Scammers beware

The Pension Scams Industry Group (PSIG) produced its first code of practice to combat scamming in the pension industry in 2015, and has since produced two further updated codes, receiving backing and support from across the industry. Jack Gray talks to its chair, Margaret Snowdon, about its progress, what effect the updated scams code has had and the next steps to nullify the threat posed by scammers

Pension scams and its victims have been receiving a lot of coverage in recent years, as the government and financial regulators have been stepping up their efforts to protect vulnerable savers. PSIG has recruited willing volunteers from across the pensions industry to assist in the task, and substantial progress has been made. Since PSIG's first code of practice in 2015, the number of pension scam reports has dropped by 75 per cent and the financial losses through pension fraud has fallen by 85 per cent. Through updating its code and tirelessly working to stay ahead of the scammers, PSIG has played a vital role in the progress that has been made so far.

Can you explain the key changes to the pension scam guidance – *Combating pension scams – a code of good practice?*
Version 2.1 of the scams code was published in 2019 to reflect the key developments and changes that affected the industry over the past year, including the introduction of the cold-calling ban, which PSIG had called for since 2016, The Pensions Regulator (TPR)/Financial Conduct Authority (FCA) ScamSmart campaign, and new Pensions Ombudsman determinations and what they mean for pensions practice. It also addresses the rise of claims management firms seeking compensation for past transfers, includes the FCA letter on managing the risks of DB to DC transfers, PSIG 2018 scams research findings, updated Action Fraud reporting and new case studies.

What impact has the ScamSmart campaign had so far?
Scammers continue to evolve, and campaigns such as ScamSmart are essential to help ensure the public is alerted to the dangers of pension scams. Research released by TPR and the FCA shows that around half of people don't think they would be scammed. This is why scammers are so successful and why such campaigns are vital. Public awareness helps, but alone it will never be enough unless the message can become part of the national psyche. Given the number of people who call the helpline when the campaign launches, it's clear that the message is reaching a good number of people and leading to genuine member action, so that is success.

What impact has the scams code had on combating scammers?
The guidance in the code is the single most effective tool to help practitioners identify possible scams and help scheme members understand the risks. It does take time and effort to carry out good due diligence, but it is worth it to save people from a terrible financial fate. Through the amount of transfer money withheld as well as transfers refused or withdrawn, the work may have saved around £250 million from going to scams. This is a remarkable achievement by an unfunded voluntary group.

What can scheme trustees and managers do to help?
Follow the code, and don't be afraid to shout about it. Scammers will not waste their time on scheme members where robust due diligence is likely to reveal their tactics and cause the transfer to fail. They will move on to easier pickings. A bit like locusts; that's what they do.

What are the main issues you see while conducting due diligence procedures?
Carrying out due diligence in the stages recommended by the code shows red flags that mainly concern the transfer, for example a member receiving a cash payment or accessing funds before age 55 or having no employment link or earnings. If advisers are unregulated, in a different country from the member, or there's a disconnect between the introducer and the recommender. The origin of the request to transfer, either cold call, social media or internet advert, or the quality of the paperwork itself, for example machine signatures, sloppy copying or incorrect names.

There is a lot to look for and a lot

to find because scammers try various techniques. These techniques will continue to evolve, and new issues will emerge during the due diligence process, but regularly checking your processes alongside the latest version of the code can help your scheme stay ahead.

What impact has the cold-calling ban had on pension scams?
It has helped a bit as fewer cold calls are received, but scammers had already moved on to social media in various ways before the ban came into effect. PSIG research published in February of this year found that only 6 per cent of transfers originated from a cold call. Of course, people don't always admit to being cold called and some struggle to understand what it is.

Is the problem getting better or worse?
It is changing. We need to be cautious in underplaying the amount of pension scamming there is because we might be tempted to soften our approach. There is a rise in international self-invested personal pensions, which might be a result of nervousness over Brexit and in investment scams, that attack funds after they have gone from the pension scheme into members' hands. Threats to member outcome will likely continue to emerge, and we should be prepared for much more to come.

What is the PSIG currently working on and what is next?
PSIG's current focus is on intelligence sharing on potential scams and scammers within the practitioner community, empowering schemes with the tools to spot the bad guys and be braver in refusing a transfer. We are working on the security and technology aspects and hope to have something to say later in the year. We are also working to improve the lot of pension scams victims through a proposal to change the tax law on unauthorised payments under certain circumstances, such as when a scam has occurred.

Working towards a future with no need for PSIG will always be our ultimate goal, however.

To what extent are we heading in the right direction in minimising scams and how much more needs to be done?
There is more awareness among scheme members, although most continue to think it would only happen to someone else. There is also increasing awareness among schemes that action needs to be taken, and the issue of pension scams is moving up the industry agenda. We need more schemes to adopt and adapt the code.

However, until trustees feel safe in refusing a transfer that due diligence shows to have some red flags, the scammers will always have the upper hand.

Written by Jack Gray