Taking responsibility

Jonathan Watts-Lay asks: Who is really responsible for the decisions members make at-retirement?

Recently, whilst discussing defined benefit (DB) pension transfers at an event, a colleague was asked;

- Who is responsible if a pension scheme member transfers DB benefits and is subsequently found to have been scammed? and
- Who is responsible when an adviser has been appointed to provide regulated financial advice to scheme members, but the member is unhappy with the advice?

Both are good questions and are highly relevant given the continued focus on pension scams and DB pension transfers. We also know that trustees are concerned about this. Research carried out by WEALTH at work and the Pensions Management Institute this year highlights that trustees worry about members facing predatory attention from scammers and that they are ill-equipped to deal with the risks they face around DB transfers.

However, to answer the questions above, ultimately, members bear the bulk of the responsibility for their decisions but, importantly, they also need a level of support from trustees; some of which are regulatory and others are voluntary.

There are different institutions available to help.

Firstly, there is The Pension Scams Industry Group (PSIG). They have a code of good practice, which is based on three key principles;

1. To raise awareness of pension scams for members and beneficiaries.
2. To have robust processes for assessing whether a scheme may be operating as part of a scam.
3. To be aware of current known scam strategies.

Then there is The Pension Advice Taskforce, which sets out the 'Pension Transfer Gold Standard' (PTGS). This takes the FCA's starting position that a pension transfer is not suitable and sets out practical steps of good practice to deliver better member outcomes.

Like PSIG, a key principle relates to educating members before they make any mistakes at-retirement. Something we wholeheartedly agree with. This is expected to become best practice and that trustees should look for pension transfer advisers that sign up to the PTGS and agree to evidence how they meet the standards.

When it comes to trustees themselves, there are regulatory and disclosure responsibilities for dealing with member requests, but they don't always ensure that members are protected against the risks involved when accessing their benefits.

However in general, if trustees have checked the validity of the receiving scheme, sent the necessary scam warnings, and checked the member has taken regulated financial advice from a suitably qualified adviser when a DB transfer relates to benefits in excess of £30,000, then they should be able to defend any subsequent complaint regarding a scam.

It's important that trustees get the processes to protect members right. Whilst the regulations can't guarantee a member will always avoid suffering financial loss, there is a duty of care and a regulatory requirement to have processes in place to help them understand how to protect themselves and make informed choices. The voluntary codes are a good start but trustees ultimately need to facilitate access to financial education and guidance at-retirement to help members understand their options; including whether they need further support such as regulated financial advice.

If this is implemented after a thorough due diligence process, such as sourcing a reputable firm, checking their regulatory record, speaking to other schemes or employers using their services, reviewing member feedback and carrying out a site visit; trustees should feel confident that the responsibility for the guidance and regulated financial advice given to members, and the consequences of it, rest with the chosen provider and not the trustee.

This approach should ensure an improved retirement process leading to better outcomes for all.

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