



tisa

Leading on Investments and Savings

**TISA Response to
Pension scams:
consultation**

About TISA

TISA is a unique, consumer focused membership organisation. Our aim is to improve the financial wellbeing of UK consumers by aligning the interests of people, the financial services industry and the UK economy. We achieve this by delivering innovative, evidence based proposals to government, policy makers and regulators.

TISA's growing membership comprises over 160 firms involved in the supply and distribution of savings and investment products and services. These members represent all sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, FinTech, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

Current themes of TISA policy work include:

- Brexit: developing proposals for government that will enable the savings and investments sector to prosper on a global scale
- Digitalisation: a digital identity for consumers of financial services, innovation, standards and data responsibilities
- ISA's: LISA, simplification of the regime
- Retirement saving: the Auto Enrolment review, self-employed and pension tax relief
- Housing: the use of property to supplement retirement income
- Guidance: developing a framework and services to make guidance more widely available
- Education: supporting the education of young people to make them aware of the impact of finance on their life.

TISA also provides support on a range of operational and technical issues targeted at improving infrastructure and processes, standards of good practice and the interpretation and implementation of new rules and regulations. TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve industry effectiveness by reducing cost and risk and to enhance customer outcomes. This work currently includes: MiFID II, CASS, the UK Fund Settlement initiative and Payments Strategy Forum. TISA Exchange (TeX) is providing a model for transfers and re-registrations.

Summary

TISA welcomes the opportunity to provide a response to assist the Department for Work and Pensions and the Treasury in considering ways to tackle the threat of pension scams.

Pension scams have been around for several years in one guise or another and evidence shows that this is a growing risk, which can damage consumer confidence in the wider pension system. Since the introduction of Pension Freedoms, schemes and administrators have experienced an increase in suspicious transfer requests. Indeed, transfers and pension liberation are widely acknowledged as two areas particularly vulnerable to fraud. A recent RMS survey showed that of the schemes which had experienced fraud, 35% occurred in this area.

Whilst there is clearly a need for increased public awareness, we must also consider those who are aware of such practises, yet do not possess the knowledge to realise they are being targeted. Results of a recent Citizens Advice Bureau survey showed that 75% of people felt confident they could spot a scam, yet only 12% selected the legitimate pension help on offer, when presented with 3 options.

Reducing an individual's potential exposure to scams, promoting an increased awareness/understanding and the tightening of relevant legislation all play an important part in helping to reduce criminal activity and we broadly welcome the proposed measures. We must, however, also acknowledge this is not a silver bullet and as the industry's anti-fraud measures evolve, new scams will also evolve.

We therefore feel it appropriate for the development and maintenance of a blacklist, which provides details of known/probable scams, impacted products and potentially higher risk consumer groups. It could also provide general guidance around investing in unregulated schemes and products. The list should be signposted in the awareness campaign so consumers know where it can be accessed. Whilst we acknowledge this content will not be exhaustive (which should be stated), it will serve as an additional line of defence, where all known scam details can be maintained and accessed in one central repository.

Consultation questions and response

Question 2.1

Does the definition in 2.1 above capture the key areas of consumer detriment caused by pension scam activity?

Yes, we believe known scam activities ultimately fall into one of these 3 definitions.

Question 3.1

In your experience, how are consumers affected by cold calling about pensions? Do any consumers benefit from cold calling about pensions?

We find it hard to envisage a scenario where a consumer would benefit from a cold call and it should not be necessary for industry professionals to adopt such an approach. We therefore agree that the proposed ban would result in a positive outcome for consumers.

Question 3.2

Do you agree that the scope of the ban should include the actions set out in paragraph 3.5 above? Are there any other activities that should fall within the scope of the proposed ban on pensions cold calling?

We agree with this list of activities and would also add calls offering a pensions tracing service.

Question 3.3

Do you agree that existing client relationships and express requests should be excluded from the proposed ban?

Yes, however we would not expect providers of old paid up plans, not related to previous employments and third party administrators to be adversely impacted.

Question 3.4

What would the costs and benefits be of extending the proposed ban to include all electronic communications?

The internet is used by 82% of Great Britain on an almost daily basis. It is a cheap and efficient way to distribute large mailings and will be used by some scamming firms to make initial contact with potential victims, using up to date and effective techniques of consumer engagement. Unlike the phone, it is also not reliant on having to have someone pick up at the other end, so has a wide catchment area. The inclusion of all electronic communication in the ban would greatly reduce the opportunities for scammers to promote and sell their propositions. We also believe this should be extended further to include postal communications, as this is a further method in which consumers can be exposed to scams.

Question 3.6**How else can the government best ensure consumers are aware of the ban?**

As mentioned above, it is important that not only an awareness is successfully created for consumers. They need to be provided with relevant signposting to allow them to understand what constitutes a scam.

We feel it appropriate for the development and maintenance of a blacklist, which provides details of known/probable scams, impacted products and potentially higher risk consumer groups. It could also provide general guidance around investing in unregulated schemes and products in addition to reinforcing details of the ban on cold calling. The list should be signposted in the awareness campaign so consumers know where it can be accessed. Whilst we acknowledge this content will not be exhaustive (which should be stated), it will serve as an additional line of defence, where all known scam details can be maintained and accessed in one central repository.

We support the list of channels proposed but would like to understand the implementation methods to be employed as this will dictate the successfulness of the campaign. Working in partnership with the Government Communications Service may provide some additional knowledge in regard.

Question 3.7**Do you have any views on enforcement mechanism set out in paragraphs 3.10 above?**

As the success will depend on affected consumers informing on guilty parties, it is important that consumers are encouraged to do so and that they have sufficient communication methods available. These aspects should form part of the awareness/knowledge campaign.

Question 3.8**Is there any reason why legitimate firms' business models should be affected as a result of the ban?**

Other than those groups mentioned in 3.3, we do not see why the ban should have any adverse impact on business models.

Question 4.1**Do you agree with the proposal to limit the statutory right to transfer in this way, or should this be further limited? If so, in what way and why?**

With the advent of zero hours contracts and a general shift in retirement attitude, it may be difficult to evidence a link to a scheme using regular earnings as the basis.

A transfer to a former employer's occupational scheme may also occur. Consolidation exercises often take place just prior to retirement and if this scheme offers the best consumer outcomes and the employer permits the transfer, this should also be considered as a statutory right to transfer.

Question 4.2

Would a requirement to evidence a regular earnings link act as a major deterrent to prevent fraud? How could the requirements be circumvented?

We believe an earnings link would have a positive impact on reducing fraud, however taking into account comments above, the earnings may not be 'regular' in all instances.

Question 4.3

How might an earnings and employment link be implemented? Should the onus be on the scheme member to provide proof of earnings?

As an industry, we are consulting on ways in which to speed up the process of pension transfers and as such, we need to look at implementing an approach which doesn't cause undue delays. It would seem appropriate for the onus to be on the scheme member to provide this evidence up front, when other documentation is collected.

Question 4.5

Under the proposals, how would the process for 'non-statutory' transfers change for trustees or managers? What would they need to do differently from the current situation?

If scheme rules permit non-statutory transfers and the government expects all reasonable efforts to agree the request are made, we believe some industry standards should be agreed which all providers can use to determine whether a non-statutory transfer can proceed.

Question 4.6

What are the pros and cons of introducing a statutory discharge form for insistent clients? How effective would this be as a means of combating scams?

We do not believe that a statutory discharge form would be particularly effective. If a consumer wants to make a transfer despite the ceding scheme having doubts, the completion of an additional form is not an onerous activity, or therefore effective deterrent. It also introduces an extra layer of ambiguity for the ceding scheme to contend with.

Question 4.8

What are your views on a 'cooling-off period' for pension transfers? Do you have any evidence of how this could help to combat pension scams?

We strongly oppose the concept of a cooling off period. As mentioned earlier, the industry is trying to improve transfer turnaround times and this would have the opposite effect. Any delays would be likely to have a negative impact on the consumer and may even force them to take alternative action, which may not be in their best interests. Guaranteed annuity rates or other enhanced benefits may expire during the cooling off period and firms would need a way of suspending and awakening a transfer in their processes.

Question 5.1

Do you agree that new pension scheme registrations should be required to be made through an active company? If no, what are the legitimate circumstances in which a dormant company might want to register a new pension scheme?

We agree with this proposal.