Summary
• The WPC inquiry and findings have been praised by the industry for laying bare the 'colossal scale' of the pension scam challenge, with broad support for the recommendations.
• Implementation of some key recommendations is already underway, such as those around the right to transfer, but the devil will be in the detail.
• More work still needs to be done, particularly in relation to issues around HMRC's treatment of pension scam victims.

Making recommendations a reality

Sophie Smith takes a closer look at the key findings of the Work and Pensions Committee's recent pension scam inquiry and the ongoing journey from recommendation to reform

The Work and Pensions Committee (WPC) has recently concluded work on the first part of its ongoing inquiry into pension freedoms, which focused on pension scams. The pensions industry welcomed the publication of the committee's findings in March, with Transparency Task Force (TTF) founder and All-Party Parliamentary Group (APPG) on Pension Scams chair, Andy Agathangelou, praising it for its "breadth, depth, clarity and potency".

He also stresses that both the TTF and the APPG on Pension Scams are "highly supportive" of the report, and that, having invested a considerable amount of time and effort into the pension scams inquiry, "feel it's all been very worthwhile".

"The WPC report was a joy to read by someone who has fought against scams for the past seven years, feeling I was banging my head against a brick wall at times," Pension Scams Industry Group (PSIG) chair, Margaret Snowdon, agrees, stating: "The WPC spoke to enough people at the sharp end, so they really understood the issues and have made great recommendations to resolve them. It is now down to making those happen. The recommendations are largely ones that have been suggested by the industry, so hopefully implementation will be supported by all."

One such recommendation in the report, *Protecting pension savers—five years on from the pension freedoms: Pension scams,* was a call for international technology firms to be held to account for facilitating scam adverts *[as discussed on page 52],* with the government urged to act "quickly and decisively".

In addition to this, the WPC warned that "fragmentation" of the reporting, investigation and enforcement of pension scams has made combatting them more difficult, with calls for the multi-agency taskforce set up to tackle pension fraud, Project Bloom, to be strengthened.

Agathangelou agrees, arguing that it is "slow, fragmented, underpowered, disjointed and lacks punching power" and "needs to be overhauled or replaced".

Creating a change

However, The Pensions Regulator (TPR) executive director of frontline regulation, Nicola Parish, emphasises that TPR and its Project Bloom partners have made "considerable progress in tackling pension scams" through educational campaigns improving intelligence-sharing and partnership working.

"We have also focused on disruption and enforcement while seeking to influence government policy and legislation," she adds, acknowledging, however, that there is always more that can be done to help protect savers from this devastating crime.

In November 2020, for instance, TPR launched its Pledge to Combat Pension Schemes campaign, which gives the industry the tools it needs to voluntarily comply with the PSIG Code of Good Practice and provide savers with the scam protection they deserve.

"The WPC's report on scams welcomed the campaign and called for the entire pensions industry to sign up", Parish notes, arguing that it should be the 'norm' for providers, trustees, and administrators to adopt the principles of the PSIG code and make the pledge.

She adds: "So far, more than 240 organisations have already pledged or self-certified to show they meet code principles, including three master trusts which alone represent 50,000 savers.

"We want industry to adopt best practice for tackling scams and raise standards across the board, supporting better outcomes for savers who may be targeted by scammers.

"We also believe many across the industry, including trustees, pension providers and administrators, need to improve their reporting of suspected scams."

Parish flags that one of the pledge's principles is to report suspected scams via Action Fraud, stating that improved reporting will help provide a clearer understanding of the size and scale of pension scams, while better intelligence will lead to better solutions.

And whilst the government is consulting on the WPC's right to transfer recommendations, Timms agrees that it "is good to see that TPR is encouraging the pensions industry to sign up to its pledge to combat pension scams."

However, Snowdon notes that some industry voices are already raised against the proposed regulations on pension transfers *[see page 55].*

Devil in the detail

"We all need to be united, apply common sense and give this a try to save ordinary members from financial harm," she stresses, confirming that PSIG will also be updating its code to reflect these changes when possible.

As the journey from recommendation to reform continues, the devil may well be in the detail, as Agathangelou adds: "We're now waiting to see the what the government's response will be, and we're standing by, ready to campaign around anything that isn't adopted."

In particular, he raises concerns around HMRC's treatment of pension scam victims, arguing that it is not right that they are profiting from the proceeds of crime.

"HMRC need to accept that pension scam victims are victims of crime," he says. "If somebody was burgled, HMRC wouldn't be justified in demanding a tax payment; yet that is what is happening with pension scam victims. The widespread calls for a tax amnesty are totally justified."

Snowdon echoes this, warning that more work needs to be done on the tax penalty for a "now ageing cadre of victims" who were scammed out of their savings and face HMRC penalties of up to 55 per cent of money received.

"It is a closed community of sufferers and to solve the problem would take a simple legislative change to give HMRC the ability to disapply the tax in certain limited circumstances," she stresses.

"The cost would be about £40 million and when you see public money being sprayed around as they are just now, this is very small sum that would help reduce mental anguish."

Written evidence submitted by PSIG during the inquiry confirmed that HMRC agreed to an internal workshop to discuss a legislative change to give an amnesty to pension scam victims, especially for pensions liberation cases.

However, Snowdon clarifies that, whilst HMRC understands the issue, unfortunately, they do not agree that waiving a tax penalty under any circumstances is a good thing.

She explains: "They are convinced that where victims receive some pension money early, they must pay the tax. They also seem convinced that all victims knew what they were doing. Where people were persuaded to transfer by an adviser and transferred to a registered scheme, there ought to be a concession on tax treatment, otherwise it is grossly unfair. It is not a big ask."

In response, a HMRC spokesperson says: "We know how distressing it is for those targeted by these scams and sympathise greatly with those affected. So we tailor our approach to individual customer needs where additional support is required. When there is unauthorised access to pension savings, we must collect the unauthorised payment charge that is due under the law.

"However, customers are only taxed on funds they, their family members or other connected persons receive, either directly or indirectly. Where a pension scheme member is defrauded of their savings as part of a pension scam, they are not taxed on the money they have lost as a result of the fraud."

To be continued…

Snowdon also emphasises that, despite it all, she will continue to fight for justice; and there is still much that the entire industry can do to help in the fight against scammers, as Timms says: "Pension scheme trustees, providers and administrators can all play their part in preventing scams by pledging to follow the PSIG code of good practice. Regulators have a role to play by educating the industry about the warning signs of scams with providers feeding back to the authorities concerns about scams."

Whilst the WPC's broader inquiry has now moved on from pension scams, it will surely be a key consideration as the focus shifts to options and advice, as Timms explains that savers are likely to be at their most vulnerable when considering their options for where to put their money in the future.

"This is why proper advice and guidance is going to be key in the fight on pension scams. Earlier intervention to ensure access to advice and guidance, and an understanding of the difference between the two, is likely to lower the risk to savers and better education will close down an opportunity for scammers to exploit them," he says. "

The WPC's new inquiry on accessing pension savings is therefore asking whether people have the guidance and advice they need to make the best decisions and what role the Money and Pensions Service should play in supporting people in accessing their pensions for the first time."

Snowdon also warns that lack of impartial guidance and prevalence of sub-par advice is an enabler of scams, stating that "we tolerate the latter and have little real ambition on the former".

Written by Sophie Smith