

ESG in 3D: Social

# FCA warns that vulnerable to scams amid cost of living crisis

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## Digest:

- With the cost of living impact deepening, the FCA launches its latest ScamSmart campaign aimed at giving consumers the knowledge and tools to avoid pension scams.
- New research from the FCA has found that a quarter (25%) of consumers would consider withdrawing money from their pension earlier than planned to cover the cost of living.
- Preying on money worries and lack of confidence in pension savings to last through retirement, the FCA is warning that scammers are using 'misdirection' tactics to con victims.
- The most commonly used tactics of pension scammers include offering a free pension review, helping to release cash from pensions and promising higher returns.

## Source/Context:

The FCA has warned that with the cost of living impact deepening, new research has found that a quarter of consumers would withdraw pension savings to cover the cost of living, making them vulnerable to 'misdirection' scam tactics. This is where scammers lure pensioners in with a free pension review and encourage people to release cash from their pension or pressure them into investing in unusual or unregulated investments.

This follows on from the Financial Ombudsman Service (FOS) announcing that they continue to see a high number of complaints from victims of fraud and scams. In Q1 2022/23, scams related to fake investment opportunities made up around a third of the "authorised" scam complaints FOS received, and is the fastest growing issue as a proportion of the complaints the FOS sees about these scams.

## What does this mean for the FS and other industries?

Firms should take an expansive view of vulnerability as the cost of living crisis intensifies. The impact of the crisis has seen rapid escalation of in the prices of products and services as wages struggle to keep up and scammers have adapted just as rapidly. For example, last month Action Fraud, the UK's national reporting centre for fraud and cyber crime, has warned that criminals are using the ongoing cost-of-living crisis to target the public with energy rebate scams. The FCA, in their letter to firms on the cost of living crisis, highlighted that "firms need to remain alert to the changing situation of their customers and target their efforts in response."

Firms should consider if their internal compliance training is sufficiently covering the change in dynamics relating to fraud and phishing scams. Firms working with consumers should also note that [the FCA has previously been supportive](#) of the industry efforts to facilitate the recovery of funds in other cases involving fraud and the [Contingent Reimbursement Model Code](#). Finally, all organisations should be mindful of the impact the cost of living crisis may be having on their employees. Along with considering if a cost of living bonus or pay increase is appropriate, businesses should review their financial wellbeing and mental health policies.

## Contact



Jeniz White  
Associate

Jeniz.White@brownejacobson.com  
+44 (0)330 045 2226

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