



# Aim for the best

➤ ***Pensions Age* rounds up advice for how to best protect members against scams throughout the entire pensions-saving process**

## Communications

Communicating to members directly is the first line of defence in scam prevention. After all, the scam fails at the first hurdle if the member recognises it straight away for what it is.

Pensions Administration Standards Association president, Margaret Snowdon, recommends that schemes should ensure warnings about scams are easily accessible and not just a leaflet as part of a pack when someone asks for a transfer. “Informative and catchy messages on the scheme website, with perhaps videos and self-challenges, help to get the message across in a way which is retained for when it is needed,” she adds.

However, a balance needs to be sought between compliance and clarity, WTW pensions administration

business’ professional excellence leader, Colin Fowler, suggests, as “the danger of deluging members with too much material is very real as it can have the effect of creating the impression that the member is being either prevented or being discouraged from transferring, per se, when quite the opposite is true”.

Wealth at Work director, Jonathan Watts-Lay, highlights the benefits of providing financial education; while Sackers partner, Adeline Chapman, argues that “one-to-one conversations with savers about their transfer, what they’re hoping to achieve, and what they understand about the risks and receiving scheme, is one of the best ways of getting a feel for whether something untoward could be happening, as well as gathering specific information for the purposes of the transfer checks and amber and red

flags”.

This is a skilled task, she adds, which, when done well “by a skilled administrator who knows when to drill down and ask the right follow-up questions, even if that means going off script”, can be “one of the most valuable scam detection tools”.

As Muse Advisory senior consultant, Daniel Jacobson, says: “Those dealing with the members on a day-to-day basis must have and continually develop the skills and empathy needed to deal directly with those who they’re looking to protect.”

## Governance

As savers never being tempted by a scam is pretty much an impossibility, “it is vital for trustees and providers to have appropriate procedures and governance in place to determine the level of pension scam risk and whether to transfer in light of the Conditions for Transfers Regulations”, DLA Piper partner, Matthew Swynnerton, says.

“This includes not only the documentation of all concerns, red or amber flags, and calls, but also potentially including legal advice and risk management/monitoring. In order to ensure good governance, trustees and providers should familiarise themselves with the Pension Scams Industry Group’s (PSIG) Interim Practitioner’s Guide,” he adds.

A TPR spokesperson urges all trustees to follow its transfer guidance to help them meet their legal duties. They also ask trustees to refer to PSIG’s Code of Good Practice, “the industry’s best practice guide” and sign up to the Pledge to Combat Pension Scams, which offers clear principles based on the core pillars of PSIG’s code, to raise awareness of the risks, know the warning signs and report suspicions to Action Fraud.

“Trustees should also look to their advisers to train and educate them, as

well as completing the relevant module in TPR's Trustee Toolkit," Jacobson says.

"A good secretary will be keeping on top of industry developments, providing challenge where necessary and ensuring that relevant parties bring the latest knowledge to the table – teasing out the best way to disseminate this. There are always competing and contradictory views and opinions and pulling these together in a way that is comprehensive, cohesive and relevant for a diverse set of skills, knowledge and understanding spanning the board is where a balanced, experienced and independent perspective can pay dividends," he adds.

However, for those looking at providers for support, carrying out due diligence is crucial, Watts-Lay states.

"Due diligence on regulated advice firms should cover areas such as qualifications of advisers, the regulatory record of the firm, compliance processes e.g. compliance checks of 100 per cent of cases, pricing structure, and experience of working with employers and trustees," he explains.

Meanwhile, Chapman states that the trustee boards that have managed the new transfer check and conditions requirements best have had clear and full discussions with their administrators to understand what the scheme's due diligence process involves, who is going to make that judgement call about the presence of an amber or red flag, and have documented any delegations by the trustee to the administrator.

A sub-committee (or a number of trustees with delegated authority) can help with trustee decision making, such as to assess whether a red flag is present, she adds.

Snowdon suggests that a sub-committee dedicated to tackling scams may be useful for larger schemes, "but the easiest way to address the risk of scam is to ask the administrator to carry out due diligence and to attend trustee meetings to discuss trends and findings. Trustee support is essential, and trustees

should recognise that the people best placed to help on scams due diligence, and therefore protect against scams, are the administrators".

### Administration

Trustees and administrators are clearly a dual force in preventing scams.

"Whether your scheme is administered in-house or outsourced, knowing the processes and procedures in place to combat scams and if the PSIG code is followed is the minimum. If your admin team hasn't got this in place, then you should be asking why not," Jacobson says.

"Administration is at the very heart of the fight against scams," he continues. "These teams are on the front line, not only dealing directly with the members, but also processing transfer applications and dealing with receiving arrangements... administrators need to ensure that their knowledge, understanding and intelligence on the latest scams techniques is both current and relevant."

BESTrustees trustee executive, Rachel Brougham, agrees that trustees should ensure the administrator has robust processes in place that can identify the various red and amber flags that warn of potential scam activity, and a means of engaging with members where these flags might exist (which may extend beyond directing members to the Money and Pensions Service).

"There should also be an agreement as to which cases are brought to the trustees' attention (usually the red flag cases). All of this should be recorded in a document that records the process and any delegations that are in place. Once established, trustees should expect regular reporting from their administrator on any cases where flags have been found and actions that were taken," she adds.

As part of this, Swynnerton suggests trustees ask whether their administrators intend to use a clean list [*low risk*

*arrangements and where due diligence has previously been carried out*] and, if so, how they will operate and maintain it.

### Industry

Fighting scams is too big a task to implement on a scheme-by-scheme level; it requires a coherent effort from the industry, and beyond.

As Snowdon says, "sharing of information on scams is important to avoid everyone reinventing the wheel".

To this aim, PSIG runs the Pensions Scams Industry Forum (PSIF), which meets regularly to share experiences. Snowdon says: "This way the group as a whole can be better informed but, as long as forum members act with discretion [*as sharing information which cannot be demonstrated to be true, the industry could be at risk from scammers with deep pockets*], the information remains private and not searchable."

Suspicious transfers should also be reported to Action Fraud (whose information can be used by the National Fraud Intelligence Bureau to issue alerts), along with TPR and the FCA so that they can potentially provide industry-wide warnings.

According to a TPR spokesperson: "To ensure the industry is aware of the up-to-date intelligence on evolving scam threats from our joint Threat Assessment, as well as advice and warnings from regulators and law enforcement, we use communications and public awareness campaigns and host or take part in educational events and webinars with scam-busting partners."

Jacobson highlights how, despite many organisations utilising 'clean lists' for transfers, there is not yet a "definitive directory for the industry".

This may be on the horizon though, as yet another example of the industry coming together to share best practice in the fight against scams.

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