

Financial scams – a continued disgrace for our industry?

The Financial Conduct Authority (FCA) has just published the results from a YouGov poll of 2,300 people that it commissioned to investigate those falling victim to investment fraud. The results made depressing if perhaps unexpected reading. Here are, and I use the words ironically, ‘the highlights’.

- more than a quarter of over 55s falling victim to investment fraud are scammed via unauthorised firms and unregulated products
- 40% who have received contact from a firm they haven’t heard of in the last 12 months, have reported a rise in the volume of unsolicited calls i.e. from cold callers
- nearly half of those investing in unregulated products via an unauthorised adviser do so without getting professional advice or even checking the FCA’s warning list
- over 65’s with savings in excess of £10,000 are three and a half times more likely to fall victim

So what do these sorry findings tell us. Well, despite everyone’s best efforts at educating people on the dangers of scams, education alone is not working. Cold callers are still getting hold of details and are phoning people with attractive offers to hook them into some form of scam, usually linked to high risk (and sometimes simply non-existent) investments. It also tells us that people are looking for something that may be unachievable; high growth with the promise of low risk in a time of low inflation and interest rates. Add this heady mix of desire to achieve growth with the scammers’ ability to sell the scam and you end up with the results that the FCA’s poll has produced.

It is also the case that, whilst the scammers don’t discriminate in whose money they take, it is often the most vulnerable that are targeted and who get drawn into the scam. Scammers have no morals and follow the one thing that motivates them, the money. From pension liberation fraud, boiler room scams, pension freedoms cash and, looking to the future, the secondary annuity market, as the industry evolves so does the scammer and the scam.

The FCA uses the findings to urge people to “be a ScamSmart investor”. Indeed, they should. Shout it from the rooftop, plaster it all over promotional literature (which to be clear, is not very compliant for scam investments) but in the end it is a sticking

plaster being applied to a huge wound.

Fundamentally, we need to stop the scammer getting hold of the money and, if you can’t stop people giving it away, you need to save people from themselves. All hail the Nanny State. We have called for this before and we call for it again – the Government must act.

In the pensions arena, after the last damning report on the evolution of pension scams from Citizens Advice I called on the Government to legislate to protect consumers. Legislation is required that:

- regulates trustees
- regulates scheme administrators
- provides additional regulation of schemes where no employment link is required for membership – not only the questionable occupational scheme but the one man arrangements and overseas schemes with no link to overseas residence
- provides a power for trustees to prevent transfers where they have reasonable concerns about the validity of the receiving scheme. Give the transferring schemes the power to cut the money off at its source
- bans investment in certain forms of unregulated investment from any pension vehicle other than a SIPP.

Notwithstanding the tighter controls introduced in 2014 around the approval of schemes (and it is debatable how effective these have been), there are sham schemes set up by the scammers to receive the funds and the Government must ensure there is sufficient resource put into the regulatory bodies to enable them to tackle cases where a scam is identified quickly and efficiently. And of course, deal with the cold callers that are the entry point for the scammers. Ros Altmann said that banning cold callers had been considered but it is too difficult. Isn’t that what the Government is there to do, the difficult things? I don’t think this can be said often enough - cut the scammer off from the source of money and the problem will diminish. Education is good. Protective action is better. ■



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