# Comment: Member in the middle

**Disagreements within the pensions industry can drive progress and change, but infighting can also damage member trust when it spills into the public space, argues Sophie Smith**

The pensions industry has a tendency to air it's dirty laundry in public, with much of the public attention surrounding the industry prompted by scandals and crisis, like the recent liability-driven investment (LDI) concerns, the British Steel Pension Scheme scandal, or even the issues seen around pension transfers earlier this year.

These issues around transfers came to light after the passing of new regulations, designed to help protect savers against the threat of pension scams.

The new rules meant that suspicious transfers could be blocked by pension scheme trustees and managers where there are 'tell-tale' signs of fraud or methods frequently used by scammers, and were broadly welcomed by the industry, with many emphasising the need to protect members from the real damage that pension scams can inflict.

## No good deeds

But the road to hell is paved with good intentions, and it wasn't long before disagreements emerged around the new rules.

Around six months after the introduction of the new rules, PensionBee wrote to then-Pensions Minister, Guy Opperman, accusing several pension providers of abusing the new legislation to block or delay consumers from moving their pensions.

In the letter, PensionBee stated that the regulations appear to have been misused in a "variety of inventive ways", including adding new "obstructive steps" to the transfer process to freeze "legitimate" transfers. It also claimed that individuals have been presented with a variety of reasons for transfer delays, including concerns about international investments and routine rewards of a modest monetary value.

Providers were quick to defend their actions, however. In particular, providers explained that some of PensionBee's marketing initiatives fall within the meaning of an 'incentive' under the new regulations, which state that any transfer that has been incentivised cannot proceed as a statutory transfer.

They also explained that these decisions were the result of legal advice, while many suggested that they had already been in contact with PensionBee to find a way forward in the best interests of members looking to transfer.

Steps have since been taken to remedy the situation, as The Pensions Regulator and the Department for Work and Pensions updated guidance to address these concerns. This confirmed that whilst the presence of an incentive could mean there is no statutory right of transfer, trustees could allow a discretionary transfer if scheme rules allow and if due diligence shows the transfer is at low risk of a scam.

This has been reflected in the approach of pension providers, as B&CE, provider of The People's Pension (TPP), director of policy, Phil Brown, stresses that the master trust remains "committed to working with other market participants in order to process transfers within the law as it stands and to protect members' interests".

"In some uncommon situations where the law removes a statutory right to transfer to a legitimate pension provider, TPP will pay a non-statutory transfer and continue to engage with other pension providers to achieve this promptly and efficiently," he adds.

Yet disagreements continue. PensionBee CEO, Romi Savova, argues that despite the updated guidance, a handful of actors are continuing to "take the opportunity to misuse recent legislation to prevent savers from moving their own pension savings, rather than focusing on creating quality products which make their customers want to stay".

Savova also warns that the problem of slow and difficult pension transfers has "long been an obstacle to inspiring greater confidence and engagement in pension saving".

And despite the good intentions of both sides, recent disagreements have likely only worsened member

confidence, as while these disagreements and delays continue, savers are the ones paying the price.

**A lost opportunity**

Many in the industry will know family and friends who have been looking to transfer their pension amid the recent issues and have faced horrendous delays, with communications often not providing the reassurance needed.

And despite these regulations looking to protect members, much of the onus is being placed back on them, with members being asked to fill out lengthy forms to provide further details when issues such as a potential incentive are flagged.

One of my family friends who experienced these issues is self-employed, a demographic that many in the industry have been fighting to improve pension savings for, with vast resources devoted to encouraging greater pension engagement amongst these savers.

Yet this experience, and subsequent concerns over which providers were legitimate and who could be trusted, meant that they eventually just gave up after feeling overwhelmed by the process.

Pensions and Lifetime Savings Association (PLSA) head of DC, master trusts and lifetime savings, Alyshia Harrington-Clark, agrees that members can often find pensions confusing, which can make interactions with their pension provider a cause of anxiety.

"The example of pension transfers is a good one, with steps taken over a six-to-eight-week period to ensure that the entity they are transferring to is legitimate and not an illegal scam, though these steps are presented by some as delays," she continues.

"The industry is already working hard behind-the-scenes to protect members, but the balance needs to be struck between explaining to members and working on their behalf to maintain and build trust."

Indeed, Savova, points out that as workplace savers do not have the luxury of picking their provider, preventing them from moving their money easily to a provider of their choice can make the pension industry appear "purposely obstructive, often leading to widespread anger and confusion from savers".

"Now is a time of great national anxiety, and retirement worries can become especially pronounced when experiencing economic turmoil and disruption. As such, it's never been more important for consumers to trust that they are being treated fairly by their pension provider and supported in their retirement savings journey."

**Finding a solution**

Solutions are clearly needed to prevent these issues from further damaging member trust and the pensions industry reputation, although even this is a cause for further disagreement.

Savova, for instance, suggests that "to resolve the issue once and for all, the DWP needs to urgently restore order in the transfer market, making critical revisions to its existing transfer legislation and implementing a 10-day switch guarantee to prevent consumers from being trapped in products they've deemed unsuitable and therefore do not trust."

A spokesperson for the Association of British Insurers (ABI) agrees that the issue "will not just be solved by a tweak to the incentive definition," emphasising that "the regulations must change".

Rather than a switch guarantee, the ABI suggests that mainstream personal pensions that reach a sufficiently high bar on value for money should be treated the same as master trusts, with an automatic statutory right to transfer, they state.

However, Brown says that while it may be possible to change the transfer regulations to better differentiate between transfers headed for scams schemes that should be blocked and transfers to legitimate schemes, it is "likely that some friction is inevitable and consumer protection must come first".

**Rinse and repeat**

Broader solutions may also be needed to prevent similar issues in future, as Brown acknowledges that it can be a "difficult balance" when drafting regulations as scams are much easier to recognise in the wild than they are to define in legal language.

"Maintaining close collaboration between the DWP and the pensions industry ahead of regulations being drafted would help to avoid unintentional operational difficulties," he suggests.

Industry awareness efforts may also have a role to play, as Harrington-Clark says that issues such as these are "one of the reasons we have been working on the Pay Your Pension Some Attention campaign, which is encouraging people to engage with their pension saving and increase awareness and understanding of how pensions work".

Indeed, the Pension Attention campaign has received 'unprecedented' industry support, with backing from 17 organisations, as well as support from DWP and Money and Pensions Service. And if pension organisations are able to gather round a table (or Zoom call) to work together on engagement efforts, it seems likely that similar discussions could also help shape broader future policies and avoid unintended consequences.

With the recent issues around LDI placing pensions back into the 'bad books' for many savers, it is important that we are doing everything possible to improve the pensions industry reputation, with industry organisations working together to create solutions.

Playing piggy in the middle with members simply isn't good enough.

**Written by Sophie Smith**