

The Pensions Regulator's pledge on pension scams

Actions you can take to protect
your members

November 2020

The Pensions Regulator (TPR) has launched an initiative asking trustees, providers and administrators to pledge to take all possible actions to protect members from pension scams.

XPS welcomes the launch of the pledge initiative, which empowers trustees to commit to a step change in making members aware of scam risks. Pension scams have been a growing concern for some time, particularly at the moment as the wider economic and social consequences of COVID-19 make individuals more vulnerable.

We have tracked signs of potential scam activity through our Scam Protection Service for over five years. Our research shows there has been a significant increase in signs that members could fall victim to a scammer during the pandemic, with nearly two-thirds of all transfers now raising red flags, a sign of potential scam activity.



We believe this initiative is a major step forward in the fight against pension scams.

Colin Miller
Head of XPS Member Engagement Hub

60%

At least one warning sign of a potential scam in 60% of pension transfers*

20%

Unregulated advisors remain an issue for all cases in the past two years

*Source: XPS Member Engagement Hub, October 2020

Signing up to the pledge shows your members, and the wider pensions industry, that you are committed to stopping scammers and protecting members.

The pledge sets out the minimum steps TPR expects trustees to take to protect members. TPR wants trustees to commit to making members aware of scam risks but to also to carry out appropriate due diligence and communicate any concerns to members looking to leave their pension scheme.

The pledge follows the Pensions Scams Industry Group (PSIG) Code of Good Practice and expects commitment in a number of key areas. Trustees should:

1. **communicate** the risk of scams to members;
2. **encourage** members interested in cashing in their pension savings to contact The Pensions Advisory Service for impartial guidance;
3. **understand** the warning signs of a scam and best practice for transfers;
4. undertake appropriate **due diligence** measures and fully document pension transfer procedures;
5. **engage** with members if concerned their transfer is high-risk; and
6. **report** any concerns about a scam to the authorities.



Our pledge to
combat pension scams

Once a commitment to make the pledge has been made, TPR expects that action will be taken to ensure that you meet its principles. You will then be able to self-certify to TPR that you have put in place the practices that are outlined in the pledge, and will be able to highlight to your members that you have taken action to protect them from pension scams.



Pledging to combat pension scams shows your intent to protect your members. It tells your members and the pensions industry that you are committed to stopping scammers in their tracks.

The Pensions Regulator

The following checklist summarises the actions that trustees need to take to meet the commitments of the pledge. All trustees will need to work through the checklist to see what actions they need to take and the additional services that should be put in place to self-certify that they meet the pledge. We hope it acts as a helpful guide.



Regularly communicate the risk of scams to members



It is vital that you regularly remind all scheme members about the risk of pension scams.

The Pensions Regulator

Completed
Yes To do

1. Is a link to the Financial Conduct Authority's (FCA's) [ScamSmart website](#) included in annual benefit statements?
2. Do you send members a copy of the [ScamSmart leaflet](#) with their annual benefit statement?
3. Is the following information included in the scheme's transfer pack:
 - a. a link to the FCA's [ScamSmart website](#)?
 - b. a copy of TPR's [pension scams guide](#)?
 - c. a link to [FCA information](#) on considering a pension transfer from a defined benefit scheme?
 - d. a copy of the [letter](#) signed by TPR, FCA and the Money and Pensions Service?
4. Do you include information on scams in external communications to your members?



XPS View

Regularly reminding members about the risk of pension scams is important, as they may not be aware of the latest tactics that scammers use. Scammers regularly change how they try and convince members to transfer.

Trustees should also aim to educate members about how poor choices and poor outcomes can have devastating consequences.

The pensions industry has produced a vast array of material that can be shared with members, making reminding them about pension scams easy to build into your administration process.

Encourage members interested in cash drawdown to call The Pensions Advisory Service (TPAS) for impartial guidance



...cash drawdowns may not be in a member's best interest, especially in times of economic uncertainty. Scammers may have approached them with investment opportunities or it may have been recommended by rogue financial advisers. You should encourage scheme members to get independent guidance before taking a cash drawdown.

The Pensions Regulator

Completed
Yes To do

1. Do you signpost members to TPAS and encourage them to get in touch?
 - a. on annual benefit statements?
 - b. in transfer packs?
 - c. in retirement packs, if your scheme offers drawdown?



XPS View

Whilst the changes introduced in 2015 under freedom and choice brought members greater flexibilities on accessing their retirement benefits, cash drawdown can be a complex arrangement and members should be taking appropriate independent financial advice before making any decisions.

The XPS Red Flag Index has shown an increase in the number of transfers that are raising red flags. This is, in part, driven by a significant increase in members who have little to no understanding of fees in the arrangement they want to use to access their pension savings. This is a worrying trend and trustees should be signposting members to TPAS so that they can receive impartial guidance.

Get to know the warning signs of a scam and good practice for transfers



Get to know the warning signs of a scam and best practice for transfers by completing the scams module in the Trustee Toolkit and encouraging all relevant staff or trustees to do so; studying and using the resources on the Financial Conduct Authority (FCA) ScamSmart website, [TPRs] scams information and the PSIG code; considering becoming a member of the Pension Scams Industry Forum...

The Pensions Regulator

Completed
Yes To do

1. Have all trustees completed the scams module in TPR's Trustee Toolkit?
2. Have your administrators, and any other personnel who have any interaction with members, completed the scams module in the Trustee Toolkit?
3. Is there a process in place to ensure that trustees and administrators stay up to date with scams guidance from TPR and the FCA?
4. Do those who interact with members regularly review the PSIG Code of Good Practice?
5. Do trustees and administrators attend industry scam events and webinars?



XPS View

Trustees, administrators and any personnel who interact with members should educate themselves on the warning signs of a pension scam. Spotting scams, and warning members about the signs that have been spotted, could help to prevent members from losing all of their pension savings. There are lots of resources available to help those involved with your pension scheme understand the warning signs of potential scams.

As part of your training we encourage all trustees to listen to a recording of a scam protection call with a member.

Hearing the approach taken to spot red flags can aid understanding on how powerful a tool it is to help members become aware of the risks with their transfer. We have seen members terminate a transfer following such a call because it was clear that something is wrong.

Take appropriate due diligence measures and document pension transfer procedures



You should document your pension transfer procedures and take appropriate due diligence measures when a scheme member asks to transfer their pension. Trustees and administrators should work closely together and agree the processes that are implemented.

[TPR] cannot prevent a member pursuing their statutory right to transfer, nor can we permit trustees to prevent a transfer to which a statutory right applies. However, where transferring trustees or administrators show evidence that the transfer doesn't meet the legal requirements, we would consider this when deciding whether to take action due to a transfer not being paid.

The Pensions Regulator

Completed
Yes To do

1. Do you ensure that any member who receives a transfer value from your defined benefit scheme that is more than £30,000 takes regulated advice?
2. Do you follow the scheme transfer checklist in all cases where a member wants to transfer?
3. Do you check the [FCA warning list](#) when a member indicates they wish to transfer?
4. Do you identify vulnerable members and keep records of those who may be vulnerable?
5. Do you keep a record of 'white list' schemes that show no risk and review this list regularly?
6. Do you monitor:
 - a. the number of transfer value quotes?
 - b. which financial advisers are providing members with advice?
7. Do you have an agreed process to ensure that the scheme a member wishes to transfer to is able and willing to accept the transfer, and is a legitimate arrangement?

Continued overleaf ↗

Take appropriate due diligence measures and document pension transfer procedures

Completed
Yes To do

8. Do you include calling members as part of your transfer risk due diligence process to obtain:
- a. the nature of any contact made by a third party, e.g. a 'cold call', offer of a 'free pension review', 'early access' to benefits?
 - b. any involvement by unregulated introducers or individuals of concern?
 - c. the nature of the member's chosen investments – if they are high risk or unregulated?
 - d. the member's understanding of the how funds will be invested on their behalf?
 - e. the level of fees being charged by the receiving arrangement, and the member's understanding of these charges?
 - f. whether any valuable guarantees will be lost on transfer?



XPS View

Since 2015, we have been providing scam protection services that engage one-on-one with members leaving their schemes. This has helped protect nearly 4,500 members leaving schemes, representing over £1bn in transfers. In recent months, we have seen that over 60% of transfers covered by these services are now raising red flags, a sign of potential scam activity.

The only way to minimise the opportunities for scammers is for trustees to communicate directly with transferring members. Paper checks are no substitute for talking to your members and the pledge recognises this.

Clearly communicate concerns to members if high-risk transfers must be paid



If you have carried out all appropriate checks on the pension transfer and believe there is a risk that it is a scam, you should contact the member in writing and by phone to share your concerns.

The Pensions Regulator

Completed
Yes To do

1. Do you write to members to make them aware of any concerns about their transfer?
2. Do you call members to make them aware of any concerns about their transfer?



XPS View

If a transfer has raised a potential red flag it is important that any concerns are communicated to the member to ensure they fully understand the risks of proceeding with the transfer. Communications should be clear and concise, explaining why you believe there is a risk they may be falling victim to a scammer. If possible, you should speak to the member directly, as well as sending written communications.

Report any concerns about a scam to the authorities



Reporting scams allows authorities to investigate and prosecute scammers. It also allows law and policy makers to get a clearer picture of the effect that scams have on pensions.

The Pensions Regulator

Completed
Yes To do

1. Do you encourage members to report suspected scams to Action Fraud or call 101 in Scotland?
2. Do you direct members to the FCA's website to report suspicions about a pension transfer?
3. Do you report any concerns regarding potential pension scams to TPR?



XPS View

Reporting any concerns to the appropriate authorities could help to protect others from being scammed in the future. Unless scammers are reported, they will not be thoroughly investigated and could continue to scam others out of their pension savings. Reporting concerns is easy, and we welcome TPR encouraging both trustees and members to contact the appropriate authorities.

About us

XPS Pensions Group has already signed up to the **Pensions Regulator's pledge**. We are currently working through the pledge requirements to determine what it means for an adviser and administrator to self-certify. We can help trustees by working through the pledge requirements on a scheme-specific basis, identifying actions and processes they need to put in place to protect their own members and self-certify they meet the pledge.

Since 2015, our **XPS Member Engagement Hub** has provided scam protection services for members leaving pension schemes, allowing us to track, analyse and respond to developments in scam activity. We believe that this service is a key part of meeting the requirements of the TPR pledge and can be bolted onto any existing administration service or can be provided as a stand-alone service.

5 years'

Experience

4,500

Cases

£1bn

Of transfers

1,200

Cases with red flags

£240m

Of pension transfers
protected



**XPS
Member
Engagement Hub**

Locating, communicating
and protecting your members

Figures as of October 2020



XPS was recently awarded **Technology Services of the Year** at the Pensions Expert awards for the impact our tech-driven solutions have had on the fight against pension scams.

Talk to us



Colin Miller
Head of XPS Member Engagement Hub

t 0118 918 5054

e colin.miller@
xpsgroup.com



Helen Cavanagh
Client Lead, XPS Member Engagement Hub

t 0113 487 4835

e helen.cavanagh@
xpsgroup.com



Jackie Warwick
Service Lead, XPS Member Engagement Hub

t 0118 918 5577

e jackie.warwick@
xpsgroup.com

tw @xpsgroup

in xpspensionsgroup

yt Watch our latest updates

Contact us

xpsgroup.com

Belfast

T: 028 9032 8282

1st Floor – Flax House
83-91 Adelaide Street
Belfast
BT2 8FF

Edinburgh

T: 0131 370 2600

3rd Floor – West Wing
40 Torphichen Street
Edinburgh
EH3 8JB

Manchester

T: 0161 393 6860

82 King Street
Manchester
M2 4WQ

Reading

T: 0118 918 5000

Phoenix House
1 Station Hill
Reading
RG1 1NB

Birmingham

T: 0121 230 1900

1 Colmore Row
Birmingham
B3 2BJ

Guildford

T: 01483 330 100

Tempus Court
Onslow Street
Guildford
GU1 4SS

Middlesbrough

T: 01642 727331

Vancouver House
Gurney Street
Middlesbrough
TS1 1JL

Stirling

T: 01786 237 042

Scotia House
Castle Business Park
Stirling
FK9 4TZ

Bristol

T: 0117 202 0400

33 – 35 Queen Square
Bristol
BS1 4LU

Leeds

T: 0113 244 0200

1 City Square
Leeds
LS1 2ES

Newcastle

T: 0191 341 0660

4th Floor – Wellbar Central
Gallowgate
Newcastle
NE1 4TD

Wokingham

T: 0118 313 0700

Albion
Fishponds Road
Wokingham
RG41 2QE

Chelmsford

T: 01245 673 500

Priory Place
New London Road
Chelmsford
CM2 0PP

London

T: 020 3967 3895

11 Strand
London
WC2N 5HR

Perth

T: 01738 503 400

Saltire House
3 Whitefriars Crescent
Perth
PH2 0PA

Please direct all email enquiries to:

E: enquiries@xpsgroup.com

Award winning

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2020

WINNER

Third-Party Administrator of the Year

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2019

WINNER

Actuarial/Pensions Consultancy of the Year

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2019

WINNER

Third Party Administrator of the Year



© XPS Pensions Group 2020. XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 03842603. XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392.

All registered at: Phoenix House, 1 Station Hill, Reading RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

This report should not be relied upon for detailed advice. Permission for reproduction of material in this document must be sought in advance of any public domain use.