

# Pensions Regulator asks trustees to pledge to protect members from scams



## What you **need to know**

- On 10 November the Pensions Regulator (TPR) launched its scam protection pledge. It is asking trustees, administrators and providers to take all possible actions to protect members from pension scams.
- The pledge sets out six commitments TPR is asking parties to make (see table below). At its heart the commitments require parties to proactively understand and then investigate scam risks, and engage with members to help protect them.
- Trustees, administrators and providers can sign up to the pledge and then self-certify that they are carrying out all pledge commitments once processes are put in place.
- The pledge is voluntary but recognises that direct engagement with members is crucial to spotting and stopping pension scams. We anticipate that the pledge may well become a reference point if things go wrong, much like the suggested ScamSmart communications have in past Ombudsman cases.



## **Actions** you can take

- **Decide** if you and your trustees want to commit to TPR's pledge. XPS Pensions Group has signed up to the pledge.
- If you decide yes, **sign up** to the pledge on TPR's website
- **Identify actions** you need to take and processes you need to put in place to meet the pledge commitments
- Once you meet all commitments, **self-certify** that your scheme complies with the pledge and communicate this to members.



Our pledge to  
combat pension scams

## The Pensions Regulator's pledge

Commitment	What it requires	Processes to review and put in place
<b>1. Communicate</b>	Regularly communicate with members to warn them about the risks of pension scams	Prevalence of scam communications and use of available resources (e.g. ScamSmart)
<b>2. Encourage</b>	Encourage members to seek guidance from The Pensions Advisory Service if cashing in their pension	How and when you communicate the guidance and support available to members
<b>3. Understand</b>	Carry out training on understanding scam warning signs and good practice for transfers	Availability of scams related training resources and the training requirements of trustees
<b>4. Due diligence</b>	Carry out appropriate due diligence on transfers from your scheme	Transfer processes and process to identify and investigate any suspicious transfer activity
<b>5. Engage</b>	Clearly communicate any concerns identified with members looking to transfer their benefits	Processes to speak to and engage with members
<b>6. Report</b>	Report any concerns about scams to authorities	Contact details of relevant authorities and processes to report to those bodies



# The finer detail: The pledge and what it covers

## Background on the growing focus on pension scams

### Pension scams

TPR has warned about pension scams for a number of years. It reinforced these concerns in its COVID-19 guidance asking trustees to be vigilant, refer members to available guidance and support and send a warning letter to members considering transferring their pension benefits. Since lockdown XPS has identified a substantial rise in transfer red flags (60% of cases in October) indicating a possible pension scam.

### Current government action

The government is seeking to introduce limited restrictions on members' rights to a transfer in the Pensions Schemes Bill, aimed at protecting members from scams. The Work and Pensions Select Committee is also investigating scam activity.

### The Financial Conduct Authority (FCA)

Along with TPR, the FCA has sought to educate individuals on how to spot a potential scam through its ScamSmart program. In addition, the FCA has been carrying out a review of the weaknesses in the defined benefit transfer market. As a result, it has put in place measures to remove conflicts in transfer advice (e.g. banning contingent charging) and improve advice quality.

### The Pension Scams Industry Group (PSIG)

For a number of years, PSIG has published a code of good practice on combating pension scams. A key protection in the code is that trustees speak to members who want to transfer out of their pension scheme and ask them specific questions to identify possible scam activity. The pledge echoes this, encouraging confidence in implementing the practices in the PSIG code.

## The Pensions Regulator's pledge

### The pledge

TPR is asking trustees, administrators and providers to commit to protect their members from pension scams, ensuring that members are aware of scam tactics before transferring out of their pension scheme and are informed of the risks. To support this TPR asks that stringent processes be put in place to carry out due diligence, identify scam risks and engage with members, where their transfer is deemed high risk.

### How it works

TPR is asking parties to voluntarily sign up to the pledge. This can be done immediately on its website. Having signed up to the pledge, processes will need to be put in place to meet the pledge commitments. Once done, parties can self-certify that they comply and are able to communicate this to members.

## Pledge commitments (see front page for TPR's list of commitments)

### Processes

At its heart, the pledge empowers schemes to put in place robust processes to identify potential scams and engage directly with members to warn them if their transfer is high risk. In our view, the best way to spot scams and improve member understanding is to have a one-to-one conversation with every member looking to transfer out of their pension scheme.

### Training and resources

Another key part of the pledge is that trustees, providers and administrators make full use of the training resources and support materials available. This includes material on the Trustee Toolkit, the ScamSmart resources from the FCA and TPR and the PSIG code of practice.

For further information, please get in touch with **Colin Miller** or **Helen Cavanagh** or speak to your usual XPS Pensions contact.



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