Tackling pension scams

Matthew Swynnerton (who is a member of the Pension Scams Industry Group) looks at some of the steps that are being taken to deal with pension scams

The risk that members who request a transfer out of their benefits may be the victim of a pension scam, and dealing with this in the context of the statutory right to transfer, has been a difficult issue for trustees for some time. This article looks at some recent steps that have been taken to tackle pension scams and changes that are on the horizon.

Industry Code

An industry Code of Good Practice on *Combating Pension Scams* was published in March 2015 and version 2 followed in June 2018. This is a voluntary code that sets out an industry standard for dealing with requests by members for transfers from a UK registered pension scheme to another UK registered pension scheme or Qualifying Recognised Overseas Pension Scheme. Version 2.1 of the Code was launched in June 2019. It took effect from 10 June 2019 and reflects recent regulatory and legislative changes and the evolving nature of pension scams.

The developments reported in version 2.1 include Pensions Ombudsman determinations considering due diligence completed by schemes before making a transfer. These include a complaint that was upheld because the transferring scheme had not conducted adequate checks in relation to the receiving scheme or sent The Pensions Regulator's (TPR) warning leaflet to the member. Another complaint reported in the Code, which was also upheld, related to delays in making a transfer. Comments by the Deputy Pensions Ombudsman in that case included that the enhanced due diligence conducted by the transferring scheme was disproportionate given that the receiving scheme was a large well-recognised scheme.

Other updates to the Code include: amendments to reflect the launch of the Money and Pensions Service; information published by the Pension Scams Industry Group about the findings of a study on the scale of scam activity affecting members and practitioners; and additional case studies.

Awareness campaign

In August 2018 TPR and the Financial Conduct Authority (FCA) launched a ScamSmart advertising campaign, and on 7 August 2019 they issued press releases reporting that they are joining forces again this summer to warn the public about pension scams, with the latest ScamSmart advertising campaign having been launched on 1 July 2019 and running on television, radio and online. The press releases report on new research which suggests that 42 per cent of pension savers could be at risk of falling for at least one of six common tactics used by pension scammers such as cold calls and free pension reviews. The press releases also set out four steps recommended by TPR and the FCA for people to protect themselves from pension scams including rejecting unexpected pension offers and checking who they are dealing with before changing their pension arrangements.

Looking ahead

In 2017 the DWP and HM Treasury confirmed that new measures would be introduced in three areas to tackle pension scams. This has already resulted in legislative changes so that HMRC can refuse to register or can de-register schemes with dormant sponsoring employers and the introduction of a ban on cold calling in relation to pensions. Further change is expected to follow the roll out of the master trust authorisation regime in order to limit the statutory right to transfer to cases where the receiving scheme is a personal pension scheme operated by an FCA authorised firm, the receiving scheme is an authorised master trust, or a genuine employment link to a receiving occupational pension scheme can be evidenced.

Version 2.1 of the Code states that, as some regulatory changes have not yet been put in place, it is anticipated that version 2.2 will be published within 12 months and the Pension Scams Industry Group will take the opportunity to further improve the ease of use of the Code at the same time.

Actions for trustees

The ombudsman determinations reported in the Code demonstrate the importance of having appropriate due diligence processes in place for transfers. Trustees should consider whether any updates are needed to their and their administrators' processes in light of the changes in version 2.1 of the Code and also be aware that further updates may be needed following changes to the statutory right to transfer.

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