for very little effort and no risk.
70. Whatever the FCA does to introduce new regulations, scammers will adapt and evolve. They can react very swiftly, unencumbered by bureaucracy.
71. The only way to make any significant difference is more prosecutions of offenders. Loss of freedom and/or wealth might make some think twice. There will always be some hardened scammers. But the less there are the better.

Q6: What more can be done to prevent individuals becoming victims of pension scams?

72. One significant thing that can be done is education:-
73. Most people do not understand pensions or investments at all. They are naively taken in by phrases like “asset backed” without understanding an asset is only worth what it can be sold for and all too often when a scheme collapses, the assets – when there are any – are not worth what was paid for them by the investors.
74. People do not understand FCA rules and regulations. People are always advised to check advisers are FCA regulated. Very often scammers have an FCA number and quote it in their brochures and marketing material. The problem is – in my case and many others – the advisers were only authorised for insurance mediation, not giving investment advice or transferring pensions. How many people understand the subtlety of this? The FCA register uses terms like CF30 to describe permissions; does anyone know what that means besides experts in the industry? Do committee members know what it means? Does anyone know the difference between an IFA and an RFA? To many people, regulated by the FCA means just that, regulated by the FCA. In reality it’s not that simple.
75. Victims were often told, in marketing materials, that the QROP was HMRC approved. HMRC do not approve overseas pension schemes. QROPs simply registered, nothing more. This was a common fraudulent misrepresentation but it gave legitimacy to many scams.
76. People do not know the risk with unregulated investments. In my opinion, these schemes fail through poor governance than anything intrinsic to the idea of the investment. Storage pods, car parks, property development; these are all credible business ideas. You see successful examples everywhere. However, the scammers generally have no experience at operating any of these businesses – or any business at all – and this is the significant risk. I agree some ideas have been wild and ridiculous. But even with those that sound credible, scammers just fritter away the money in exceptionally large commissions to introducers, plus loans – in some cases, unsigned loan notes with no intention of repayment – to friends and family, or waste it in high risk private ventures that inevitably fail. The general public do not really know how to assess an investment nor assess the capability of those running them. So whilst property development, to the average person, seems like a sound investment, it isn’t when in the hands of a scammer. This type of knowledge though isn’t on the curriculum. We turn out generations of people with no idea.

77. There is a lot that can be done but is there the will to do it? Do we care enough? Or do too many people just hold the view that victims are either stupid or greedy, as they are so often accused? There is very little empathy toward victims. Reports claim victims are even mocked by Action Fraud call handlers as 'morons'.¹⁴

Q7: What role should the pensions industry have in preventing scams?

78. The pensions industry has had a critical role since Feb 2013 when the Pensions Regulator launched its Scorpion campaign. This campaign required trustees/administrators to play an active role at spotting a member might be caught in a scam using the guidelines published by the pensions regulator and their own industry knowledge. The trustees/administrators were required to carry out some additional due diligence against a checklist provided in the guidelines to trustees and determine if any of the characteristics of a scam were present in the transfer request and then warn the member directly, sending the Scorpion booklet designed to inform members of scams.

79. Just how successful that campaign has been is not clear.

80. In my own case, my trustee/administrator failed miserably in its obligation to carry out additional checks and warn me before the transfer took place. It was their policy apparently, to send the Scorpion booklet to the adviser – scammers in my case – and ask them to forward it on, which of course, didn't happen. No surprise there.

81. I admit, trustees/administrators were caught between a rock and a hard place. On the one hand they had a legal obligation to fulfil the transfer request and do so in a specific time frame. On the other hand, they were required to carry out additional due diligence into the transfer request. My trustee/administrator argued: *"I can confirm that although the Pension Regulator encouraged Trustees to carry out checks to prevent financial loss there was no legal requirement"* - and so they didn't.

82. However, the Pensions Ombudsman, in the case of Mr. N, said in §95: *"It follows that it is my view that this complaint should be upheld, because the [Police] Authority failed to conduct reasonable checks in relation to London Quantum and failed to send Mr N a copy of the scorpion warning"*.¹⁵

83. As I said in paragraph 32, in 2015 alone, my receiving trustee in Malta was accepting c.100 defined benefit transfers per month, increasing their membership from 26 in January to 1126 by the end of December. It is difficult to see how this volume could have been possible if all UK trustees/administrators of those transfers were robustly discharging their obligation to the Scorpion Campaign.

14 <https://www.thisismoney.co.uk/money/beatthescammers/article-7538323/Senior-police-officer-says-Action-Fraud-doesnt-police-cases-investigate.html>

15 Pension Ombudsman determination PO-12763 <https://www.pensions-ombudsman.org.uk/decision/2018/po-12763/police-pension-scheme-po-12763>

84. I think the committee should review data on just how many transfers took place, per annum, from UK pensions, to QROPs, after Feb 2013 and then determine how successful the Scorpion campaign was and if it wasn't successful, ask why.

Q8: Is HMRC's position on the tax treatment of pension scam victims correct?

85. This question arises from the treatment of victims of pension liberation scams that were popular at the beginning of the last decade. In particular, the high profile Ark scam.¹⁶ That scam allowed victims up to 50% of their pension in what was termed the Pensions Reciprocation Plan, and the HMRC position was debated in The House by Jack Straw, then MP for Blackburn, in 2015.¹⁷

86. Mr. Straw describes how victims faced a "double whammy", but unwittingly highlights a 3rd "whammy", in my opinion.

87. Firstly, victims who entered into the scheme in good faith believing it to be legitimate, face huge tax bills on the unauthorised withdrawal of their pensions. Victims believed the scheme was legitimate since they were told the scheme was registered with HMRC and this was confirmed by David Gourke, then Financial Secretary to the Treasury.

88. Secondly, Mr. Straw went on to say that his constituent feared the remainder of his pension would be "*... considerably reduced in value because of poor decisions by the Ark trustees*".

89. Fears were also expressed in the debate, that legal costs incurred by the newly appointed trustee, Dalriada, would erode what little value the pensions had left – this is, in essence, the third "whammy". Everyone it seems, has dipped their hand in the victim's pension fund – scammers, lawyers, trustees and HMRC to name just a few. There could be others.

90. In my opinion the tax treatment is inequitable. The long wait is unjust and the drain from charges on what little there is left is unjust and even a five year old debate in The House seems to have done little to alleviate the suffering of victims or expedite closure.

91. Jack Straw also asked, five years ago, whether there would be civil or criminal charges brought against the perpetrators. There was no reasonable answer and to this day I am unaware of anyone being brought to justice. That too is wrong and further strengthens my point, scamming is a low risk, high reward venture where victims suffer and scammers keep the spoils and their freedom.

92. It will never end while this dichotomy between perpetrators and victims prevails.

93. The question is, what will the committee do about it?

16 <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/dn2116109.ashx>

17 <https://www.theyworkforyou.com/debates/?id=2015-03-11b.371.0>

Q9: Are public bodies co-ordinating the response to pension scams?

94. If I were to be honest and frank, public bodies couldn't co-ordinate the proverbial ... in a brewery. From my own experience, there isn't even a "response" to "co-ordinate" that I can see.
95. Public bodies just seem to be passive bystanders, acknowledging 'a problem' but really have no idea what to do about it. So they contemplate their navel and seemingly do nothing.
96. If any meaningful or substantial response were being co-ordinated, this inquiry would be unnecessary and we would not be staring the "next big financial scandal" in the face, as The Times describes it.¹⁸

September 2020

¹⁸ <https://www.thetimes.co.uk/article/pension-scams-cost-4bn-k6rh6jmfc>