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# Pensions liberation: the road to hell is paved with cash incentives



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Many people are feeling the pinch. **Those in work are lucky to get even a tiny pay rise**, whilst others are facing redundancy or are already unemployed. Finding the money to buy food and clothing, let alone go on holiday, is a real struggle.

It is not surprising then that an offer to get immediate cash by using a legal loophole to unlock the money you have tied up in a pension scheme seems like an unmissable opportunity. Sadly, for anyone who takes up the offer, particularly if they are under 55, **it usually ends in disaster**.

It is true that some of these 'pension liberation' offers are not technically illegal; but some are, and they can all have dire consequences, such as:

- money being moved overseas, possibly becoming irrecoverable
- high fees, for example 25% of the fund
- substantial tax charges on the 'unauthorised' payments
- bouncing cheques from the liberators.

## What, if anything, can trustees do to prevent scheme members from ending up in this predicament?

After all, **members have a right to transfer their benefit entitlement to another approved pension scheme and trustees must honour a genuine request**. It is important to understand how the liberators make these transfers look real.

One common ruse is to set up a scheme with a name that is almost, but not completely, identical to a well established company that does have a registered pension scheme. **Pushy tactics are also a feature of liberation scams:**

- "If you agree today, you can get a special £1,000 incentive bonus"
- "Please chase your pension scheme trustees to pay the transfer quickly"
- "We'll send a courier with the forms so you can sign today"
- "Don't worry about making copies, we'll send them to you".

Trustees need to be very careful when transfer requests are received and must look for signs like these.

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You should also check whether the scheme is newly registered or sponsored by a dormant company, and be sure to know whether several requests for transfers to the same scheme have been received. Check the details with the relevant authority – HMRC, FSA or Companies House – and ask the member for as much background information about the request as possible without being too pushy!

The need for cash is a powerful motivator. On many occasions, it will lead to members ignoring support offered by trustees and insisting they process the transfer. It might be possible to delay a transfer payment whilst checks are being carried out, but not beyond the usual disclosure deadline. In extreme cases, the Pensions Regulator has said that they **“would expect trustees to be able to demonstrate that they have taken steps to establish the legitimacy of an arrangement where they have delayed making a transfer for that reason”**.

The Regulator and HMRC are actively investigating a number of pension liberation vehicles, but are unable to publicise names whilst investigations proceed. In the meantime, trustees can help, even if only in a limited way.

**Ask members a few key questions about the advice they have been given and look for the warning signs in the paperwork.** Financial misery for many could be avoided and, as Samuel Johnson never said, the road to hell is paved with cash incentives!

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