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**Work and Pensions Committee
Impact of pension freedoms and
protecting pension savers**

Response from The Pensions Management Institute





Pensions Management Institute

Moving pensions forward

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Response from the Pensions Management Institute to the Work and Pension Committee's Call for Evidence 'Impact of pension freedoms and protecting pension savers'

Introduction

PMI is the professional body which supports and develops those who work in the pensions industry. PMI offers a range of qualifications designed to meet the requirements of those who manage workplace pension schemes or who provide professional services to them. Our members (currently some 6,000) include pensions managers, lawyers, actuaries, consultants, administrators and others. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response. Due to the wide range of professional disciplines represented, our members represent a cross-section of the pensions industry as a whole.

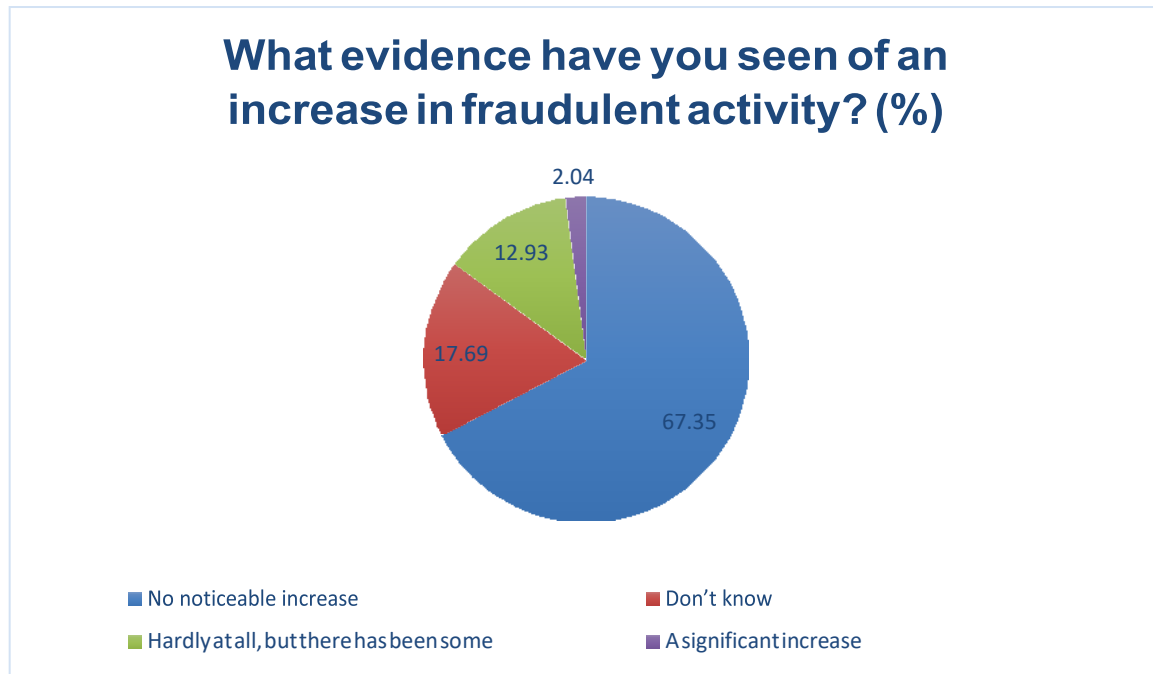
PMI is focused on supporting its members to enable them to perform their jobs to the highest professional standards, and thereby benefit members of retirement benefit arrangements for which they are responsible.

1. What is the prevalence of pension scams?

Information regarding pension scams is not readily available, so, from a macro perspective, it is difficult for providers and industry bodies to comment on the true extent of pension scams. There is no doubt that pension scams are an issue, but it is difficult to get a true picture of the types and magnitude of scams taking place, and the PMI would be supportive of efforts to improve industry-wide data on the prevalence of scams.

To add to the evidence base, as part of its regular 'Pulse' programme, conducted a survey of its membership to try to get a better handle on the prevalence of scams activity as a result of lockdown and the current economic situation. We asked our members "We have been advised that during lockdown the risk of pension fraud has increased greatly. What evidence have you seen of an increase in fraudulent activity?" The survey was conducted from 15 May to 6 June 2020 and had 147 responses. The results are presented below. While the evidence doesn't point to a massive increase in scam activity, it does demonstrate that scams are occurring. In our view, even a small number of scams can have a significant impact on people and warrants further activity to prevent the significant harm that scams

cause.



It may be worth noting the comments made by many of the respondents, felt the poor advice given to many members of Defined Benefit arrangements to wrongly transfer to Defined Contribution schemes, was tantamount to pensions scamming.

2. What are the current trends in pension scams?

We understand that scamming activity has evolved over time. Initial scams were about encouraging people to access their pension early, before the age of 55. These often involved fraudulent activity and hefty tax charges for individuals. We are aware of cases where individuals not only lost the entirety of their pension savings, but also were hit with significant tax charges. We believe this type of activity is much less common now, not least due to the efforts of the Pensions Scams Industry Group in developing a code of

practice to tackle this issue and through awareness campaigns from the authorities and providers/schemes.

However, scams have evolved and as one avenue gets shut down, other avenues open up. Anecdotally, we believe that scams are increasingly focused on encouraging people into non-existent or risky investments through the use of SIPP or SSAs.

Following the introduction of DC Freedom and Choice, we believe scamming activity has moved to the newly retired. Evidence is quite anecdotal, with stories of pensioners being defrauded out of savings by scammers offering alternative savings vehicles in seemingly environmentally-friendly opportunities in the developing world or more charitable options.

3. What are the common outcomes of pension scams for perpetrators and victims?

Outcomes for people who have been scammed are generally poor, with people losing significant amounts of money, if not their whole pension savings. Individuals can also be hit with significant tax charges from HMRC on top of any money they have lost through the scam activity.

With the increase of scams in post-retirement, we cannot know the extent which people have been scammed as many are too embarrassed to report it and some will not find out they have been scammed for a while yet. Both result in scammers getting away with it and those defrauded having no redress to compensation or seeing fraudsters caught.

4. How are existing enforcement tools being used?

It is difficult to comment on this as there is very little commentary or data from the authorities.

5. What more can be done to prevent pension scammers operating?

6. What more can be done to prevent individuals becoming victims of pension scams?

7. What role should the pensions industry have in preventing scams?

Preventing scams needs a coordinated approach across the industry and with the Government and regulatory authorities. We think the voluntary Pensions Scams Industry Group does much to promote scam awareness and best practice for providers/schemes to help stop scams occurring. But only so much can be done on a voluntary basis and more needs to be done centrally and legislatively to help the industry combat scams.

Pension providers and schemes are the first line of defence in preventing scams, not least through effectively communicating the dangers of scams with members and customers. However, it should be noted that there is only so much providers and schemes can do, not least given the statutory right to a transfer set out in legislation.

The PMI is supportive of initiatives that have been identified that could stop scammers in their tracks and think that a few core initiatives could assist the industry in dealing more effectively with scams.

We would like to see the statutory right to a transfer amended so that trustees and providers can delay or halt a transfer when there is reasonable suspicion or evidence of a scam. We are supportive of efforts to amend the current Pensions Bill to assist this, and are aware that Stephen Timms proposes to table an amendment to the current Pension Schemes Bill to permit an end to the statutory right to transfer. However, we think any provisions should

apply to DC pensions as well as DB. Giving schemes and providers the opportunity to halt scams where there is clear evidence would help cut scams off at source, and this, coupled with more pragmatism allowing schemes/providers to warn people of scams without falling foul of advice, would be welcome and positive steps in the battle against scams.

We would also like to see more information shared with the industry about the latest scams. Additionally, we would support the development of a list of identified scammers that can be shared with providers and/or schemes to assist providers in dealing with scams and preventing harmful transfers.

8. Is HMRC's position on the tax treatment of pension scam victims correct?

We would like HMRC to have more discretion to disapply tax charges where these occur as a result of scam activity.

9. Are public bodies co-ordinating the response to pension scams?

There is coordination activity taking place, although different parties have different priorities when it comes to dealing with scams. PSIG undertakes a lot of activity, including promotional activity and the development of an industry-wide code of practice, on behalf of the industry. The Pensions Regulator is particularly active in promoting anti-scam messages.

An All Party Parliamentary Group has just been launched to look specifically at pension scams. Perhaps the outcome could also feed into a more concerted effort, but details are yet to be released on its scope and remit.

One of the issues is that there is a lack of cross-industry intelligence on scams and we think that the Government and the authorities could do more to provide the industry with better information as to the current state of play regarding scams. Collecting and publishing industry-wide data would help demonstrate the prevalence of the issue.