

Adding insult to injury

✓ **As Covid-19 continues to spread around the world, Sophie Smith looks at the plague of scammers emerging in its wake**



The Covid-19 pandemic has now placed the country in lockdown, with businesses scrambling to adapt, schools having closed earlier than planned for the Easter break and pension scheme funding sorely hit. But one group that has been quick to take advantage of the crisis is scammers.

“With the country in lockdown and millions of people either isolated or facing job insecurity, it is inevitable unscrupulous fraudsters will ramp up their efforts to part people from their hard-earned pensions,” emphasises AJ Bell senior analyst, Tom Selby. “These dodgy schemes take many forms, from investment-based scams targeting investors who are starved of income to ‘early access’ pension offers aimed at those who may be struggling to make ends meet.”

It may be unsurprising then, that Action Fraud has already reported a 400 per cent increase in pension scams relating to the coronavirus in March alone, with coronavirus-based investment scams also beginning to emerge. Aegon head of pensions, Kate Smith, calls upon savers to be “ever vigilant” against the threat of scammers as the twin factors of falling stock markets and historically low interest rates create the “perfect conditions” for scammers.

Action is underway though, with the recent creation of an All-Party Parliamentary Group (APPG) to raise awareness of pension scams, and The Pensions Regulator (TPR) also reiterating

its commitment to protecting members.

Whilst its initial Covid-19 guidance emphasised that an increase in pension scams was likely, urging trustees to direct members to ScamSmart and the Money and Pensions Service, its updated guidance has gone even further.

Reiterating its focus on member protection, the regulator has now introduced allowances to give scheme trustees greater discretion over transfer activity. As part of this, the regulator has introduced easements to allow cash equivalent transfer (CETV) activity to be suspended for three months. The regulatory updates have been broadly supported by industry experts, with the attention on pension scams in particular praised.

“At times like these it is more important than ever to focus on members,” says XPS head of pensions solutions, Wayne Segers. “Our pensioners are most at risk in the current climate and it is essential that pension schemes ensure that pensioners can rely on receiving their pension payments.”

The FCA, Money and Pensions Service and TPR also issued a joint statement to warn savers of the growing threat of pension scams amid the Covid-19 crisis, urging savers to utilise existing support, such as Pension Wise, the Pensions Advisory Service and ScamSmart.

However, while Smith agrees that it’s “ever more important to be vigilant”, she clarifies that it is for “providers, advisers and guidance services” to support savers

against pension scams.

Indeed, although Selby echoes the regulators’ message that the best way to protect against scams is to educate members and raise awareness, many industry experts have argued for more to be done by the government and industry itself, with TPR’s current guidance potentially just a starting point for further easements.

Former Pensions Minister Ros Altmann has, for example, recently called on the government to introduce measures to delay all pension transfers for up to six months, almost twice the length of time that current provisions allow for. Altmann argued that currently, savers are simply “not adequately protected against pension scams”, highlighting that Covid-19 has not only seen an increase in scams, but a reduction in the support referred to by regulators.

“Pension Wise guidance cannot offer face-to-face sessions at the moment,” Altmann explains, “so telephone and remote services will be delivered, but if people fall prey to scams, they may not bother to take any guidance or advice”.

Industry experts have also raised concerns over the postponement of the Financial Conduct Authority’s updated rules on DB transfers, with Lane Clark and Peacock partner, Clive Harrison, highlighting the potential cost to members.

Harrison says: “The DB advice market is very diverse with a mix of high-quality advice sitting alongside cases where the FCA finds that members have clearly been given unsuitable advice.”

“Given the particular concerns in the current Covid-19 environment about pension scheme members being vulnerable to scammers, and poor quality advisers taking advantage of members’ fears, it is vital that consumer protection measures are maintained as far as possible, despite the present situation.”

✎ **Written by Sophie Smith**