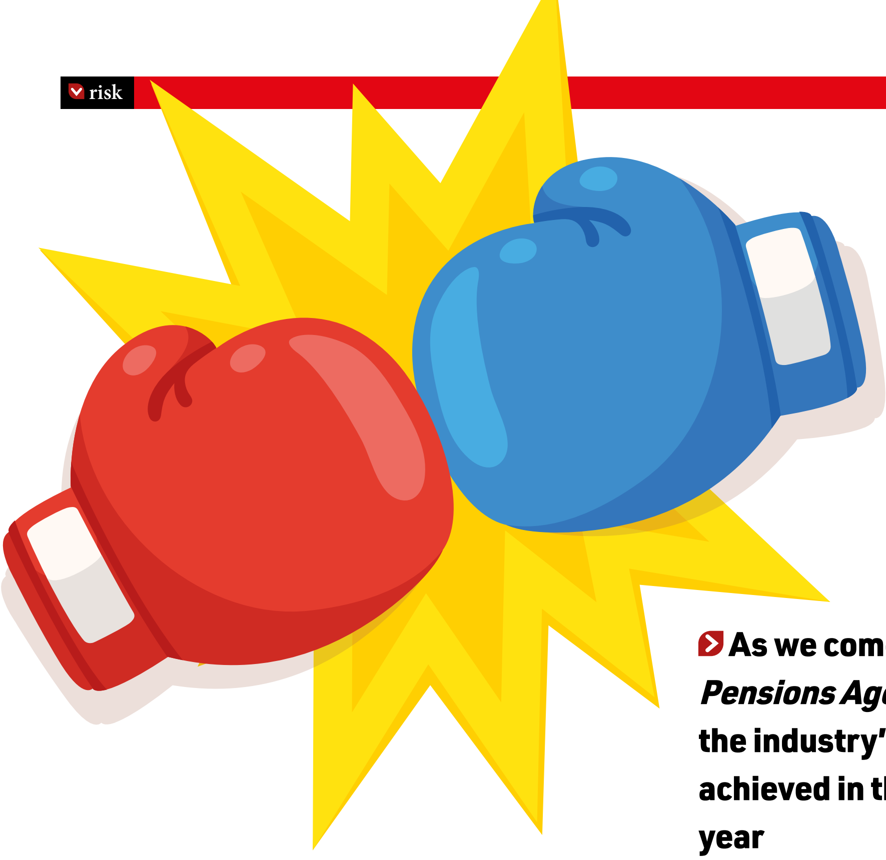

Winning the fight?

As we come to the end of our year-long *Pensions Age* focus into pensions scams, we ask the industry's views on the 'wins' that have been achieved in the fight against scams over the past year

The fight against scams has been going on for well over a decade and in that time we've had many ups and downs. The ups…

- The Pensions Regulator's (TPR) Scorpion campaign in February 2013 (Valentines Day to be precise), which alerted individuals and schemes to the risk of scams and provided a leaflet that schemes could send to members.
- HMRC reverted to a vetted system of registering pension schemes to stop scam arrangements being set up.
- The Pension Scams Industry Group's Code on how to combat scams published in March 2015. It became the standard to follow. It has since been updated four times and remains the go-to guide.
- Pension freedoms accidentally killed off pension liberation scams.
- The ScamSmart campaign by FCA and TPR increased awareness of scams.
- The Work and Pensions Committee published its report on its inquiry into scams and shone some light on the harms done by scams making several recommendations.
- The 2021 transfer regulations gave legal power to schemes to stop scam transfers.
- Many pension scams have been prevented.

The last year has seen a real growth in recognition that there is a problem with scams. *Pensions Age* devoted the year to regular features on pension scams and I have written more articles, spoken at more seminars and had more meetings on scams than in any previous year. This is a very good thing. Awareness create dialogue, which breeds change.

Key wins in the past 12 months and that which give hope are:

1. The government created an anti-fraud strategy and appointed an Anti-Fraud Champion long overdue and very welcome, as the annual cost of fraud to the UK economy is huge.
2. TPR increased its focus on scams intelligence and is working closer with law enforcement and other partners to address scams earlier.
3. The Fraud Compensation Fund is actively looking to see whether fraud contributed to the losses from scam schemes, which could lead to those losses being made up.
4. The All-Party Parliamentary Group on Investment Fraud produced its initial report highlighting the human cost of pension and investment scams, the dismal treatment of victims by authorities and the alarming lack of enforcement action against scammers. It is calling for a public inquiry into the tax treatment of scams victims and sets out some excellent approaches adopted in other countries. It is the result of experts working together on a pro-bono basis to call out issues and offer workable solutions. This is what PSIG has been about and I was pleased to be part of the Advisory Board of the APPG. I have spoken in parliament on the topic and have written a briefing for MPs on the topic of pension liberation, as well as a lengthy paper for the government's Anti-Fraud Champion. It is great to see the support from MPs of all colours and public campaigning on some of the issues will begin early next year.

I am especially pleased to see that PSIG's hard work over the past seven years is bearing fruit and my New Year wish is for light at the end of a dark tunnel.

PSIG chair, Margaret Snowdon

Although pension scams continue to pose a real concern, there have been countless positive legal developments in the ongoing fight against pension scammers in 2023. The following four key changes demonstrate the multi-faceted concerted effort that has been and must be made to protect pension savers from scammers.

Firstly, the Pension Scams Industry Group (PSIG) published its Practitioner Guide in March. The guide details the key due diligence steps when assessing a pension transfer and reflects the position following The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 (Regulations). Alongside the guide there is a short summary document explaining the regulations, the risks, the options and the steps that practitioners should take in order to be able to comply with them. Some of the key areas covered by the guide are 'clean lists', overseas investments, statutory and discretionary transfers and the red and amber flag system. I was delighted to have been involved in drafting parts of the guide, and to contribute to an asset that will both help my colleagues in the pensions industry and, most importantly, protect the hard-earned benefits of scheme members from scammers.

Secondly, in June, the Money & Pensions Service published a comprehensive evidence review to help address methodological challenges in the estimation of the scale of scams and a lack of evidence on what can be done to reduce susceptibility. Headline findings included that scammers are subtle, seamless and adapt their techniques; the types of scams and tactics are very similar to investment scams; evidence on the true scale of pension scams is limited due to under-reporting and a lack of systematic data collection; the financial and emotional cost of pension scams is high; and affected members experience feelings of self-blame and are more likely to need financial support and social care. This data is critical in helping understand how best to regulate against scams, and the report also included some actionable and evidence-based interventions and strategies that stakeholders can adopt to lower the risk of scams and offer better support to those affected.

Thirdly, also in June, the DWP undertook a review of the regulations. Key findings included that 94 per cent of transfers completed under condition 1 or condition 2 (with no flags present); 5 per cent of transfers were contractual or discretionary; 1 per cent of transfers had a red or amber flag present; 96 per cent of amber flag cases proceed; and waiting times for a MoneyHelper appointment has on average increased from two to six weeks. DWP will conduct further work with the pensions industry and The Pensions Regulator to consider if changes could be implemented to the regulations to improve the pension transfer experience, without undermining the policy intent.

Finally, October saw a determination from the Pensions Ombudsman (CAS-93568-H0D0) which provided some clarity in relation to the interpretation of the regulations. The complaint involved a member requesting a transfer who was required to seek advice from MoneyHelper under the regulations, and as a result experienced a delay, during which his transfer value decreased. The fact that the determination was not upheld and that the trustees were not criticised for their strict interpretation of the overseas investments amber flag in the regulations can provide some reassurance to trustees adopting this approach.

The determination provides some helpful guidance for trustees faced with the overseas investments flag, however possibly only true clarity will come from the DWP amending the regulations – a development we hope to see in 2024!

DLA Piper and PSIG legal adviser, Matthew Swynnerton

There has been a very notable change in the practice of financial advisers this year. We have seen a significant reduction in the level of cold calling, as well as a large reduction in advisers recommending schemes in countries where members

are not resident. Although the latter was usually done to allow a member to release slightly higher levels of pension commencement lump sums, it is clearly something the regulator wanted to see reduced.

We have also seen some providers change some of the products they offer, such as those containing unlisted shares. While unlisted shares may be suitable for a very small group of sophisticated investors, the enhanced checks now required are likely to have reduced the number of advisers recommending them. Instead advisers are favouring 'green listed schemes' that are easier to transfer into.

Finally, we have seen occasions when members cancel their request to transfer as a result of the conversation and questions we ask them during the due diligence process, particularly when the transfer has come about from unsolicited contact. When a member realises that this practice is illegal, they often decide that the firm in question is probably one they should not be comfortable entrusting their retirement income to.
WTW pension fraud prevention officer, Nick Cox

The pensions industry has made great efforts to help protect members of pension schemes against scams. Firstly, by the good practice of day-to-day administration to ensure that where something doesn't look right, to ask probing questions to the members about their transfer, and then following the introduction of The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, they have to ability to challenge the transfer more forcefully.

We can see from the table below a reduction in the number of reported scams, however the value has increased from 2020. As an administrator myself, I feel more positive when I look at the reduction in number, and the processes in place now for non-standard transfers, the message being sent out should be that these types of scams aren't as easy as they once were.

I am optimistic about the future with pension scams and as long as the industry continues to follow good practice and get the message out to all that the process is more stringent. This will mean that members will be better protected even if they don't appreciate it.
PMI president, Robert Wakefield

Freedom of Information request by the PMI, which provided the table below:

Year	Reports of Pension Scams	Financial Loss	Average loss per case
2020	668	£8,335,192	£12,478
2021	507	£10,088,355	£19,898
2022	420	£7,996,626	£19,040
Total	1,595	£26,420,172	£16,564

Broadstone's analysis of the FCA's *Financial Lives Survey* revealed that the proportion of UK adults receiving unsolicited approaches about their pension savings has plummeted by 14 per cent since 2017. In absolute terms this equates to a 6.5 million drop in the number of adults reporting a fraudulent approach between 2017 and 2022.

This appears likely to be the result of significant interventions such as the government ban on pensions cold calling established in 2019 and regulations introduced in 2021 that gave pension trustees and scheme managers new powers to stop suspicious pension transfers ending up in the hands of a fraudster.

More recently, the enshrining of the Online Safety Bill into law this year looks set to add another line of defence. It ensures that companies and websites are not only legally obliged to remove fraudulent or illegal content but they must put in place measures to ensure it doesn't appear at all, protecting pension savers from intern scams.
Broadstone head of policy, David Brooks