

Summary

- Warning messages are provided through benefit information and online channels.
- Distributing information across many routes during various stages of a member's life is the most effective method.
- Members are more aware of the warning signs of a scam, because of increased communications.
- The pension industry must unify and build relationships with members to improve communications.

Combatting scams with communication

➤ Pension scheme providers are employing new methods of communications to educate their members of scamming risks, but further improvements are required to better protect retirement savings, finds Niamh Smith in our latest *Pensions Age* scams focus

Pension scams have become an increasingly common form of financial fraud in recent years. And the Covid-19 pandemic period saw the problem worsen with criminals becoming ever-more brazen.



Data published by Action Fraud shows the average loss due to scamming activity doubled between 2020 and 2021, from £23,689 to £50,949. Of those at risk, nearly two-thirds of savers felt tactics had become more sophisticated and harder to spot during this time. In response, regulators and pension schemes are now placing greater emphasis on communications to ensure members are more aware of the risks and able to spot the warning signs.

Communicating the risks

Scheme providers already have communication responsibilities in place. For example, they are encouraged to use ScamSmart as a resource – a service that allows members to check if firms are authorised and provides a warning list of suspected scamming firms. The Pensions Regulator (TPR) recommends all scheme providers include warning messages, details of the ScamSmart website, and provide a ScamSmart leaflet in members'



annual pension statements. So, scam warnings and educational resources have become increasingly prevalent features throughout providers' entire communication functions.

"We try to raise awareness across the board, describing what methods we will use to get in touch with members and sharing educational pieces," says Zedra client director, Dan Richards, noting that these are included in collateral such as benefit statements, pre-retirement letters, transfer packs, retirement valuations, and drawdown statements.

However, it is unclear how effective such traditional communication methods are with members. This is why more scheme providers are turning to digital comms. Yes, scam warnings have gone online too.

"As the industry moves more to an online presence, any member websites or apps that are available should also have clear warnings or potentially videos as well," explains LCP consultant, Matthew Court, who advocates the use of video as an effective tool. He adds that using videos to communicate the risks of scams can have a greater impact as customers retain more information by watching a real person talking instead of reading lots of text.



The format of these communications isn't the only important consideration for providers. It is also important for scam warnings, whether distributed through traditional or digital means, to contain clear, jargon-free language to ensure members understand the risks, according to AJ Bell head of retirement policy, Tom Selby.

"Making sure comms are simple, memorable and useful to members is the key to getting these messages out there," says Selby. "Technology should also help in this regard, as most people now tend to engage with their finances via iPhones and online."

Scheme providers have numerous communication methods available to flag pension scam risks. Here, combining

these formats in a multi-channel approach can be the best approach, according to Untamed Marketing director, Karen Quinn.

"More channels from more providers; this is how to build awareness," explains the pensions marketing and communications specialist. Like all excellent content that sits hidden in a website, these messages need to be amplified through strong distribution to be heard."

Providers must also commit to consistently providing warning messages throughout a member's life to ensure communications are effective. This helps foster trust between member and scheme provider, and allows the latter to stay ahead of scam trends and alter their

communications accordingly.

"Ideally, scam warnings will be communicated in simple language and throughout someone's life, rather than at a single point in time," says Selby.

"They need to stay up to date to take account of any significant shifts in scam behaviour and provide people with information they can use to protect themselves from financial fraud."

Determining effectiveness

It can be difficult to quantify the effectiveness of scheme providers' communications, but digital formats are now helping to generate some valuable metrics, according to Court.

"If information has been provided on a member website, or via email, you



can check the web traffic, or if there's cookies involved in it, you can see whether someone's clicked on a link or if someone's accessed something and read it," says Court.

This may help a scheme provider's communication team understand how many members have read a scam warning, but how can they judge its success in preventing fraud? This is harder to quantify, especially as, like with many areas of fraud and financial crime, it is difficult to accurately see the full extent of the problem.

One solution is to monitor the behaviour of members and their understanding of pension scams, according to Richards. "While we try to communicate with members effectively,

the proof it is working can often only be observed through a reduction in the incidence of our members being scammed."

Recent surveys reveal that scheme members are becoming more aware of the signs of a pension scam, a likely indicator that communications are working effectively.

Research by AJ Bell reveals that scheme members in the UK blocked £2 million of scams in 2022 by spotting warning signs and reporting them to the regulator. This equated to a 193 per cent surge in activity on the FCA's consumer helpline over the past five years.

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Despite this surge, this may not show the extent of the problem. The FCA had commented on the official statistics: "The true number of victims is likely to be higher as scams often go unreported and those affected may not realise they have been scammed for several years."

This low percentage is evidence that improvements are required to better provide information to members.

Improvements required

The surge in frauds is allowing scheme providers to learn more about scammers' tactics and, in response, adapt and improve their warning messages. Regulators have also used this as an opportunity to educate scheme providers and create campaigns for schemes to distribute to their members. As scheme providers become more aware

of scams, it is easier for them to make their members more aware through communications. Encouragingly, this means some progress has been made.

"Compared to where we were several decades ago, the quality of communications has greatly improved," says Richards. "In some cases, this is attributable to work completed by regulators, producing high-quality education pieces that are easy to post to members."

However, scheme providers must continue to develop their communications and there is room for improvement.

Quinn explains that unity in the pension industry is the best answer to keep members' retirement savings safe. "I'd like to see the whole industry uniting with a single, powerful, memorable message – maybe one for the pension attention campaign," she says. "Uniting as an industry with a single voice, and a powerful message, using positive language and the core principles of behavioural science to beat the scammers at their own game."

To improve the delivery of communications, scheme providers can also learn from the behaviour of scammers, who often take the time to build relationships with members. Here criminals can take advantage of a lack of relationship between member and scheme provider, and foster their own false relationship in this place.

To combat this, according to Quinn, communications should be adapted to be more personal and build trust with members: "The most effective method is those timely, personal calls that are reinforced with targeted social media posts and communications that lean heavily on behavioural science to evoke emotive responses – the ones that scammers use [see *March PA* for more info]."

Written by Niamh Smith, a freelance journalist