



HM Revenue
& Customs

The Pensions
Regulator

21 October 2013

Pension Liberation – a message from HM Revenue & Customs

Pension liberation is on the increase with promoters using increasingly more sophisticated liberation models to encourage taxpayers to put their hard-earned pension savings at risk through liberation.

Over the last year HMRC has formed part of a multi agency government task force working closely to warn individuals about the consequences of pension liberation and to address growing industry concern.

Current work

We have an active programme to tackle all attempted misuse or abuse of the pension tax rules and are taking firm action to deter and pursue those who promote pension liberation schemes.

We have improved the way we gather, review and use intelligence and are working in real time to spot patterns and trends linked to liberation promoters. We continue to liaise closely with the pension industry to identify potential liberation activity. This has enabled us to successfully pursue tax charges where unauthorised payments have been made as a result of pension liberation activity.

We are proactively liaising with scheme administrators at an early stage and won't hesitate to de-register pension schemes where the rules are not adhered to.

HMRC is taking firm action and applying tax charges wherever there is abuse of pension tax relief – but it is far more important that individuals recognise the dangers of entering into these schemes and don't put their retirement savings at risk in the first place. We want to ensure that individuals with pension savings are protected so that those savings are available to provide an income for the individual later in their life.

We continue to educate individuals and scheme administrators about pension liberation and have published information on our website to create greater awareness about the tax consequences of liberating pension savings.

In addition, HMRC has made changes to strengthen processes around new applications to register a pension scheme for tax relief.

We have moved away from a 'process now, check later' approach so that scheme registration will no longer be confirmed on successful submission of the online form. This will allow us to conduct a more detailed risk assessment before a decision is made on whether the scheme can be registered.

One of HMRC's functions is to protect the integrity of the tax relief afforded to pension savings. Increasing pension liberation activity is putting the integrity of this tax relief at risk. Transfers between pension schemes are a key component of pension liberation arrangements.

To protect the integrity of the tax relief afforded to pension savings, HMRC has revised the process for responding to requests for confirmation of the registration status of the receiving scheme. Under this new process we will respond to requests for confirmation of the registration status without seeking consent from the receiving scheme.

However HMRC will only provide confirmation where the receiving scheme is registered and the information held by HMRC does not indicate a significant risk that the scheme was set up, or is being used, to facilitate pension liberation. Otherwise, a response will be issued setting out the conditions in which we will confirm registration status and explain that one or both of the conditions are not satisfied.

The confirmation is provided to assist scheme administrators as part of the checks they carry out when considering whether or not a transfer should be made. Requesting this confirmation should not be the only check carried out and relied upon when deciding whether or not to make a transfer. Further checks should be undertaken.

Next steps

These changes are part of HMRC's continuing strategy to combat pension liberation and ensure pensions tax relief is used appropriately.



Pension Liberation Update

"The pensions community must work together to stamp out liberation activity and the changes to HMRC's scheme registration process will create a significant barrier."

The Pensions
Regulator

"We are proactively liaising with scheme administrators at an early stage and won't hesitate to de-register pension schemes where rules are not adhered to"

HM Revenue &
Customs



Pension Liberation – a message from The Pensions Regulator

Retirement savers are being misled by 'introducers' or 'advisers' who use mass marketing techniques like spam text messages, cold calls and website promotions to encourage people to release a proportion of their pension as a lump-sum or loan before age 55.

Individuals are often not aware that a large part of their fund will be deducted as fees, and that there are significant tax consequences for accessing your fund before the law allows. In addition, individuals are not always aware that their remaining pension pot may be transferred into high risk and entirely unsuitable offshore investments which may not provide adequate, or indeed any, benefits on retirement.

A campaign to raise awareness of the scam among pension professionals and consumers was launched by The Pensions Regulator in February, in partnership with other Government, criminal justice and pensions industry bodies.

Action taken

Pension liberation is a complex problem that can only be eradicated through organisations working together effectively. The Pensions Regulator and the Department of Work and Pensions (DWP) have played a leading role in establishing the 'Project Bloom' task force that brings together government, regulators and criminal justice agencies to stamp out this activity.

Project Bloom is the central hub for sharing intelligence and information so that the appropriate agency can respond to incidences of pension liberation, for example through case investigations or considering whether a policy or communications response is required.

Pension providers and administrators are at the front-line of disrupting pension liberation fraud. In February, the regulator urged them to carry out due diligence when processing transfer requests and to include our Scorpion information leaflet as an insert when issuing transfer packs to pension scheme members.

We also asked providers and administrators to include an awareness leaflet in all their general communications relating to transfer requests and enquiries.

Many firms are now blocking transfers they believe to be suspicious and we welcome the enthusiasm and willingness to tackle the problem that we've seen from the industry.

In terms of enforcement action, City of London Police, supported by the regulator, carried out raids in May this year on a number of call centres in London, Scotland and Cheshire, resulting in several arrests.

The Pensions Regulator is now involved in a number of ongoing High Court cases in a bid to disrupt those liberation models that pose the most risk. The Pensions Regulator has used powers to freeze assets, and independent trustees have been appointed in a number of cases to take control of suspect schemes.

Looking ahead

The regulator is working with DWP to explore whether changes to legislation could help. The regulator held an industry workshop in September to explore the options, attended by providers, stakeholder groups and Government partners, including Pensions Minister Steve Webb.

There were frank, productive discussions about how the rules around pensions transfers might be refined and the regulator will be having further conversations with Government and industry stakeholders in order to decide next steps. However, it is clear that there is no overnight solution or 'quick fix' and it is only by staying vigilant and working closely with the pensions community that we can beat pension liberation.



Pension Liberation Update

"Pension liberation is a complex problem that can only be eradicated through organisations working together effectively."

The Pensions Regulator

"...pension liberation activity is putting the integrity of this tax relief at risk"

HM Revenue & Customs

Useful links

[HMRC website](#)

[The Pensions Regulator website](#)

[Action Fraud website](#)