Margaret Snowdon OBE, president of the Pensions Administration Standards Association and chair of the Pension Scams Industry Group and Peter Flannagan, who chairs DHL Trustees, were among the speakers on our, 'Being alert to pension scams' webinar, which took place on 11 June. They have kindly answered some additional questions submitted by the audience.

Why, during Covid 19, is HMRC allowing so many small self-administered schemes (SSASs) to be set up when it is clear 80% are being set up for scams?

- Peter: We can only control what we do, it is important we do appropriate due diligence if you are right and there are this many scams out there.
- Margaret: I suspect the increase in registrations has taken HMRC by surprise. The reason for increased interest in SSASs is not necessarily a 'scam', but motivated by the attraction of loan back arrangements to get access to cash from the scheme. SSASs should be regulated by TPR and should have pensioneer trustees reinstated , something that is being resisted by DWP.

Why do we not tweak the legislation on DB schemes which would reduce the scams by a considerable amount?

- Peter: As above.
- Margaret: It is very difficult to get legislation through Parliament. We await changes to the statutory right to transfer within the Pension Schemes Bill 2020. But unlikely to be in place before 2021. PSIG has tabled a special (and very simple) amendment to the Bill to restrict the stature right further to remove that right when certain scam signs are present. We have cross party support for this but whether DWP will permit it is to be seen come summer.

Given the recently announced FCA changes to transfer advice from 1st October 2020, is it possible that we will see an increase/spike in cash equivalent transfer value (CETV) requests ahead of this date, including scams?

- Peter: I think this is a very important point. Trustees should consider whether it warrants a communication to members ahead of 1/10/20 to point out the risk.
- Margaret: Yes, probably. Trustees need to look out for multiple requests coming from particular advisers.
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Given that scammers are simply closing up shop to avoid being pursued and then opening up as a different company. Should the PLSA be maintaining a 'Bad Actors' list of these despicable scavengers?

- Peter: The problem with lists of scammers is that some people will assume if a vehicle is not on that list it is okay. That said we do keep our own list of previously-

encountered suspicious cases where we instruct administrators to be extremely vigilant.

- Margaret: There ought to be a list that schemes can safely access. The FCA has a warning list, but it is not comprehensive due to the burden of proof necessary. PSIG runs a scams intelligence-sharing forum which has developed a list of actors of concern. Like everyone else, we have concerns about making this intelligence more widely available because of the risk of 'tipping off' or being sued by those on the list. PSIG is working on how to develop a safe network to help the industry help itself.

Why don't schemes operate a programme of 'mystery shoppers' pretending to be scammers? That's often the best way to make members realise.

- Margaret: Resources, skills and costs. Scammers are actually cleverer than a mystery shopper could achieve. Better to keep reminding members of the risks of scams and carry out due diligence on non- 'good list' transfer requests.

Preventing scams is a very important discussion. Helping victims should also be high on the agenda. What is being done to assist the victims? They may have had some compensation, but they are still left with a pension with a liability.

- Margaret: Agree. I deal with victims every week. PSIG is pressing for victim support for scams victims, who tend to be ignored by police. We are educating police about the consequences of scams. TPAS can help victims with steps to take. Once the money has gone, there is little chance to get it back. We need to help ensure that victims do not fall victim to secondary scamming where a scammer pretends to help them get their money back for a fee.

Does the panel think sponsors/schemes should put in place arrangements with a trusted IFA or panel of IFAs to direct members if they are thinking about a DB transfer? If so, who should pay for this?

- Peter: This is certainly something trustee boards should consider, the decision is likely to be different for different trustee boards depending on scheme specific factors.
- Margaret: Yes. I support this because finding a good adviser is very difficult for members and will become even harder with the changes to the FCA register. Depends on who initiates the transfer. If employer or trustees, they should pay for advice. If the member, then the member should pay, unless the employer/scheme wishes to be generous.

Pension Wise guidance has been found to have a consistently positive impact on people's awareness of pensions scams. This could be the difference between good and very bad outcomes for non-advised savers in particular. Is enough being done to ensure non-advised people first get impartial Pension Wise

guidance before accessing their pension benefits? Same for TPAS in respect of scheme members?

- Margaret: We need to do more to provide impartial guidance to members on scams dangers. TPAS does a great job. Pension Wise guidance is aimed at over 50s. I have long been an advocate for pensions administrators being part of the guidance solution and helped to develop a PMI qualification in scheme guidance for this purpose.

Scammers are using social media and pay-per-click advertising through Google/Bing and others. Is there a case for lead generation sites to become regulated? And at the same time, are there conversations taking place with organisations such as Facebook and Google to stop scammers using their platforms?

- Margaret: FCA and TPR have been able to arrange take down of scamming websites.

What are the legal risks for schemes where they recommend independent financial advisers for members to use? Would liability stop at the adviser? Or does the recommendation open the scheme up to liability as well?

- Peter: The Trustees should take legal advice but my understanding is that as long as the trustees act in good faith, take appropriate advice and have a fair and appropriate process for appointment and monitoring they should be ok.
- Margaret: Contracts need to be clear that the adviser always has the responsibility for delivering regulated advice. We have good examples of this and also a history of the practice, supported by regulators, set out in the Incentive Exercises Code first published in 2012.

Isn't it likely that the contingent charging ban will lead to an increase in transfer related scans?

- Margaret: Possibly. But regardless of the fee level, to do so, advisers must be regulated with transfer permissions. It is therefore vital to carry out due diligence to spot the rogues who don't have permissions. There is an IFA offering online advice for £500 a year, but they are not able to advise on DB transfers.

Mystery shoppers seeking out scammers, rather than the other way round suggested by another questioner, may be a better form of active policing. Or would that be entrapment?

- Peter: Sounds like an idea for regulators rather than trustees.
- Margaret: Some journalists and pensions compliance people already do this. Limited resources with limited coverage.

Does the panel think the freedom and choice policy is a success? Do they think it needs to be reviewed?

- Peter: There have been a significant number of members who have used the freedoms, so depending on your point of view you could deem it a success. I think all government initiatives should be regularly reviewed to see if the consequence is as anticipated, but over the years I have seen very little evidence that this happens in practice.
- Margaret: The idea of pension freedoms is a good one, but the right thing at the wrong time. It has not been a success because it was introduced without the necessary infrastructure (education, guidance, advice) to make it work. When you introduce freedoms, you need to know what people will do with them. HMRC estimated how much tax freedoms would generate, so were aware that people would act rashly. In reality, they raised significantly more tax than the estimate, illustrating the scale of unwise exercising of freedoms.

Has there been any feedback from members on the trustees issuing their own Letter of Authority to members?

- Peter: Yes, and as you would anticipate some has been good and some bad. Suffice to say the trustee believes the feedback from the member who is saved from a scam and is delighted is more important than the feedback from a member who is upset his transfer may take an extra week to complete.
- Margaret: It usually annoys IFAs. Perhaps standard letters of authority should be improved.

How frequently do you carry out your due diligence on the third party you use to make these phone calls?

- Peter: Who watches the watchers! We monitor the performance in a number of ways including pension department 'mystery shoppers'.

Great idea regarding Letters of Authority. I am interested to know how many scams have been carried out with this safeguard in place?

- Peter: We do not know but we are able to claim that we have stopped a number before they started – including a couple where the member said it was not their signature on the third party LOA.

I understand the FCA register of authorised individuals will be out of date after December 2020. Any suggestions to mitigate in the meantime?

- Margaret: Carrying out due diligence on transfer requests or trustees selecting a vetted IFA (or panel).

Given the warnings about scam activity increasing, would you encourage TPR to extend the ability of schemes to defer making DB to DC transfers and if so for how long should this be allowed?

- Margaret: Delays are not the answer. TPR will permit delays anyway if you can show that you need more time to investigate. Due diligence and ideally, restricting the statutory right where employment link cannot be evidenced, or where scams signs are revealed, would have a better outcome against scams.

Do you feel there is value in restricting transfers out into a form of mandated accounts, officially recognised, controlled and designated for pension specific purposes? These could be made available from a limited number of suppliers. The notion that funds can directly exit a pension fund and enter into such a diverse arrange of subsequent solution or vehicle is not only a major concern, but also a weakness that looks relatively easy to correct.

- Margaret: This is planned to some extent under PSB 2020 - transfers will only be possible to certain types of schemes including authorised master trusts.

The FCA's new rules require IFAs to consider a client's workplace DC pension as a possible destination for a DB transfer value - will this help in any way?

- Margaret: Yes. The problem is that IFAs tend to ignore the option of an occupational scheme and focus instead on personal pensions, mainly SIPPS. For some people, an workplace DC will be better than a personal pension. It depends on individual circumstances and needs. DB Pensions can transfer to a DC mastertrust to get access to flexibility.

When it comes to IT, there is something called penetration testing which, should take place regularly. In short, the IT team or an external firm attempts to find weaknesses and hack your system. Could something similar take place for administration departments to help tackle pension scams?

- Margaret: If schemes follow the Code, they will find most pension scam attempts. Not sure what penetration testing for scams would look like, but happy to discuss if helpful. PSIG is looking at possibly accrediting schemes that follow the Code principles and key practices.

We have a Financial Ombudsman public decision which states they believe a QROPS scheme could be fraudulent but HMRC still have it on their approved list. Simply steps like this could take steps to stop scams.

- Margaret: It is not good enough. The various authorities should be more joined up.

What is the most effective approach for educating members? E.g. is it just explaining red flags, sharing stats on pension losses and what they might lose, sharing stories from individuals who have lost money?

- Peter: I think these are all helpful ways of educating members, especially if you use multi-channel media such as websites, apps etc.
- Margaret: All of the above. Sharing case studies on 'people like me' are usually quite useful.

Peter commented that transfers to an overseas scheme would automatically require increased DD on that prospective transfer. Whilst I do not disagree that DD should be undertaken, is there any evidence to support that transfers to overseas schemes is more likely to result in a scam? Being based in Guernsey myself, we don't have any statutory right to transfer and as such undertake DD on all requests and we arguably have more instances of suspicious transfer requests to UK schemes than to other non-UK schemes.

- Peter: We do look at overseas schemes because we believe the UK is somehow better than other jurisdictions but an overseas transfer opens up a lot of additional questions. For example, if it is an occupational plan is the member really an employee commuting abroad?
- Margaret: The problem is not necessarily an overseas scheme, but where advisers are in a different country or where expats are advised by overseas advisers to transfer to a UK SIPP (which then becomes an international SIPP and therefore has no recourse to UK regulation or FSCS protection). PSIG has a board members from Guernsey who helps ensure understand of international issues.

Sadly I think [the ban on contingent charging] will add to scams as they will simply take secret commissions from the products

- Margaret: I'm sure they'll find a way.