Victims of pension-pot scams to get money back

A judicial review has ruled that investors in ‘inappropriate’ schemes deserve redress

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Tree plantation schemes are among risky investments that may have been mis-sold JASON FRIEND

Britain’s pension industry is bracing itself for thousands of claims from people mis-sold unconventional investments, including burial plots, tree plantations and hotel rooms, after a landmark court ruling.

A judicial review has upheld a ruling by the financial ombudsman that pension providers are required to confirm that investments are genuine and appropriate — or face payouts to clients for lost savings. Some savers have been ruined by investing in high-risk or fraudulent schemes.

The judgment includes those who put their money into self-invested personal pensions (Sipps), which were introduced in 1989 to offer greater choice for people saving for retirement. Although they have proved hugely popular with savers keen to control their own pensions, they have also proved a goldmine for fraudsters and unscrupulous advisers, who exploited the new pensions to sell risky investments.

Glyn Taylor, a solicitor at Anthony Philip James & Co — which represents more than 1,500 clients who were allegedly mis-sold schemes for Sipps — said: “There are people who have had their pension pots wiped out by these schemes.”

In 2016, The Sunday Times revealed that three bosses of an investment scheme that was sold as a pension product paid themselves £14m before it collapsed. Ethical Forestry, which offered investment in trees in Costa Rica, is now under investigation by the Serious Fraud Office.

The High Court ruling, involving the Leicester-based financial firm Berkeley Burke, will bolster the compensation claims of the victims of Ethical Forestry and other fraudulent or high-risk schemes.

The ruling upholds a decision by the Financial Ombudsman Service in 2014 that Berkeley Burke should pay compensation to an investor because it had failed to conduct adequate checks on a scam investment.

Kieran Parkin, 64, from Appleton, Cheshire, who lost £22,000 in the Ethical Forestry scheme, said he welcomed the decision: “I felt that I was dumped like a hot potato when it went wrong.”

Philippa Hann, a solicitor at Clarke Wilmott, said during a pensions debate last week in Hendon, north London, that Sipp providers could no longer blindly accept business.

“It is time for Sipp providers to take responsibility. They are not simply a bucket into which a pile of crap can be poured,” she said.

It is estimated that more than 1m people have savings in a Sipp. There are about £300bn of assets under management by 160 firms.

The Financial Conduct Authority has written to Sipp providers warning them that it must be notified if any companies are likely to face financial collapse because of the claims against them.