



Work and Pensions Committee Inquiry Response

Protecting pension savers: five years on from the Pension Freedoms:
Pension scams

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Age UK

About this inquiry

The Work and Pensions Select Committee is running a three-part inquiry into the impact of the Pension Freedoms, five years on from their introduction. This major policy change radically altered the way savers use and engage with their pension saving. This is the first part of this inquiry, looking into pension scams – how they have changed, the impact they have, and what can be done to tackle them.

Key points and recommendations

Over two in five savers are at risk of being scammed out of their pension saving, according to research by the Financial Conduct Authority, and being scammed can have lasting financial and psychological implications.

Freedom and choice increased the opportunities for scammers, including through investment scams, cold calls, and transfers out of DB schemes.

We are concerned the cold calling ban is not as effective as the Government initially hoped, and it should be reviewed and strengthened as necessary.

We are also concerned that many transfers out of defined benefit schemes may go directly into legal or quasi-legal investments held in SIPP. The amount of money lost in this way is likely to be under-reported, and we believe the FCA should conduct a thorough review of the SIPP marketplace and introduce appropriate regulation to

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

5.1 We are concerned the cold calling ban has not been as effective as the Government initially hoped, and are led to believe that scammers have simply moved their operations abroad or changed to targeting people online.

5.2 Age UK raised concerns with the DWP as the ban was being passed into law.

providing additional opportunities for pension scammers to target the financially unaware or vulnerable.

6.4 Although Pension Wise has experienced low take-up, feedback has been extremely positive among the minority who have used it. Non-advised savers are likely to need impartial support in order to make informed decisions.

6.5 stronger

Behavioural Insights Team showed only limited improvement in Pension Wise usage rates. To provide the most effective support and protection for savers we would like to see the vast majority of people using the the numbers languishing at a similar level. We believe the Government should learn from different choice architecture, where people are automatically opted-in but with the option to opt-out such as the approach which has delivered emphatic results in relation to auto-enrolment. As people are opted in to workplace pension saving, this approach should be mirrored at the point before access, with non-advised savers being opted-in automatically, but with the option to actively opt-out if they so choose.

6.6 Furthermore, this intervention stems from provisions in the Financial Guidance and Claims Act, which received Royal Assent in May 2018. It is unacceptable that this has still not been implemented some two and a half years later, and we urge the Committee to emphasise the importance of putting in place a suitable opt-in process as soon as possible.

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

7.1 Financial institutions including pension providers should have a Duty of Care, and improve efforts to identify and protect vulnerable customers at risk of fraud. The pension industry must also find more effective ways to warn people how to protect themselves,

accounts. As above, the FCA rules for how providers and schemes ensure impartial pensions guidance is actually used will be important, because the present usage figures

a means of achieving impartial guidance usage.

7.2 Trustees should be given the power to block transfers, when they have reasonable grounds for suspicion that the transfer is into a fraudulent scheme. Many scammers are adept at persuading people to transfer and brief them what to do and say to providers to insist that the transfer should go ahead, even when their existing scheme may be warning

them against the transfer. Trustees are in a position to identify potential scam victims and should be given power to block transfers in certain circumstances.

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

8.1 To an extent,