

### Summary

- The industry has come a long way in the fight against persistent and evermore sophisticated scammers.
- Yet the threat of pension scams remains very real amid the Covid-19 crisis and post freedom and choice.
- More can still be done by all facets of the industry, claim the experts.
- Going further than basic compliance could be key.

# Scams: The ongoing battle



► **Pension scams are nothing new, but tackling them continues to be a challenge. Francesca Fabrizi looks at how far the industry has come in this fight, and what more can still be done**

**T**he industry is, without a doubt, working hard from all angles to tackle the ongoing problem of pension scams.

The Pension Schemes Bill, which is currently making its way through parliament, should, in several ways, assist in the fight; while the FCA, DWP and The Pensions Regulator (TPR), alongside all notable pensions industry associations and providers alike, are pulling together to help address this serious issue.

One key influencer has been the Pension Scams Industry Group (PSIG), a voluntary body that was set up to combat pension scams through the publication of good practice in due diligence for trustees, providers and administrators.

DLA Piper partner, and PSIG member, Matthew Swynnerton, explains: "PSIG has shaped how the pensions industry deals with due diligence to help combat pension scams and has been extremely vocal since its inception.

"We've developed a Code of Good Practice and are currently working with the DWP in relation to the proposed changes in relation to transfer rights to be contained in the Pension Schemes Bill and secondary legislation."

But while huge steps have been taken, the battle is an ongoing one, and whether we will ever beat the scammers is a tough question to answer.

Quantum Advisory head of administration, Jemma Jurgenson, comments: "Fraudsters are sadly a fact of life and there are always going to be people who want to make a fast buck and

take advantage of the vulnerable or less savvy consumer. This is a particularly significant issue at the moment, given the uncertain world we find ourselves in."

Indeed, whilst pension scams are not a new topic, the threat of them has increased significantly in recent times, not only following the introduction of freedom and choice in pensions, but also because of the impact that Covid-19 has had on many household incomes.

For example, says Wealth at Work director, Jonathan Watts-Lay, "some may seek to withdraw from their pensions sooner than planned to make ends meet, and the increased financial stress of this can make individuals more vulnerable to scams".

Recent data from the XPS Transfer Watch also revealed that transfers exhibiting scam red flags at the point of transfer increased to a worrying new high of 62 per cent in September which, confirms XPS, represents a continuation of the rise seen since the start of lockdown.

Added to this, the scammers are becoming more sophisticated by the day, warns Interactive Investor head of PR, Jemma Jackson.

"Tackling financial crime has always been crucial, and whilst it is often more vulnerable groups most at risk, anyone can fall victim. Fraudsters are increasingly sophisticated and the whole industry needs to work together – there is no one solution, and this is reflected in the FCA's multi-pronged approach," she says.

### Pulling together

So, what more can the industry do to help pension scheme members avoid falling victim? Working together is key, agrees Interactive Investor head of pensions and savings, Becky O'Connor: "For the industry, tackling pension scams feels a little like whack-a-mole: as one is successfully shut down, another emerges. A multi-pronged approach from providers and regulators that includes customer awareness campaigns, deterrents to scammers and swift enforcement makes sense."

Swynnerton concurs that all parts of the industry can and should be playing their part and argues that, as much as has already been achieved, we can always do more. "Member awareness of scams and the evolving tactics of scammers is vital. Most of us in the industry are able to play a part in raising member awareness in some way and should do so."

Alongside this, trustees and providers should familiarise themselves with the PSIG Code of Good Practice, he says, which sets out the key steps to help identify possible pension scams, as well as provides practical guidance like checklists and sample letters.

"Also, we anticipate that the Pension Schemes Bill will make changes that affect members' statutory transfer rights in circumstances (to be defined in the legislation) where there is a high risk of scam activity. Trustees and providers will need to familiarise themselves with the changes and adapt their current transfer processes accordingly. We anticipate



producing a further update of the code to reflect the changes, which we hope will assist trustees and providers in this regard,” he adds.

### Going that extra mile

In addition, while the FCA, TPR, PSIG and other bodies have issued comprehensive guidance on what is expected, Watts-Lay says that some leading employers and trustees are going further than just basic compliance to prevent employees and members from falling for a scam, by putting robust processes in place, especially for those nearing age 55.

“One of the key things should be to provide financial education and guidance, particularly when individuals reach age 55 and over. This is because it is so easy for individuals to access their pension savings, especially when under pressure from a scammer offering, for example, a time limited offer,” he warns.

This, he adds, will help them to understand their options and the risks involved and, importantly, to understand some of the known scams out there.

“Arming employees with the facts on what they can and cannot do with their pension and the potential risks involved will help them to make informed decisions and avoid making costly mistakes,” urges Watts-Lay. “We are now moving into a time where employers and trustees are increasingly wanting to ensure good outcomes and not minimum compliance. After all, it does not make sense for an individual to save diligently for 30+ years and then not put in a robust process to protect them at the point we know they are at most risk from scammers,” he says.

Providing financial education and guidance can also help employees decide if they need anything further, such as regulated financial advice. If done correctly, says Watts-Lay, facilitating access to regulated financial advice does not carry the risk many presume, which should also come as a relief to employers

and trustees alike.

“Introducing an adviser to a scheme after a thorough due diligence process can ensure that the responsibility for the advice given to employees, and the consequences of that, rest with the chosen provider and not the employer or trustee,” he explains.

From an administration perspective too, Jurgenson agrees that, going forward, the importance of raising awareness of scams cannot be emphasised enough. “Without wishing to frighten people, we need to continually educate both scheme members and our administrators of the dangers. Just because a member signs a discharge form and an IFA confirms relevant advice has been given, doesn’t mean we should blindly accept this as a green light to pay benefits,” she warns.

“As administrators, we have a duty to constantly question where something doesn’t look or feel right and to report it to the relevant authorities if we believe that something untoward is going on”, continues Jurgenson; and in an industry where we are striving for more automation and better technological solutions, this is one area where human involvement is vital to try to spot where scammers may be acting in the background, she argues.

Finally, whilst there is no desire to obstruct a member wanting to make a genuine transfer (remembering that the vast majority of transfers are completely legitimate and legislation dictates that we cannot hold up such payments), there are ways to head-off a scam at an early stage, she says, for example, by sending scheme and transfer information directly to members and not to a third party. “This allows a member the opportunity to rethink if they are feeling pressurised. It might annoy those third parties, but the key is to protect the members of the schemes we look after and to use our skills and knowledge to ensure they aren’t taken advantage of.”

Alongside all of this, she says, we need to ensure that administrators have the time and training to ensure this

proactive engagement is happening and not to just want to process each item of post quickly to hit targets. “All organisations need to ensure their administrators work within a culture where speaking up and calling something out isn’t met with barriers.”

### The long road ahead

With so much already going on in the pensions space, it could be easy for all parties to feel it’s hopeless trying to tackle this ongoing problem but, says O’Connor, it’s important not to give up: “It would be easy for the industry to feel defeated, however it’s vital to keep plugging away at this. There is no way to beat the scammers that doesn’t involve a lot of determination, time and careful thought.”

And with so much work going on behind the scenes, PSIG chair, Margaret Snowden, is confident that we will get to where we need to be. “There is progress on the Pension Schemes Bill, with the introduction of mandatory guidance in prescribed circumstances and the expectation that trustees will be able to stop transfers that show certain scam signs (red flags), something we have been requesting for four years. Regulations will make it clear to trustees where there is no statutory right, while at the same time ensuring that bona fide transfers can proceed speedily. The Pensions Administration Standards Association (Pasa) new code will also help on speeding up straightforward transfers,” she adds.

There will still be more to do because the factors that stop a transfer or make guidance mandatory will need to keep up with scammers’ tactics; and of course, where there is no statutory right, trustees will need to be mindful of any discretionary right in the scheme, she explains, “but we are working with the Work and Pensions Committee and DWP to make it all happen as soon as possible”, concludes Snowden.

➤ **Written by Francesca Fabrizi**