



# The fight against fraud

## ► Pensions Minister, Guy Opperman, discusses the latest steps that the government is taking to help in the fight against pension scams

Scam Awareness Campaign 2021, I'm highlighting the major action that we at the Department for Work and Pensions (DWP) are taking to fight against pension scams.

### DWP protection and prevention measures

In February, the landmark Pension Schemes Act received Royal Assent. The Act enhances the powers of The Pensions Regulator, giving them the means to issue civil penalties of up to £1 million, alongside three new criminal offences, to punish those who wilfully or recklessly plunder people's pension pots to line their own pockets.

Throughout the year, I've conducted several meetings with Google and other internet giants urging them to use their existing powers to stop online scammers using their sites to promote fake adverts.

And last month saw the announcement of our new pension transfer rules, which give new powers to pension scheme trustees and scheme managers to act as the first line of defence against online fraud or a possible scam.

Under the new regulations, suspicious requests to transfer could be stopped if pension savers have been approached, uninvited via social media.

Such unsolicited contact would trigger a 'red flag', which would mean pension trustees or scheme managers can block it.

The presence of these flags could be determined based on the individual's response to a range of standard questions, including but not limited to: how they were approached – was it online and out of the blue, do they know who it is that is contacting them, and are they being contacted by a firm outside the UK.

This system will provide that extra level of protection for savers, before they make a transfer that they may later regret.

It's important that we gather views from industry and the public on the new regulations and their application. With the growth in recent years of online scams we must act now to curb them, and we are looking forward to the considered opinions of the pensions industry and savers alike.

### Protect yourself online

There are many ways scammers might try and contact people to get their hard-earned savings, and even the savviest among us could fall victim to these sophisticated scams.

That's why I regularly share my five top tips on how to avoid pension scams:

**1. Be wary of offers found online:** Some adverts hosted by tech giants can be fake or link to dodgy offers.

**2. Scammers often approach unannounced:** If you receive a phone call, email, are approached on social media through comments or direct message, text, letter or even on your doorstep then proceed with extreme caution.

**3. Offers of a 'free pension review':** If someone appears out of the blue, and offers a 'free pension review', be wary. Offers or mentions of 'one-off investments', time-limited offers, upfront cash incentives, 'free pension reviews', 'legal loopholes', 'early access' or 'government initiatives' are all pension scam warning signs. If you are feeling rushed to make a decision, take a moment to ask yourself if this is a legitimate offer, and bear in mind that no legitimate fund would pressure you into saving with them.

Pension scammers are the lowest of the low, stealing people's hard-earned savings and ruining the lives of people who have worked hard for decades to get the retirement they want.

These callous crooks are always changing their tactics and, after the government introduced the cold-calling ban in 2019, many moved the goalposts to ensure their nefarious schemes were tricky for even the savviest to spot.

Fraudsters now prefer to use more sophisticated online scams, contacting victims through social media and promising a too-good-to-be-true return on investment – often boasting returns that are 7-8 per cent higher than normal.

This type of unscrupulous behaviour hasn't gone away during the pandemic either – where there's a crisis, there are also those who try to take advantage. Figures for January to August 2020 show that £1.22 million in pensions assets was stolen due to cloned websites, contributing to a total of £78 million lost in the entire year.

Making sure people have the retirement they want is my focus and it's vital, with many of us turning to online services and engaging with the digital marketplace, that savers have the right tools to engage with companies online and protect themselves from the criminals trying to steal their savings.

That's why, to mark Citizens Advice's

#### 4. Incredible returns on investment:

If you receive an offer of unbelievable returns (typically 7 per cent or 8 per cent or higher), but only if you transfer immediately, this should set alarm bells ringing.

5. Report anything suspicious: If you think you've been the victim of a scam you should report it to Action Fraud at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

fraud, and I am using my time as Pensions Minister to make sure that the strides we take towards curtailing these shameless criminals are effective, robust and protect our pensions.

➤ **Written by Pensions Minister, Guy Opperman**

We have further to go in the fight against



#### ➤ **Trustee says no**

*A closer look at the government's ongoing consultation on pension transfer blocking powers.*

The government has recently launched a consultation on the draft regulations that would allow trustees and pension scheme managers to block potentially fraudulent transfers, in line with the expectation that the powers will be in effect by September of October of 2021.

A number of instances where a transfer should be permitted to proceed without incident have been outlined, with trustees expected to search for red and amber flags if this criterion is not met. Under the proposals, the transfer may not proceed where red flags are present, and may only proceed once the member provides evidence of having taken guidance if amber flags are found.

Whilst the government has acknowledged that the regulations will come with "some additional costs", it emphasised the context of providing protection for both savers and trustees, also noting that the regulations build on the already existing requirement for trustees and scheme managers to carry out due diligence.

There has been much anticipation in the industry for the introduction of the powers, and The Pensions Regulator (TPR) and The Pensions and Lifetime Savings Association (PLSA) were among those who welcomed the consultation on the proposed

regulations, with TPR arguing that these provide an additional layer of scam protection for pension savers.

However, the reaction has not been unanimously positive, as AJ Bell chief executive, Andy Bell, argued that the plans are "ill-conceived" and "overzealous", stressing that any protections for savers must ensure that the cure is not worse than the disease.

"Unfortunately, that is a real risk with the DWP's proposed reforms, which could require savers to satisfactorily answer a set of questions before they are allowed to transfer their pension unless they are moving their fund to a 'safe destination' scheme," he said.

Bell also called for abandonment of the 'safe destination list' provided by the government, arguing that it would "give consumers the impression that those schemes are impervious to scams" and ironically make them easier targets for fraudsters.

He continued: "We need some pragmatism from the DWP to ensure customers are not harmed by these overzealous proposals. It is clearly not in anyone's interests to clog up the transfer market or create barriers to savers switching providers and benefitting from lower charges or better service."

Canada Life technical director, Andrew Tully, also warned that the industry must be careful to ensure that any measures introduced don't cause undue delays in people being able to transfer their pension benefits from

one scheme to another.

In contrast, however, Dalriada Trustees professional trustee, Sean Browes, argued that most cases administrators will not be required to go beyond step one, stating that the proposed steps appear "sensible and proportionate" and that the DWP has balanced the need to protect members and avoiding significant additional administration.

"Given this, we don't hold with the suggestion that large numbers of transfers will be blocked or even unduly delayed," he said.

Pinsent Masons pensions partner, Ben Fairhead, also suggested that the proposals had the potential to be the most effective legislative change made in the past decade in the fight against pension scams.

"With a degree of common sense, legitimate transfers should not be unduly delayed – and a bit of delay is surely a price worth paying if it results in potentially millions of pounds being saved from the clutches of pension scammers," he said.

Commenting in response to the concerns, a DWP spokesperson said: "We have issued this consultation to gather views from industry and the public on the regulations and their application and will consider all the views put forward.

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