Stopping pension scammers in their tracks

Jonathan Watts-Lay highlights the actions trustees and employers can take to help people avoid falling victim to pension scams

Pension scams are a persistent problem that have a devastating impact on those who become victims. Our research* with the Pensions Management Institute shows that a staggering 92% of trustees expressed that they have fears their members approaching retirement will be targeted by scammers.

The strain on household finances caused by the cost-of-living crisis could mean that some members are more vulnerable than ever this year. With almost a quarter (22%) of UK adults having reported being approached by scammers offering free pension advice or a free pension review, investment opportunities, or a tax refund between March and May this year, it's clear that these fears are well founded.

Defined benefit (DB) pension transfers are a particular area of concern, and the XPS Pensions Group has reported an all-time high in July of 97% of transfer cases as having one or more scam warning sign. Indeed, the majority (86%) of trustees in our survey* have concerns over this. It's unclear yet if the measures put in place to enable trustees and scheme managers to block or pause suspicious transfers have helped the situation.

The Pensions Regulator (TPR) has recently launched its new scam fighting strategy in light of concerns that the cost-of-living crisis may leave savers more vulnerable to scammers. The strategy will build on TPR's pledge to combat pension scams campaign which includes providing regular scam warnings, encouraging members considering cash drawdown to access guidance services, to carrying out checks and provide warnings on high-risk transfers.

Trustees and employers play a key role in ensuring members make informed choices concerning their pensions. This includes providing financial education and guidance as it can help members understand their options and what red flags to look out for. It can also help them to decide if they would like further support such as regulated financial advice, although this of course is a requirement for anyone looking to transfer a DB scheme over the value of £30,000.

Our survey* also found that half of trustees provide financial education (50%) and almost half (48.5%) of trustees provide or facilitate financial guidance for members at retirement. We have seen marginal improvements from 2021's survey (49% provided financial education and 46% provided financial guidance) but this is no way near the levels that we should be seeing considering the concerns that are being reported by trustees. However, nearly two out of five (39%) trustees are facilitating regulated financial advice for their members*. Encouragingly, this has seen a 9 percentage point increase from 30% since the survey was last carried out in 2021.

It's time that trustees and employers do all they can to stop pension scammers in their tracks and put in place robust processes to support and protect members. For those looking at providers for support, carrying out due diligence on them is crucial. This should include checking that any financial education and guidance providers are workplace specialists with experience in providing support to members. This can help members understand key issues at retirement such as tax implications, risks around DB transfers and how to spot a pension scam.

Due diligence on regulated advice firms should cover areas such as qualifications of advisers, the regulatory record of the firm, compliance process eg compliance checks of 100% of cases, pricing structure, and experience of working with employers and trustees. This now needs to be about striving for good member outcomes and not minimal compliance, as many years of pension savings can be lost in the blink of an eye.

Written by WEALTH at work director, Jonathan Watts-Lay

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* The survey was conducted by WEALTH at work and Pensions Management Institute. You can see the full report at www.wealthatwork.co.uk