

- Committees
- All committees A-Z
- Commons Select
- Work and Pensions Committee**
- What's on
- Membership
- News
- Inquiries
- Publications
- Formal Minutes
- Contact us
- Pension schemes

Commons Select Committee

Ban cold calls now to stop pension scammers



11 December 2017

The Work and Pensions Committee says Government should act now, through the Financial Claims and Guidance Bill, to ban pension cold calls and make people either take or expressly opt out of guidance before they can access their pension pot.

- [Read the report summary](#)
- [Read the report conclusions and recommendations](#)
- [Read the full report: Protecting pensions against scams: priorities for the Financial Guidance and Claims Bill](#)

A simple but big step forward

Rt Hon Frank Field MP, Chair of the Committee, said:

"Every day that passes without a ban, people are being avoidably conned out of their life savings. There is no need to overcomplicate this: our proposal would see an enforceable ban in place by summer, closing at least one door on rafts of scammers at a stroke.

Low saver engagement and high financial value makes pensions rich pickings for scammers offering fantastical returns or seemingly clever advice. The strongest weapon in the armoury against this is good advice and guidance - people just aren't taking it.

Making guidance the default option combined with the ban on cold calling would be a simple but big step forward in consumer protection in the era of pension freedoms. The Government should use the Bill that has just arrived in the Commons to legislate to protect pensions now."

Pensions under threat from scams

Pension savings are under threat from scams, which span beyond simple stealing of money. Pension scams are nothing new, but the risks have become more pronounced since the widely welcomed 2015 pension freedoms reforms.

The combination of high financial value and low saver engagement has made pensions a scammer's "perfect storm". Archetypal inappropriate investments are high risk, highly illiquid (once money is invested it is very difficult to retrieve) and unregulated - the Committee heard of examples like schemes to invest in "diamonds, overseas property developments, store pods, forestry and film".

Financial Guidance and Claims Bill

Estimates of the scale of scamming vary hugely but it is likely grossly underestimated by official reports and the full scale may not be apparent for many years. The evolving kind of pension scam that falls short of fraud - pushing people toward "completely legal but totally inappropriate" investments - needs to be tackled, and the Committee says Government should take urgent action through the Financial Guidance and Claims Bill as a first step:

- Cold calls are the leading driver of pension scams and action is desperately needed to protect individuals from the risk of losing their life savings. While a ban on cold calls will not stop all pension scams, it is an important preventative measure. It will also send a strong message to individuals not to respond to unsolicited contact about their pensions. A new clause in the Bill requiring the Government to introduce a ban by June 2018 at the latest, but set the details by regulations, will allow outstanding issues to be resolved without being tied to a lengthy parliamentary process. It will also mean the ban will be future proof: capable of being adapted as scams evolve.
- Clause 5(2) of the Bill should be strengthened to create a "guidance by default" provision that ensures an individual either receives or expressly refuses guidance before being granted access to a pension pot. The details should be set out in Financial Conduct Authority rules, following public consultation. The Government should use its existing powers to place equivalent requirements on trust-based defined contribution pension schemes. Guidance by default would promote shopping around, better-informed decisions and protection against scams.

On Wednesday the Committee will hear evidence on the British Steel Pension Scheme, which the Chair has described as a "honeypot for scammers".

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