

Protecting members against pension scams

There is rightly a growing industry focus on protecting pension members from scams. Most recently this saw a call for evidence from the Work and Pensions Select Committee. Key pieces of evidence shared by XPS with the Committee are set out below.

Scam red flags during lockdown

We are now seeing scam **red flags in over half of all transfers** covered by our Scam Protection Service – a significant increase from a third over the last two years. These red flags – which cover members accessing pension pots post lockdown – have largely been a result of them having little understanding of where their savings are going and the fees they will be charged in the new arrangement.

Scam red flag incidence in July and August 2020



Source: XPS Member Engagement Hub

Most common red flags in July and August 2020



Source: XPS Member Engagement Hub

XPS Scam Protection Service in numbers

5 years' **4,500**

Experience

Cases

£1bn

Transfers

1,100

Cases with red flags

£210m

Pension transfers
protected



Award winning

Our service recently won **Technology Services of the Year** at the **Pensions Expert awards** for 'the impact its tech-driven solutions have had on the fight against pension scams'.

About XPS' Member Engagement Hub

Since 2015 we have spoken to around **4,500 members** about their proposed pension transfers. Each member's story is individual and has allowed us to build up experience in identifying and responding to the trends in pension scams. It has also allowed us help many trustees take steps to protect members. A couple of examples are set out below.

Mrs A



Mrs A lived overseas and was approached at her place of work by someone who encouraged her to transfer her pension.

Again the paperwork appeared legitimate. However several red flags were identified by our **Scam Protection Service**. The subsequent investigation found that the IFA who appeared on the FCA register was in fact working with unregulated introducers and cold callers overseas. The IFA firm was reported and had their permissions removed.

Mrs B decided not to transfer, also saving her pension pot and **preventing a 55% tax charge**.



55%

Tax charge saving

Mr B



Mr B's transfer paperwork appeared legitimate.

Our **Scam Protection Service** identified two red flags and subsequent investigation found that the adviser involved in the case was not authorised, other individuals involved had previously been arrested and the lead adviser was under police investigation.

After the trustees provided Mr A with this information, he decided not to transfer. This saved his pension pot and **prevented a 55% tax charge on top**.



55%

Tax charge saving

About XPS' Scam Protection Service

The default position for attempting to identify scams is often to send the member a paper form to complete. This does weed out some situations where members are at risk of being scammed. However, it also has some drawbacks. The key drawback is that many members who are being scammed will forward these forms straight to the scammers to complete on their behalf.

Our approach is to speak with the member directly, over the telephone. This increases the chances that the information provided is robust and that any suspicious activity is identified. It is an additional layer of protection for members and can be bolted onto any existing administration service. Our service:

- Is built on (and has contributed to) the **Combating Pension Scams Code of Good Practice**, published by the Pension Scams Industry Group (PSIG).
- Identifies whether **one or more of 40+ possible scam red flags exist** for each pension transfer.
- **Identifies red flags** that may not be discovered through use of paperwork alone.
- Can support trustees to **undertake necessary follow on investigation and action**, including engagement with the member.

For further information

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