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PENSIONS

OPINION

Why pension scammers must be tackled this year

By **Ros Altmann** | 5th January 2022 7:58 am

Will 2022 be the year we finally see a reduction in the number of people losing their pensions to scammers?

Action Fraud reported a doubling of the average amount lost by pension scam victims in 2021 to £50,000 from around £23,689 in 2020, with the Pension Scams Industry Group (PSIG) estimating 40,000 people lost around £10bn to fraudsters since 2015.

After years of pressure, there are hopeful signs of more meaningful action to protect consumers. This has all taken far too long. The ban on pension cold-calling was only enacted in 2019, even though this and other anti-scam measures were first proposed in 2016 and scamming still rose.

There remains work to do, including banning unregulated ‘introducers’ who still pass on customer information to fraudsters and are part of the reason that scamming has worsened during the pandemic.

Lead generators pose significant dangers, with slick salesmen following up and hurrying people into transferring their pensions to ‘get-rich-quick’ schemes that will make the unsuspecting members of the public much poorer.

Nevertheless, the latest measures, introduced in November 2021, are welcome. They require pension providers to ask basic questions that can identify tell-tale warning signs of scams before customers transfer money out. Previously, providers could face Ombudsman penalties for delaying transfers, as this breached customers’ statutory rights.

If the questions about customer reasons and plans for transferring their pension indicate red warning signs of a scam, the statutory right to transfer can be over-ridden and the transfer banned.

This would include customers saying they have responded to social media or cold callers (even though technically banned, unsolicited approaches have not stopped), or they have been pressured or offered incentives to transfer quickly.

Amber warning signals, such as transferring to schemes that are based overseas, or which use high-risk esoteric investments will mean the provider must refer the applicant to Pension Wise and receive confirmation that they have discussed their situation with this official service.

Pensions Wise has been busy training up their brilliant band of ‘guiders’ to talk through the risks with the public. The service has only been running for a few weeks, but already it will have been able to safeguard more people against pension losses.



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Ideally, of course, the public need independent, expert advice, from a trained financial adviser, but with so many people not understanding the difference between a professional IFA and a charlatan posing as an adviser, it is sensible to have an extra protective layer. With enhanced protection for the public, the risk of scam losses may finally start to recede.

Meanwhile, I hope more people will start recognising the work that Pension Wise and the Pensions Advisory Service have been doing for so many years. The crazy complexity of pensions means the public need help navigating the rules and risks. Those who suggest pension provider helplines are an adequate substitute for Pension Wise and criticise its low take-up, significantly undervalue its service.

It has helped many people make the most of their pension freedoms. Indeed, scams and pension losses would have been significantly reduced if more people had been sent – preferably automatically – for a free appointment.

The new rules will enable more people to benefit from expert free guidance but although it can help someone avoid scam losses, it will find them the best place for pension investments or making robust retirement income plans. Those saved from scam losses should also recognise the value of full advice and why it is worth paying for.

Recent industry concerns about the new requirements holding up bona fide transfer activity seem overdone, as the measures specify that transfers authorised master trusts, public sector schemes or mainstream onshore pensions should not be delayed.

Although there is more to do, utilising the Pension Wise team's fully trained experts can add useful protection to the current system which has clearly not worked well enough for the public. If scam activity finally starts to fall, that will be a tremendous result.

Ros Altmann is former pensions minister

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