Helping trustees stop scams

Andrew Warwick-Thompson reveals TPR's top tips for preventing scams

The theft of consumers' pension savings has proved hard to prevent under the current legislative and regulatory framework. But we can and should narrow the open goal presented to scammers by the current occupational pension regime. That's why we welcome the government's pension scams consultation.

The Pensions Regulator (TPR) has been in the forefront of raising awareness of pension scams through the Scorpion campaign since 2013. We also chair the multi-agency Project Bloom, which co-ordinates government, law enforcement and regulatory agencies' response to a variety of scam and associated criminal activities. And we have been directly involved in some of the highest profile pension scam cases.

We are ideally placed to identify those changes that will best protect pension scheme members. Here are the top three measures I believe will make pension scamming as difficult as possible for the criminals who prey on consumers' pension pots.

An outright ban on pension cold calls would send a powerful message to all pension savers – "A cold call about your pension will be from a criminal. Just hang up!" But this probably doesn't go far enough and the ban could extend to cold email and text campaigns too. No reputable pensions company is going cold call, text or email you.

Second, we need to help trustees and scheme managers. They face a horrible dilemma. On the one hand they are exhorted to carry out due diligence to make sure they only make transfers to legitimate receiving schemes. On the other, the courts have found them to be at fault if they refuse to make a transfer to what they suspect is a dodgy scheme.

So I favour a restriction of a member's right to a statutory transfer to either an authorised master trust or an FCA regulated product (S32, GPP, SIPP etc).

That's clean and simple, it answers the legitimate calls from trustees and scheme managers to drastically reduce the cost of due diligence with which they are burdened now, and addresses the overriding consumer need to be confident in the safety of the scheme in which they save. The FCA already publishes information about its regulated providers, and we will publish a list of all master trusts we authorise after implementation of the Pension Schemes Bill.

Thirdly, we need to close off once and for all the second half of the 'open goal' – relevant small schemes, commonly referred to as small self-administered schemes or just 'SSAS'.

The findings of this year's annual *DC Trust* report shows that of the 34,500 DC schemes in the market now, 32,000 are schemes which have 2-11 members and of these, 21,000 are SSAS. In fact this understates the size of the problem – only SSAS with two or more members are obliged to register with us. In addition to the 21,000 we know about, the consultation suggests there may be in excess of 750,000 one-member SSAS.

SSAS are exempt from many of the legal duties applicable to larger schemes. The ease with which a SSAS can be established, and the minimal legal and reporting requirements for such schemes, makes them the vehicle of choice for criminals setting up a scam.

SSAS have gone far beyond the scope of the policy intent that created them and parliament should consider banning any future pension transfers to SSAS arrangements. Indeed, I believe the outright ban on the establishment of any more SSAS arrangements warrants serious consideration.

Together, these three measures offer a practical and proportionate solution to pension scams – they give a strong, clear consumer message about cold calling, clarity and legal certainty to trustees and scheme managers, and will end the flagrant and often criminal abuse of the SSAS regime.

Written by The Pensions Regulator executive director for regulatory policy Andrew Warwick-Thompson