BUCK

Combating pension scams

Trustee training on The Pensions Regulator’s campaign including the new requirements on restricting statutory transfers

Contents

What is a pension scam?

"The marketing of products and arrangements and successful or unsuccessful attempts by a party (the "scammer") to:

- release funds from an HMRC-registered pension scheme, often resulting in a tax charge that is not anticipated by the member
- persuade individuals over the normal minimum pension age to flexibly access their pension savings in order to invest in inappropriate investments
- persuade individuals to transfer their pension savings in order to invest in inappropriate investments

where the scammer has misled the individual about the nature of, or risks attached to, the purported investment(s), or their appropriateness for that individual investor."

Defined by government in the 2017 pension scams consultation response (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/638844/Pension_Scams_consultation_response.pdf)

The pension scam

A member of a genuine pension scheme is persuaded to transfer his/her benefits to a new scheme (that may be a properly registered pension scheme).

The business promoting the scam may charge very high fees and, in some cases, fraudulently divert funds.

The new scheme may allow access to pension savings before normal minimum pension age or more cash than would normally be allowed either directly from the new scheme or indirectly via a purported investment made by the scheme (described as a loan or a rebate or commission payment).

These payments are very likely to be unauthorised payments and thereby give rise to tax charges.

Members are mislead by not being warned about the tax charges, the very high fees being charged or the way in which the pension funds are being invested.

Pension scams by numbers…

£30m	**42%**	**50**
lost to pension scammers since 2017	of pension savers could be at risk of falling for common scam tactics	average victims are men in their fifties
£1k	**£500k**	**22**
scammers target small pots (with reported losses ranging from under £1,000)	and also target big pots (with the biggest losses being as much as £500,000 per saver)	the number of years of savings that pension scam victims could lose

Restrictions in the Pension Schemes Act 2021

The introduction of pension freedoms has increased the chance of a scheme member being scammed. The Act restricts the right of a member to transfer in order to protect members falling victim.

The Act enables regulations to be made to stipulate the destinations and circumstances for a member to have the right to transfer to another scheme.

If the conditions are not met the trustees will be exempted from having to comply with the time period for carrying out what the member requires.

The provisions in the Act apply from 30 November 2021. Comprehensive regulations from the DWP (laid on 8 November 2021) set out the detail. Guidance from The Pensions Regulator has also been published.

Statutory transfer conditions

The regulations set out two new conditions for a statutory right to transfer to apply. One of these conditions will have to be met for a prospective transfer to take place.

First condition: the receiving scheme is one of the following

- Public service pension scheme
- Authorised master trust
- Authorised collective money purchase scheme (a CDC scheme)

Second condition: for all other receiving schemes, check for an employment link, overseas residency and red and amber flags

- Evidence of an earnings link for a transfer to an occupational pension scheme
- Evidence of either an earnings link or an overseas residency link for a transfer to a qualifying recognised overseas pension scheme
- None of the red flags are present
- Where an amber flag is present, the member must take pension transfer scams guidance from MoneyHelper (i.e. from the Money and Pensions Service)

Role of trustees and administrators

We can all play an important role in educating and protecting members.

1 Understand the warning signs of a pension scam.

This will help in assessing the level of risk when members make transfer requests.

2 Warn members about the risk of pension scams regularly.

Help raise awareness, for example, in newsletters, on the member website or portal, and particularly when members make transfer requests.

3 Take appropriate due diligence measures.

Carry out legally required checks on pension transfer requests to assess the presence of red and amber flags. Document pension transfer procedures.

4 Communicate with members.

Depending on the outcome of the due diligence checks, either proceed with the transfer, refuse the transfer or request further information and direct the member to MoneyHelper.

5 Report concerns about a scam to the authorities.

For example, to Action Fraud, the FCA or The Pensions Regulator, and let the member know you have done so.

6 Make the pledge to combat pension scams.

Make a commitment to carry out the steps and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice.

https://www.thepensionsregulator.gov.uk/en/pension-scams

Buck's approach to combating pension scams

Buck has committed to 'the pledge' as described in the Pension Scams Industry Group code and we have implemented changes to our due diligence processes on transfers to align with the requirements.

- Updates to our standard documents and process improvements to strengthen the due diligence process.
- Increased signposting of scams across member communications.
- Making additional phone calls to members where due diligence deems necessary.
- Increased monitoring of transfer quote statistics.
- Reporting of suspicious cases to Action Fraud.