Middlemen under investigation as 6,000 lose out in pension scams

Ali Hussain

April 7 2019, 12:01am, The Sunday Times

The £258m scam cost savers an average of £43,000 each GETTY IMAGES

Four people who persuaded savers to invest in high-risk schemes that went wrong are being investigated by the financial regulator as part of a £258m pension-transfer scam, Money can reveal.

The Financial Conduct Authority (FCA) is investigating the individuals as well as four unregulated firms that convinced savers to transfer their pension pots to unsuitable products that left them with no protection when they failed.

The FCA said about 6,000 savers are affected, following a freedom of information request by Money. It suggests the average loss per individual is £43,000.

The FCA said unauthorised “introducers”, generally based in the UK, often play an instrumental role in encouraging and facilitating the transfer of pension funds.

In effect middlemen marketing products on behalf of investment providers, they offer free pension reviews. These start customers down the path towards transferring their pensions, the FCA said.

While the regulator is looking into incorrect advice given by a number of regulated firms, this is the first time it has confirmed the scale of its investigation into unregulated providers.

Unlike with financial advisers, those who take the advice of unregulated introducers to invest in unregulated products cannot seek redress from the Financial Ombudsman Service or the Financial Services Compensation Scheme, the government-backed safety net, which can pay up to £50,000 worth of claims should the firm holding someone’s money fail.

Introducers typically suggest using a self-invested personal pension (Sipp) and usually work alongside regulated independent financial advisers, whose approval is needed before an unregulated product can be included in a Sipp. However, critics say this is simply a rubber-stamping exercise that covers the Sipp firm should things go wrong.

In November 2017, the FCA launched proceedings against the owners of two unregulated introducers, Avacade and Alexandra Associates, responsible for the transfer of £86m in pension assets for about 2,000 consumers.

Sipp firms are under pressure to take more responsibility for the investments they allow in their products. They argue it is the responsibility of the adviser and the individual.