



Newsletter

Pension liberation update

Pension liberation and pension scams continue to put pension savings at risk, with promoters using sophisticated liberation models to encourage taxpayers to access their pension savings early or transfer their hard-earned savings into scam pension schemes with little or no return on their investment. HM Revenue and Customs (HMRC) continues to work to tackle pension liberation and pension scammers.

Action taken

October 2013

HMRC made a number of changes to strengthen existing processes to deter pension liberation and safeguard pension savings. HMRC made the pension scheme registration process more robust by moving away from a 'process now, check later' approach. This new approach enables HMRC to conduct risk assessment activity before deciding whether or not to register a pension scheme. More information can be found at [how to register a pension scheme](#).

Transfers between pension schemes are a key component of pension liberation and pension scam arrangements, so at the same time HMRC made changes to provide additional support for scheme administrators transferring pension funds to other pension schemes.

To help scheme administrators decide whether to make a transfer, as part of their due diligence checks, HMRC revised the process for responding to requests for confirmation of the registration status of the receiving scheme.

HMRC now responds to requests for confirmation of the registration status without seeking consent from the receiving scheme. Where the receiving scheme is registered and the information held by HMRC does not indicate a significant risk that the scheme was set up for, or is being used to facilitate pension liberation HMRC provide confirmation of the registration status to the transferring scheme.

Otherwise HMRC reply setting out the conditions that must be met for HMRC to confirm registration status and explain that one or both of the conditions are not satisfied.

March 2014

To build on these changes to HMRC processes, **further changes were** introduced in Finance Act 2014 to help us combat pension liberation. Some of these changes had immediate effect, including:

- a new requirement that the main purpose of registered pension schemes should be to provide pension benefits
- strengthening our powers to enquire into new registrations and existing registered pension schemes where we suspect the scheme is involved in liberation
- changes to make it easier for HMRC to de-register a scheme where we have reason to believe it is involved in liberation
- new penalties where false information is supplied in connection with the registration application

September 2014

A further important change included in Finance Act 2014 had effect from September 2014 relating to the fit and proper status of scheme administrators.

The fit and proper legislation is there to ensure pension schemes are only registered and run by appropriate people, to protect pension savings and counteract opportunities for pension liberation and pension scams.

Now, if HMRC believes that the pension scheme administrator is not a fit and proper person to be the scheme administrator, we can:

- refuse to register a new pension scheme
- de-register an existing registered pension scheme

HMRC works on the assumption that all persons appointed as the scheme administrator are fit and proper persons unless we hold or obtain information that calls that assumption into question.

From September 2014 scheme administrators have had to declare their fit and proper status when registering a new pension scheme.

HMRC has published detailed guidance about the new legislation and the factors taken into account in determining when a [scheme administrator is not a fit and proper person](#).

The fit and proper legislation is intended to make it harder for sham arrangements and pension schemes to be set up, and for tax avoiders and fraudsters to set up and run registered pension schemes with a view to misusing the tax relieved funds and abusing tax reliefs.

More detailed statistics on the effect of the changes we have made so far will be provided in April 2015.

Current work

HMRC continues to work with the Pensions Industry and other government departments and agencies to identify intelligence and to look at ways we can reduce the opportunity for individuals to lose their pension savings through liberation schemes and pension scams.

To build on the new fit and proper person declarations required at registration from April 2015 onwards, scheme administrators themselves will be required to provide HMRC with additional information and declarations online and may be asked to produce further information and documentation as a result. This builds in additional safeguards to ensure that people running pension schemes together with the people who offer them advice are doing so wholly and mainly for the purpose of making authorised payments of pensions and lumps sums in line with the pension tax rules.

In addition, to help prevent a scheme being set up legitimately and then changing its structure to become a scheme that is more likely to be the target of pension liberation, we have amended the information that must be provided to HMRC when a scheme changes its structure or range of number of members, to enhance HMRC's compliance activities to combat pension liberation. This will take effect from April 2015.

Pension flexibility and pension scams

From April 2015, members will be able to access their pension with a lot more choice than the current rules allow. Pension savers will have the freedom to spend or invest their pension savings as they wish providing they meet the pension flexibility rules. HMRC want savers to make the right decisions about investments and to understand the consequences of not seeking proper advice.

Pension scammers are continually looking for new ways to target individuals and their pension savings. Whilst the action we are taking to prevent these sorts of arrangements from operating goes some way to help protect pension savings, the responsibility for getting the right advice lies with the pension scheme member.

More detailed guidance for members will be published on GOV.UK over the next few months. In the meantime members can read about and sign up for the new [Pension wise service](#).

Further information

HMRC will continue to raise the profile of the dangers of pension liberation to deter individuals from liberating their pension funds or investing in sham arrangements. These changes to our processes are part of a continuing strategy to combat pension liberation and tackle pension scams, as well as the ongoing review of the pension tax legislation and HMRC will not hesitate to make further changes if necessary.

If you suspect a scheme or individual is promoting pension liberation activity, please report them to Action Fraud.

[How to report a fraud - Action Fraud website](#)

You can find more information about pension scams on [The Pensions Regulator's website](#).

For impartial information and guidance on scams, individuals can contact the Pensions Advisory Service on Telephone: 0300 123 1047.