

Work and Pensions Committee

Oral evidence: Protecting pension savers—five years on from the pension freedoms: Pension scams, HC 648

Wednesday 2 December 2020

Ordered by the House of Commons to be published on 2 December 2020.

[Watch the meeting](#)

Members present: Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Siobhan Baillie; Neil Coyle; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 140 - 212

Witnesses

I: Dennis Waite and Sue Flood.

II: Pauline Smith, Director, Action Fraud, Rick Muir, Director, The Police Foundation, and Neil Postins, Service Delivery Manager, National Economic Crime Victim Care Unit.

Written evidence from witnesses:

[PPS0015](#) The Police Federation



Examination of witnesses

Witnesses: Dennis Waite and Sue Flood.

Q140 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee, and a particular welcome to our witnesses who are joining us on Zoom this morning. On the first panel, we are very pleased to be able to hear from two people who have been victims of pension scams. I will start by asking each of you to introduce yourselves and tell us briefly what happened, how you were approached, what you thought the scheme was when it was put to you, and also what the impact of what has happened has been on you and your family. Let's start with Sue Flood.

Sue Flood: Good morning, Chair. Good morning, Committee. Good morning, Sir Desmond.

Briefly about my experience, it is going to be very difficult in 30 minutes. Therefore, could I make a request that I could possibly forward a transcript of my answers to the Committee? Would that be acceptable?

Chair: We will take a transcript, but by all means anything you would like to send us afterwards you are welcome to.

Sue Flood: Thank you. I don't think there is time and that is what I am concerned about. I will be answering your questions as succinctly as I possibly can.

I feel extremely let down, as a victim, by the systemic failures, which are top down, from the majority of the regulatory bodies, from HMRC, Companies House, the FCA, PRA, the TPR and the Serious Fraud Office, and that includes Action Fraud. These bodies have facilitated with the victims' losses.

What happened to my partner and me has pretty much ruined our family life and resulted in financial harm to us all. We are still fighting for the return of our savings, 10 years on.

Chair: Just tell us, Sue, what happened.

Sue Flood: I went to an AES regulated financial adviser, Paul Clarke. The transfer was done via UK Premier Pension Transfers, Stephen Ward, who is a G60, fully qualified global pension expert. We were both advised that we could have some of our pension money early. It is as simple as that, really. There was going to be no adverse risk or consequences, so based on what the authorised people told us, there was no downside to it at all. It was a no-brainer for us.

The HMRC registration and TPR registration was heavily sold to us throughout the process and we thought that it was all kosher. However, there was a huge difference between what was sold to us and agreed and what it actually turned out to be. My DB scheme was going to be transferred and invested into a personal UK pension scheme, which would allow the release of that capital, but at no time was it discussed or



HOUSE OF COMMONS

expected that our funds would have been transferred into an occupational DC scheme. We were lied to throughout the process.

On the scam itself, we found ourselves in an Ark scheme, which meant that our life savings were put into a fraudulent land valuation, another unregulated investment. We believed that we were getting a low-risk pension scheme.

Q141 **Chair:** Okay, thank you. Were you in one scheme or more than one scheme?

Sue Flood: Just in the Ark scheme.

Q142 **Chair:** How much of your savings, you and your partner—

Sue Flood: Approximately £250,000.

Q143 **Chair:** Okay, thank you. Was this one of these arrangements where you had a big tax bill as a result of doing this?

Sue Flood: When we first became victims of the scam, we had been to AES International, to Stephen Ward, to Premier Pensions, both in Spain and in the UK. Our lawyers that we had employed immediately—because my paperwork did not arrive literally weeks into the arrangement—contacted the former trustees, Ark, a gentleman called Craig Tweedley, to rescind the arrangement. We requested the immediate return of our pensions to the original seeding providers and all of our paperwork we requested, and to pay the moneys received back into an escrow account. This was agreed with the previous trustees, via my lawyers, but Dalriada Trustees took over after that, and, yes, the rest is history.

Q144 **Chair:** None of the money has been returned?

Sue Flood: None at all. In fact, what we are facing, because of the actions taken by the trustees in 2012, is we were listed with unauthorised payments, despite what we tried to do previously, prior to the trustees. We were taken, with others, to court and levied 55% unauthorised charges on that amount, which has been going up, interest-wise, for the past 10 years.

Q145 **Chair:** How much does that amount to now, Sue?

Sue Flood: Do you know, I don't know, Stephen. I carry on my life in a manner that it is better off not knowing, to be honest. It is just too much to handle.

Q146 **Chair:** I completely understand that. Sue, how was it that you became aware that something had gone wrong?

Sue Flood: I saw the advert in the paper for the award-winning company AES International. I have to be honest. Literally, when he walked down the path after he had come into my house and sold me this scheme—speechless, sorry—in front of my children whose future he took away, I had a gut feeling that something was wrong, so I started pushing for my paperwork from day one. When that did not arrive, I went to everybody,



HOUSE OF COMMONS

including those people who sold it to me. Stephen Ward, AES, all of them just sent me around in circles so I immediately, literally weeks in, contacted and employed lawyers to act on our behalf to rescind the contract.

Q147 **Chair:** Was this all in 2010, Sue?

Sue Flood: No. This was at the beginning of 2011, prior to Dalriada Trustees taking over on 31 May 2012. So all of our actions had been taken prior to that.

Chair: Okay. Thank you for explaining that to us and thank you for being willing to be with us this morning.

Sue Flood: That's okay.

Q148 **Chair:** Can I put the same questions to you, Dennis? Could you tell us what happened to you, how you were approached about this scheme, what you understood it to be, and what the effect of being involved on your family has been?

Dennis Waite: Okay. Good morning, everyone. Like Ms Flood, could I also send you a fuller transcript, just because of time constraints today?

Chair: By all means.

Dennis Waite: I was cold called at the end of 2012, offering me a transfer, to transfer my Royal Mail pension into the Capita Oak scheme. This scheme was HMRC and TPR registered, so that made me feel safe, plus there was quite a good interest to place the scheme, plus an incentive to join it, because I was under 55 at the time so I knew I could not access my pension but I was allowed to transfer it.

Q149 **Chair:** You said you were cold called. Who cold called you?

Dennis Waite: Yes, I was cold called by a company called JP Sterling Associates. They were telling me about the scheme and the benefits of the scheme, which was to invest into a company called Store First, a large storage company in the north-west of England. On social media, it is promoted by Quentin Willson—the value of investing in Store First—so that, and the fact that it was a HMRC and TPR registered scheme, made me feel secure.

Q150 **Chair:** Dennis, how much of your savings went into this scheme?

Dennis Waite: £108,000.

Q151 **Chair:** When did you start to feel that something had gone wrong?

Dennis Waite: At the time, I had that little voice in my head saying, "I don't know if you should be doing this," but against my better judgment I did not listen to that little voice.

I did receive the 5% incentive, but about a year later I was waiting for the annual statement, what normally happens with investments and things like that, and nothing arrived. That is when I started to panic.



HOUSE OF COMMONS

Q152 **Chair:** What did you do?

Dennis Waite: What I did is I made all the effort I could to get in contact with the company. I did manage to speak to someone initially and they said to me, "Oh, there will be a statement coming through". A couple of weeks passed—nothing—and then, eventually, the only way I can describe it is it looks like a used-car sales slip. As soon as I saw that, I thought, "Oh my God," and then I tried to contact them again, to no avail. I drove down to where the office was supposed to be, in Kent, to Beckenham. When I got there, there was a small, virtual office, and that is when I knew; that is when I knew.

Q153 **Chair:** Did you then report it to somebody?

Dennis Waite: I did. I reported it to the Kent police and to Action Fraud.

Q154 **Chair:** What was your experience, having made those reports?

Dennis Waite: Well, the Kent police did assign an officer to me but it did not really go that far. There were a few initial inquiries and then it seemed to peter out. With Action Fraud, they did say, "Do you need any victim support?" but when I accepted it, it was more of the, "Oh, you poor thing, that's terrible". Where does that leave me?

Q155 **Chair:** Right. What would you say the impact on you has been of all of this, over the last eight years, isn't it, since?

Dennis Waite: Yes. Well, once it first dawned on me that I've lost my financial future, essentially, I felt suicidal.

Chair: Yes.

Dennis Waite: I am still not pensionable age yet: I am 53. So by the time I am at pensionable age, my financial income is decimated.

Q156 **Chair:** Are you still working, Dennis?

Dennis Waite: I am working at the moment, yes.

Q157 **Chair:** But you had left Royal Mail, had you, by the time that—

Dennis Waite: Yes, I no longer work for Royal Mail. I left Royal Mail in 2004. I now work for National Express, the coach company, and I have their occupational pension, but I don't think I will be able to recoup what I have lost in the time I have left.

Chair: Understood. Okay. Well, thank you, Dennis, very much for being with us. My colleague Chris Stephens has a question for you both.

Q158 **Chris Stephens:** Thank you both for joining us. We are obviously looking at a number of organisations and what they can do to improve their services to help those who have been victims of scams.

My question to both of you first is about your relationship with HMRC. You have both been left with significant tax bills, so the first question is a simple one. Do you think HMRC has treated you fairly?



HOUSE OF COMMONS

Dennis Waite: I don't think I have been treated fairly. Considering the scheme was an HMRC/TPR registered scheme in the first instance, which made me feel I was in a secure situation, the way I have been hounded for tax—I did have an appeal and I had what I thought was a tax barrister supporting me and representing me. That person ended up being a little economical with the truth, shall we say, about her qualifications. I have been pursued quite relentlessly by HMRC for tax. In fact, I have also had debt collection letters sent to my house without warning. Then, because I can't afford to pay the tax bill, I had to take out a payment plan on my car, and now they have added interest to that as well. I don't know what I feel.

Q159 **Chair:** Dennis, can I ask what your tax bill is?

Dennis Waite: It is 40% of my investment.

Chair: Right, okay. Thank you.

Q160 **Chris Stephens:** Thanks, Dennis. Sue?

Sue Flood: Hi, Chris. Good morning. Considering I am neither a pension expert nor a tax expert, and I have relied on the advice of my advisers, who misrepresented the scheme, it seems perverse that HMRC is benefiting from the proceeds of crime, as in scams that involve dishonesty. In reality, they are treating victims as criminals.

To make matters worse, I have hard evidence that way back in 2011 HMRC met—it is their DOTAS department. They had a perfect opportunity to stop the scammers operating. They met the creators of the Ark scheme to discuss the structure after concerns from seeding providers that were worried about the scheme. For me, it is absolutely heart-breaking, knowing how many families' lives have been ruined by scams perpetrated by these crooks, after HMRC could have closed them all down. I have my own thoughts on that, on why that might be the case, but I will leave that to you to investigate for yourselves.

Q161 **Chris Stephens:** Thanks, Sue. I think you have picked up on my next question, which is essentially: do you feel like HMRC treated you as perpetrators of crime rather than victims? Has HMRC at any time offered any assistance or suggested an organisation that could help you with these matters?

Sue Flood: Personally, I have asked to meet HMRC numerous times over the years. I believe that a friend of mine who has been involved asked and met them with the lady who was the tax barrister that Dennis Waite has mentioned, to give them information about the Salmon Enterprises scheme. It was the same sort of regulators that were involved, that had not done anything, and the same perpetrators that have been involved throughout the years, since 2010. Swift action at the outset from HMRC, in my opinion, could have helped prevent the disasters of the last 10 years.

Q162 **Chris Stephens:** Thanks. Dennis, is there anything you would want to add to that? Were you offered any impartial advice from HMRC? Did it



HOUSE OF COMMONS

refer you to another organisation that could help you?

Dennis Waite: Could you repeat the question? Sorry.

Chris Stephens: Yes, of course, Dennis. It is just to ask whether, in your dealings with HMRC, it offered advice or offered to refer you to perhaps another organisation that could give you impartial financial advice in relation to your tax bill.

Dennis Waite: They did not want to help at all. It maybe would have helped if they could have taken us somewhere, given us advice. I don't know. Sorry, I'm in a bit of a—

Q163 **Chris Stephens:** No, it is okay, Dennis. You are doing fine and you are answering the questions fine. Please don't worry.

To you both, then: do you think that HMRC should be doing more to offer support and advice to people who are victims of scams?

Dennis Waite: Yes, definitely.

Sue Flood: Yes.

Chris Stephens: They are both very affirmative answers, Chair. I will hand back to you, thank you.

Sue Flood: They do have a charter, Chris.

Chris Stephens: Yes, thanks very much. I will hand you back to the Chair. Thank you.

Chair: Thank you very much. Steve McCabe has some questions.

Q164 **Steve McCabe:** Good morning, Sue and Dennis, and thanks for agreeing to speak to us.

I would like to ask you a couple of questions about the perpetrators of this fraud. Maybe I should start with Sue. Do you know if any effort has been made to prosecute the person, or persons, responsible for this scam?

Sue Flood: To my knowledge, no prosecutions have taken place. They have been prolific since 2010 throughout numerous schemes. I am aware that the TPR, despite knowledge of Stephen Ward in the Ark scheme and referenced in other scams, seem to have not taken any action until 2018.

Q165 **Steve McCabe:** Okay. Do you know if any of the authorities have made any effort to recover the money you have lost?

Sue Flood: In the case of Ark, Dalriada Trustees took out a Tomlin order against a couple of footballers who had invested in, let's say, overvalued land, and they returned those funds. I have requested from Dalriada Trustees information regarding a Freedom Bay investment, which was an unregulated investment that I have just received information about in an e-mail last night. I was a little bit nervous about today, so I have not quite looked at that yet, so there may be something as regards complete return of the funds. Other than a prosecution situation, I did request, in



HOUSE OF COMMONS

2014, at a meeting with all the Ark victims, that Dalriada Trustees call in the Serious Fraud Office, but to my knowledge no prosecutions have taken place, no.

Q166 **Steve McCabe:** Thank you. Have you had any contact with Stephen Ward or any of the rest of them since? Do you know where he is today, what he is up to?

Sue Flood: Stephen Ward is facing allegations in Dénia Crown Court for fraud, disloyal administration, falsification of commercial documents, as is Paul Clarke, also. I think Stephen Ward resides between Florida, where he boasts of a huge property empire, and Paul Clarke, who was ex-managing director of Continental Wealth, which is also a huge loss in there, and Roebuck Wealth is facing the same allegations in the Spanish criminal action. That is as much as I know, I am afraid.

Q167 **Steve McCabe:** Thank you. Dennis, do you know if there has been any effort made to prosecute the person or persons responsible for ripping you off?

Dennis Waite: Yes, there is a live, ongoing Serious Fraud Office investigation into—

Chair: Can I just interrupt, Dennis? We have to be a little bit careful here about court actions that are under way and we know that you are not able—

Dennis Waite: Yes, I am not privy to what has been found out at the moment, but I do know that it is ongoing and it is live.

Chair: Yes, okay. I think we will move on from that.

Q168 **Steve McCabe:** Okay, so maybe we will leave that there. You believe there is a live investigation, Dennis. We should maybe leave that.

Do you know if there has been any effort made to recover the money you have lost?

Dennis Waite: I know that Dalriada, which is the trustee appointed by Government, I believe it has £400,000 of the scheme money, which it has recovered, but I don't know what is going to be happening with that money, whether it will go to their fees or—certainly nothing has been attempted to be repatriated with any of the victims.

Q169 **Steve McCabe:** Okay. You have told me that you believe there is a live inquiry. Have you had any contact with the person who scammed you since this all happened?

Dennis Waite: No, I have not.

Q170 **Steve McCabe:** Okay. Thank you. I want to ask both of you a little about what we might be able to do to prevent this. It is obviously easy to be very smart with hindsight and I recognise that.

One of the things that has been suggested is that we should give a new legal power to trustees to block people like you being able to transfer



HOUSE OF COMMONS

your pension funds if there is a suspicion about the proposal. As I say, it is easy to be very clever with hindsight, but I wonder if I can ask each of you: how would you have felt, at the time, before you knew this was a scam, if you had said, "I want to access my fund in this way; I want to transfer it in this way," and the trustees, the holders of your fund at that time, had said, "No, we are not going to allow that"? Shall I start with you, Dennis?

Dennis Waite: Yes. If my trustee of my pension scheme at the time was saying to me that I was risking placing my pension into an unregulated, illiquid, unstable occupational scheme, which is what Capita Oak turned out to be—I was never told it was an occupational scheme; I only found that out afterwards and I have only had about three jobs in my life—I would have accepted their decision not to allow me to transfer, 100%, because I would have been like—I was so worried about legal stuff anyway because I am not a financial expert, so if a financial expert was giving me advice, I would have listened.

Q171 **Steve McCabe:** Obviously, you are saying there that if they had blocked it on those grounds, you would have listened?

Dennis Waite: Definitely.

Q172 **Steve McCabe:** I assume from that that you are also telling me that if there had been a requirement for you to have some kind of impartial guidance or advice before you could make that pretty drastic, as it has turned out, decision, you would have welcomed that and you would have listened to it?

Dennis Waite: I would have done, yes.

Q173 **Steve McCabe:** That is a fair assumption. Thank you, Dennis. Sue, can I ask you the same question? Obviously, as I say, it is easy to be smart with hindsight, but if at the time the trustees of your pension had popped up and said, "Sorry, we are not going to allow you to do this," what would have been your reaction at the time?

Sue Flood: If we are going back to at the time, I can show you here a shark warning—I have copies available—that was in place from OPRA. They recommended to the trustees of the scheme that they should be taking extra precaution when transferring benefits. The trustee managers were to remain vigilant and have proper controls in place. Due diligence could have requested, in my case, pay slips, contracts of employment. You only had to look at my unprofessional release paperwork that I obtained through a subject access request. I would not be in attendance today.

In my case, I did take regulated advice and look where that got me. For the future, a Government-run body, without being commissions-based, would possibly work well. Yes, it possibly may work well, but for me, in my individual case, the answer would be no.

Q174 **Steve McCabe:** An impartial body, in that sense, may be of benefit. Again, if your trustees had said, "No, we are not going to let you do this,"



HOUSE OF COMMONS

would you have resisted or would you just have said—

Sue Flood: They should have; they should have. Looking at my paperwork, this whole transfer could have been prevented. As one example, my personal pension, on the paperwork, was crossed out—the plan that I was supposed to enter into—and “occupational” has been handwritten on to the release paperwork. It still went out. Minimal due diligence would have requested them to say no and I would have followed exactly what they said to the letter.

Steve McCabe: Thank you very much.

Sue Flood: You’re welcome.

Chair: Thank you, Steve. Debbie Abrahams, did you have a point you wanted to raise?

Q175 **Debbie Abrahams:** I think Steve has probably covered it. It was about what you think would protect. I am interested in what Sue said about having a gut feeling that something was not quite right. Can you be specific? What drove that gut feeling that you thought was not quite right?

Sue Flood: Do you know, I can’t answer that. I am speechless. Good question. I really do not know. It was just an overwhelming gut feeling. Hindsight, as we say, is a powerful tool, and I do wish that I had run after him and ripped every single bit of paper up, like I wanted to. It was just something. I don’t even know. Something just didn’t stack up right for me in my gut and I bitterly regret that decision of not chasing him.

Q176 **Debbie Abrahams:** Dennis, was there anything? You said you went down to the offices and so on. That must have been absolutely gutting when you saw—

Dennis Waite: It was. I was expecting a big office building; there was this little house. I saw someone going in. As soon as I saw it, I was like, “Oh my God”. I waited around there for about an hour and I saw this guy going in. I chased after him and what it turned out to be was one of those virtual offices. There’s about 40 different businesses that are registered to this one address.

Sue Flood: Can I add one thing? My partner did go down to Stephen Ward’s offices in a desperate bid to try to get this stopped, and he was asked to leave. He actually did go and confront him.

Q177 **Debbie Abrahams:** You both mentioned HMRC and TPR registration, which just seems absolutely worthless, doesn’t it?

Dennis Waite: Yes.

Debbie Abrahams: Okay. That is something that we should be taking up as a Committee. Thank you so much.

Sue Flood: Thank you very much.

Dennis Waite: Thank you.



HOUSE OF COMMONS

Chair: Thank you, Debbie. Shaun Bailey has the last question.

Q178 **Shaun Bailey:** Sue and Dennis, thank you so much for being with us today. I just want to talk a bit about the support you have had following this. How have you found groups such as Action Fraud in terms of providing support once this has happened? Have they been effective at all? Have they engaged with you?

Sue Flood: Is that question to me?

Shaun Bailey: To both of you, yes.

Sue Flood: Okay. I actually, at the outset, had a breakdown about this. I was left completely on my own. Action Fraud is a data processing department and they don't engage and they don't offer support. No support was available. The only support that we have ever had was in 2013 when myself and other victims were all together in what was called an Ark class action group. We then facilitated other victims and joined other victims together over the years. No, pretty much everyone I know is highly critical of Action Fraud because it does not seem to take any action. I know that is a sweeping generalisation, but there have even been exposés on it in *The Times* and I believe also on TV. I don't think it is just me that thinks it is awful.

Q179 **Shaun Bailey:** Okay. Dennis, what about you? Have you had much in terms of support at all?

Dennis Waite: When I first reported what had happened to me, it said, "Will you need victim support?" and I accepted. It was basically, as I said earlier, "Oh, you poor thing, it must be terrible," but that really did not help me. As I am approaching my retirement age, it is starting to affect me more because I am thinking about what it could have been, so I am still, after all these years, struggling.

Q180 **Shaun Bailey:** In terms of utilising your experiences to improve the industry, how do you think the industry should be using experiences like yours to make sure that it clamps down on stuff like this? Because, again, it sounds as if you are not really getting any way, other than maybe today, to feed in what has happened to you so that the industry can act upon it.

Sue Flood: We are still waiting for the tax tribunal, believe it or not. The Ark people have been dragged through this for 10 years. They are sat literally—I don't mean on death row literally, but it is extremely difficult to manage on a day to day basis, knowing the interest is just racking up and it could have all been stopped.

Myself, I know how to run a large, fraudulent pension scam and get away with it scot free. I don't trust the wider pension industry. I don't have any faith in the current regulatory bodies to get to grips with the systemic failures that have happened and are continuing. From my personal pension scam expertise, which is sad, I think people like myself and others should be used to advantage the authorities to gain knowledge



HOUSE OF COMMONS

and to help find some sort of victim support for people who have committed suicide along the way. I'm speechless, sorry.

Q181 **Shaun Bailey:** Dennis, what about you? Would you echo those comments?

Dennis Waite: Because such a big part of me accepting and joining that scheme in the first place was the fact that it was HMRC/TPR registered, I think they should take a bit more responsibility for helping victims. If it wasn't registered with them, I wouldn't have gone anywhere near it and I can say that hand on heart. If I wasn't told, "It's an HMRC registered scheme"—that is what made me feel secure. I feel like I have been treated like a criminal where they have been pursuing me for tax they say I owe.

Q182 **Shaun Bailey:** Yes, absolutely. I have one last question on Dalriada and its work. Obviously, ultimately it is going to be your savings that are funding that. How do you feel about your savings being used to fund Dalriada and the work that it is doing in this space, taking over schemes that may have been fraudulent or working with people such as yourselves? How do you feel about that?

Dennis Waite: If I have understood your question correctly, are you saying that any moneys that Dalriada holds, it will take its fees from that?

Shaun Bailey: Yes.

Dennis Waite: Yes, I think it is wrong. I am repeating myself again, but it is HMRC. There should be a central fund, if you like, I think, because when my pension was transferred from the Royal Mail into the Capita Oak scheme, there was a trustee there, which I paid £5,000 to for lifetime management, and then it turned its back on the scheme. I feel like I am paying twice now, if you like. I think HMRC should hold ultimate responsibility; it facilitates these scams to go ahead.

Shaun Bailey: Sue, do you have anything to add to that?

Sue Flood: Yes, it is awful that TPR, which has sufficient evidence to appoint a new trustee to a suspected fraud or scam, expects the victim to pay for the new trustee. Then no action is taken by any regulatory body to ensure the scammer pays the fees by returning the pension fund. I am vehemently opposed to TPR not ensuring a central fund to pay for these appointments until the moneys are recouped from the scammers.

Shaun Bailey: That's great. Thank you, Chair.

Q183 **Chair:** Thank you both very much indeed. You have given us very helpful information and a lot of insight into this problem, and we will do everything we can to come up with some ideas for how to resolve it for the future and, if possible, for the past.

Sue Flood: Thank you, Stephen. Regardless of what happens to me now, it is clear that you and your colleagues absolutely care and that means a



HOUSE OF COMMONS

lot to me and, I am sure, all the other scam victims who are watching today. So, thank you for listening to me.

Chair: Thank you both very much indeed.

Dennis Waite: Thank you for giving us an ear.

Examination of witnesses

Witnesses: Pauline Smith, Rick Muir and Neil Postins.

Q184 **Chair:** We now move on to our second panel, and we welcome three witnesses. Can I ask you each to very briefly introduce yourselves to us, starting with Rick Muir?

Rick Muir: I am Rick Muir. I am the director of The Police Foundation. We are a research organisation that does research into policing and crime.

Pauline Smith: I am Pauline Smith. I am the head of Action Fraud and I work with the City of London Police.

Neil Postins: I am Neil Postins. I am the manager for the Action Fraud National Economic Crime Victim Care Unit, which works with the City of London Police.

Q185 **Chair:** Thank you very much. Pauline, you have just heard some criticisms being made of Action Fraud. What is your response to what we have just heard?

Pauline Smith: First, I would like to say I am very sorry about both of their experiences, Dennis and Sue.

We recognised, from the City of London Police, very early on, when we took over the service in April 2014, that certainly the victim care side—the victim-centric side of the Action Fraud service—really was not there. It was more a recording service. Very early on, in 2015, we set up an Economic Crime Victim Care Unit, which, as Dennis has just said, is not the victim care service that he experienced. Our victim care service was set up as a very early pilot in London to start with, to see if we could support victims of not just pension fraud but all types of fraud and cyber-related crimes, to see if we could support them on the phone, and to see if we could help them cope and recover but, more importantly, to see if we could also stop them becoming repeat victims.

The pilot was set up in 2015 and the Home Office saw that there was some benefit there. We did develop the service with victims, and I would certainly welcome it if Sue and Dennis would perhaps speak to us after this session and help further develop our service. We did survey victims—a very small number: 120 victims to start with—to see if the service did what we wanted it to do, which is help and support people, and it did. The survey came back quite resoundingly and some of the victims said



HOUSE OF COMMONS

that the service should be there for everybody. The Home Office invested and we rolled it out.

Can it work outside of London? We developed the service a little further so we now have three levels of service. We deliver the level 1 service to those we think are less-vulnerable victims: a victim contact service where we can signpost people, and advise people. We have a level 2 service now, which is around victim care: a more in-depth sort of service. Then there is a level 3 service, with the forces that we work with, where if we need somebody—a police officer or a police staff member—to go around to help a person, we will get face-to-face contact. Sometimes that can be in fast time, so we need somebody to go around quickly. We have moved that service on and we are now working with 18 forces across the country to deliver a more bespoke sort of service.

The service that Action Fraud offers around victim care and contact now is a little bit unique. It is bespoke because victims of fraud and cyber-crime sometimes do not know what has happened to them. It is not always evident. They don't realise it very quickly. Pension fraud and, say, investment fraud is something that people realise has happened to them only three or four years down the line; it is not always evident.

Up to this date, we have supported 81,000 victims and we are trying to focus on not getting repeat victims back into the system, into our service. To date, only 17 victims have reappeared on our database. That is one of the changes that we have made.

Chair: Thank you very much indeed. The next question is from Debbie Abrahams.

Q186 **Debbie Abrahams:** Good morning, everyone. Can I follow up on what Pauline has been saying about the new levels of service that are being provided to victims of fraud, particularly focusing on victims of pension scams? Something that was said in the previous session was about people who take their own lives as a consequence of these scams. Are you aware of victims you are dealing with where this has happened?

Pauline Smith: Yes. From Action Fraud itself, rather than the victim care side of the service, just this year we have had 222 people on the phone where we have stayed on the phone until a police officer has got around to them because they are suicidal.

Debbie Abrahams: Good grief.

Pauline Smith: These are real, live cases. Turning from just a recording service to a service that supports victims—I know Sue mentioned *The Times* appearance. That is not a good reflection of the service and the hard work that a lot of our people do. Yes, Ms Abrahams, 222 people, and as both of the witness we have heard said, there is a lasting effect. It is not something that is here today and gone tomorrow. From the surveys we have done around our victim care service, a year down the line people are still having sleepless nights. Their confidence is knocked. These types of criminals are really cruel and they look for people's vulnerabilities. I



HOUSE OF COMMONS

am talking a bit broader, not just pension fraud, but it is astounding to see what they will turn their hand to next.

Q187 Debbie Abrahams: Thank you very much for that, Pauline. I am going to move on to ask a broader set of questions.

We have just heard from the previous panel, which was based on scams that happened before the current pension freedoms. This is to all the panellists now. I wonder if you feel that the type of scams that we have heard about this morning are still happening now, or have they slightly changed? Have regulations been brought in that you think tighten up some of the issues and provide more protections? Pauline wants to kick off.

Pauline Smith: I will, if I may. Yes, we have seen a change. We have seen a change in traditional what I would say are pension scams, where people are asked to take their pension from one scheme into another scheme. We have seen a change since the pensions freedoms came in in 2015.

I do not think we have the evidence to say totally yet, but it is more that people are being targeted around their pensions to now do investment frauds. Instead of taking a pension from one scheme into another scheme, we are now seeing that people are getting targeted to use their pension to, say, invest in fine wines, diamonds or the environment. We have seen that shift. We did see that shift again when the pension cold calling ban came in in 2019. For example, we would see between 100 and 150 pension scams per month before 2015 to now 30 to 40 per month, so that has dropped quite significantly.

The other thing we have seen change is that the amount of loss in a pension scam has increased. Before 2015 it was around £50,000 per person, now it is more towards £67,000 to £68,000 per person. We are seeing less of them but higher value.

The other thing we have seen change from before to after 2015 is that there seem to be more females targeted. Before 2015, around 23% of those scammed were female. Now, 42% of those scammed are female. We do not have the reason for why that is; perhaps it might be that we work longer so our pension pots are bigger and that sort of thing.

Debbie Abrahams: Thank you, Pauline. Do any of the other panellists want to add to what Pauline said?

Rick Muir: Just to say, Ms Abrahams, I agree with everything Pauline has said. Our report on pension scams, which we have published recently, found there has been this shift towards more generic investment scams because now people are able to have greater flexibility with their funds. Criminals do look for opportunities to exploit changes in legislation, policy and so on, and that appears to have happened in this case. We have seen a shift towards the vast amount of money that is now available for people to invest in different ways and, of course,



HOUSE OF COMMONS

fraudsters and others engaged in sharp practice are going to exploit that, which is what appears to have happened in the last few years.

Debbie Abrahams: Thanks Rick. What about Neil?

Neil Postins: I would just echo that.

Q188 **Debbie Abrahams:** Can I move on to the other aspects of the questions, if that is all right? Are there any lessons that we need to learn from these new scams that are coming up, particularly in relation to victims' experiences and also in terms of successes that we may have had in terms of being able to crack down on these types of scams?

Rick Muir: One thing I would say, following on from what Pauline has said, is that we have been working on fraud for quite a long time and I think there has been an improvement in the Action Fraud service. Certainly, the development of the Economic Crime Victim Care Unit is a really positive development and is something we are very supportive of. I think there has been an improvement, certainly since the experiences that Dennis and Sue have seen. We have had the ban on cold calling, which I think should also have had an effect. However, of course, fraudsters will always find new ways of trying to reach people, so you are constantly having to keep up with them. I think there has been improvement.

We have seen this new regulatory change, pension freedoms, and I think insufficient attention paid at a policy level to the potential impact of this on crime. I think there is this idea around that people are really well informed and they understand pensions. The truth is most consumers out there—I include myself in this; I am not patronising anyone in saying it—really do not understand pensions. Pensions are complicated with risks and gains. All of us, I think, struggle with them. We do not think about them very much. We have all of a sudden been given much greater flexibility about what we do with them and we are not being provided sufficiently with impartial advice. That is the key thing; the key thing is around prevention. I do think we need to invest more on the law enforcement side so people like Pauline and Neil can do more, but at the end of the day prevention is the key to it and that is where we get into stopping this stuff happening when people want to transfer the money. I think that is the key thing for the future.

Q189 **Debbie Abrahams:** Thank you. What about successes? How successful are we in cracking down on pension scams and how quickly?

Rick Muir: In my view not successful enough because I think what we have seen is that we have not caught up with this change in the nature of the scams. What we are seeing now is the emergence of all of this unregulated advice that is taking place, where people are being persuaded to move money into schemes that may be really disadvantageous or may be criminally fraudulent. We are now having to catch up with something that has been allowed to explode in the name of consumer choice and freedom, which is great, but alongside that we need to protect people as well and I do not think that is there at the moment.



HOUSE OF COMMONS

Debbie Abrahams: Neil, do you want to add what you think the successes have been and how good we are at tackling them?

Neil Postins: From a generalised position, if I focus on what we have done for victims, as Pauline said, we have engaged with 81,000 victims since the National Economic Crime Victim Care Unit came into being. For example, from April this year, because of the education in terms of protect and prevent advice that we share with victims, we have had 28 of those victims come back to us this year having received suspicious phone calls or suspicious e-mails. As a result of the conversation and the time we spent with them initially, they have genuinely become concerned about those phone calls. We are proud of the fact that 28 of those victims have been prevented from becoming repeat victims.

From another perspective, it is key that we mention some of the work that we do with industry and our colleagues within City of London Police who look at suspicious websites and suspicious banking transactions, working with the financial sector to identify bank accounts that we are suspicious of so they can be actioned by the banks. There is a lot of prevent work going on that I think should be seen as successes. That is not necessarily aimed at pension scams, I appreciate that, but from a general success perspective there is a lot of work going on, on behalf of victims, and hopefully to prevent future victims.

Chair: Thank you. Can I bring in Sir Desmond Swayne's question at this point and then perhaps Pauline might want to comment as well?

Q190 **Sir Desmond Swayne:** What distinguishes pension scams from other forms of financial scamming, and what has been the effect of the pension freedoms on that distinction?

Pauline Smith: There are a lot of things that are very similar when we look at pension scams and investment scams. The method of contact is very similar and the complex planning is very similar, whether it is a pension scam or investment scam. We differentiate it in policing around whether it is a pension scam, but I think they are one and the same. The pension scam itself is around the fraudster targeting somebody for their pension. I also think it is important to look at the impact on the victim. It is high-value loss for the victim, whether it is a pension scam or an investment scam, and I think the impact can differ as well. Those are the main things: they are pretty similar.

I think the changes that we have seen before and after the pension freedoms are around where a victim has a choice in where to put their money now. It was restricted slightly before—you did not have the choice—so that is where a fraudster will target a victim now, to put their money into different things, so it gives people an opportunity.

Going back to what was said earlier around prevention, I think that is the main key and the challenge, to make people aware of how they can protect themselves but still have a choice to do what they want to do with their pension fund, if that makes sense, Sir Desmond.



HOUSE OF COMMONS

Rick Muir: Pension scams are distinctive from other types of financial fraud. One of the main ways they are distinctive is the sheer financial impact on the victim. If you look across different fraud types, these have some of the highest impact in terms of the financial losses because obviously what is being targeted is normally people's second-most significant asset beyond their own home, so the losses are significant. In a survey that we did of pension companies, we found an average of £50,000 loss per victim. The police figures show that to be a bit higher. Therefore, these are very significant losses and I think that marks out pension scams.

The other way in which pension scams are distinctive is that there is no compensation when you lose the money. I think you can distinguish in fraud between high-volume, low-harm fraud, which is a lot of things like credit card fraud and stuff like that, which we all get. It is very high volume, it is normally quite small amounts and normally the banks cover it, so in a sense through the banks we are insuring ourselves against those normally relatively small losses from those types of high-volume fraud. However, with pension scams fraud it is lower volume but higher impact and there is no compensation, particularly if the scheme is not a regulated scheme. There is no way of getting the money back normally. Therefore, the impact of pension scams I think is very significant and that makes it distinctive from some other types of financial fraud.

Q191 **Sir Desmond Swayne:** What is the main way in which the scammer makes his money, and what is the relationship between the amount that the victim loses and the amount the scammer himself actually makes?

Rick Muir: It is very complex. There are different ways in which they do try to make their money. There is the pension liberation stuff, which we talked about with Dennis and Sue earlier. In the investment scams, which have grown more recently, you have a mixture of different things. At one end you could have people investing the money in stuff that does not exist, is completely fraudulent or has no value and, therefore, they lose the money, so they take all the money or most of the money. Then there are people who are playing a longer game. Sometimes this might not be criminal fraud or it might be harder to prove criminal fraud because there might be cases where people have very complex schemes, where there are lots of different layers to them and different people are pilfering money at different points through excessive charges and that kind of thing. Some of that might be more at the end of sharp practice rather than criminal fraud.

As I say, some of it is outright taking all the money or it might be stuff that is disadvantageous to the investor and people tricking them into a scheme where there are excessive charges and so on. That might take place over a considerable amount of time and obviously it might be very hard for someone to notice that has happened.

Q192 **Sir Desmond Swayne:** What I am trying to get at is, if we are successful in driving down pension schemes, to what extent do we merely transfer that activity into other kinds of financial fraud?



HOUSE OF COMMONS

Rick Muir: There is always that risk, Sir Desmond, because fraudsters will tend to operate across different crime types. We know that with cyber-crime and fraud, organised crime groups are looking for different opportunities, so it is true that as soon as you try to close down one opportunity, you may open up another. We know from other types of crime that you constantly have to prevent it and make it harder to do it. Reducing those opportunities is the key thing. Yes, there is a risk they will move on to something else, but you still need to act on obvious loopholes and opportunities where you can see them.

Q193 **Chris Stephens:** My question is for Rick about the Police Foundation's report. Rick, I think you heard my question to victims in relation to HMRC's role. In the report the Police Foundation has put together, it says its approach to scam victims is, "unrelenting and uncompromising". What impact do you think that approach has on pension scam victims?

Rick Muir: I think it is a case of double victimisation. We are talking about people who have lost a significant amount of their life savings and it is putting them in serious financial peril. We have heard about the financial and psychological impact of that on people from the witnesses earlier. For HMRC to then pursue people for tax liabilities when these people, as we heard earlier, have often been tricked into believing that there is no tax penalty, they were able to transfer the money without tax penalties—some of these schemes have been registered with the Pensions Regulator and with HMRC, yet they are then being pursued by HMRC without any real taking into account of what they have been through. I think that is wrong. We need to find a way of having a more nuanced and sensitive approach to people who have been victims of pension scams.

Q194 **Chris Stephens:** Perhaps to ask a question that Sir Desmond asked, is there strong evidence that victims are deterred from coming forward or engaging with police investigations due to the fear of that double penalty, as you put it, Rick, of being hit with tax bills?

Rick Muir: Absolutely. We found that in our research there is clear evidence that people are not reporting because they fear the tax penalties that might be imposed. We want to encourage people to report; we want to encourage people to have their concerns addressed. I think HMRC's approach is an obstacle to that happening.

Q195 **Chris Stephens:** Rick, is there a ratio in the report of people who are scam victims having either a positive experience with HMRC or a negative experience?

Rick Muir: No. To be honest, we did not find anyone who said anything positive about their experience with HMRC. We did not speak directly to victims. We spoke to police officers who had been working with victims, and it was they who told us about the impact HMRC's approach was having.

Q196 **Chris Stephens:** Thanks, Rick. Chair, could I ask a question to the other panellists? As HMRC is no longer a member of Project Bloom, which is



HOUSE OF COMMONS

obviously a Government-led taskforce set up to prevent scams, is that a problem?

Pauline Smith: I do not have the level of detail around why HMRC is not on Project Bloom, I am sorry, Mr Stephens. I can find that out and report back to the Committee. I am not sure whether it is a problem. I would need to take a look at that

Chair: That is fine. We can ask them that, Pauline. I think the question is whether it is weakening your efforts in Project Bloom.

Pauline Smith: I do not know the answer to that, sorry, Chair. What I was going to say is that I do know that it does have some involvement. The City of London Police is the founder of the multi-agency campaigns group, and I know that HMRC sits on that group to put out protect messaging for victims. I am not totally sure. I would need to get back to you on that one. I do not think it causes a problem, but I would not like to say completely.

Q197 **Selaine Saxby:** This is to whoever would like to answer it, and if you have a different answer that would also be interesting. If a person thinks they might have been the victim of a pension scam, who should they contact, and is it then the victim's responsibility to find out what other bodies might be able to help them?

Pauline Smith: Yes, if you have been a victim then please contact Action Fraud. We will advise you at first point of contact on who you might need to contact afterwards. If you contacted us early enough and it is a scam that involves perhaps taking money out of your bank account, through an operation called Operation Recall we will, on your behalf—we will ask your permission, of course—contact your bank and freeze your bank account so that money cannot be moved out of that. That operation in itself has saved about £5 million of money being taken out of people's bank accounts. We freeze around 300 to 400 bank accounts per month on average. Last month we froze 618 bank accounts. Therefore, yes, please report it to Action Fraud and we will give that advice at the first point of contact.

Selaine Saxby: Thank you. Are there any different views from the rest of the panel?

Neil Postins: To follow up on a comment Pauline made around Operation Recall, we also are looking at and working on a project that looks at money at risk. Within a certain amount of time, if a victim is reported, we will look to support the victim in terms of recovery of those funds immediately. I do not have a great deal of information with regard to that, but we are looking at a money transfer within 24 hours to 48 hours maximum. That is something we are looking at, at the moment, which would also support the work being done by Operation Recall.

Q198 **Selaine Saxby:** Neil, the next part of the question is really for you. Is there any other support that pension scam victims could normally expect to receive, and are there any barriers to you providing the type of support you would like to give the victims?



HOUSE OF COMMONS

Neil Postins: What we offer is bespoke. Our staff are trained in relation to fraud. They go on an eight-day training course to familiarise themselves with the different fraud types. Then what we will do is work with the victim to understand the type of fraud they have been subjected to and also look at the different types of fraud that they may be subjected to following. For example, for an investment fraud, then the victim may fall foul of a recovery scam where someone will ring them up and suggest they could get their money back for a fee. We make the victims aware of that. What we also do is signpost them or on occasions directly refer them to other agencies that we feel may be able to support them in relation to asset recovery or greater support in terms of their financial circumstances.

Picking up on an earlier question, the impact on a victim is far greater. Obviously, the scammer ends up with the victim's identity and their money. The impact on a victim can be long lasting, as we heard from Sue and Dennis earlier. We try to support that victim through engagement support and empowering them to look at what they can do themselves to help them recover.

Are there any barriers? We work across a broad range of partners. We can always improve and we are always looking to improve. I would have to go away and think about the question about any barriers, if that is OK.

Q199 **Chair:** Thank you, Selaine. Rick, do you have any comments? On the basis of your research, is it right that people should go to Action Fraud, or are there other things they ought to be doing if they become the victim of a scam?

Rick Muir: I agree with Pauline: I think Action Fraud is the first port of call. In the past there were lots of criticisms of Action Fraud and I think Pauline has described how it has moved from being a crime-recording service to something that is more of a public-facing service, which I think is very much the right direction of travel.

The key thing now is the National Economic Crime Victim Care Unit. We are a very big supporter of that. What was happening before—we heard from Dennis about his experience—was people were getting referred to generic victim support services that were not very specific to being a victim of fraud. Victims of fraud have some very specific concerns, principally, "Can I get the money back, please?" Being referred to a generic victim support service is not going to be very helpful. The kind of work that Neil and his team are doing is a big step forward and we very much want to see that spread out across the system.

I think the first port of call, if you have been a victim, is to report it to the police through Action Fraud. They—or indeed if you are then referred on to the victim care unit—can help you navigate what you might do next. The problem is that there are so many bodies involved in terms of regulators and so on that it is very complicated to navigate and very frustrating for victims. Therefore, I think going through that first port of call is the right place to go first.



HOUSE OF COMMONS

Q200 Steve McCabe: Good morning. I want to ask about the Pension Schemes Bill. It obviously envisages this power for trustees to block the transfer of pension funds. Can I ask each of you in turn: what impact will that have?

Rick Muir: I am very supportive of that. One of our recommendations is to give trustees the ability to override the right to transfer. My understanding of what has been proposed is that that is now being supported by Government. That is welcome.

The key moment to stop these scams from happening is to stop the transfers. We have found in our research that even when people were being warned, sometimes pension providers were not warning people particularly effectively at the point of transfer, so sometimes they would just send them a letter rather than talk to them over the phone, which we did not think was particularly sufficient to underline the seriousness of what might be about to happen to them. There is a need to improve the process at that end.

Then, of course, we found that about 60% of people who were warned were still going ahead with the transfer anyway because they had been persuaded by the scammer that the pension fund is not on their side and has a vested interest in trying to stop it from going ahead. I do support what I understand is being proposed now, which is to enable the pension provider to block that statutory right to transfer. That is the key moment for stopping these scams.

Pauline Smith: Mr McCabe, I do not think I can add to that. I agree with Rick. It is a good thing, definitely.

Neil Postins: The only thing I would say is anything that becomes available to protect victims would be a good thing. I am not overly knowledgeable in this area, so I would not be coming from a position of strength.

What I would pick up on has just been said. For those victims who fall foul of pension scams, the scams are really convincing. We see that in other crime types—for example, dating fraud, where victims are persuaded to send money to people they have met over the internet. That, again, is a very impactful crime for the victim. I think anything that allows an opportunity for the victim to stop and think and have the opportunity to just reassess where they are going with that funding would be a positive thing.

Steve McCabe: A kind of cooling-off period?

Neil Postins: Yes. There are quite a few campaigns that are run. For example, Take Five, where you have a phone call and you are asked to take a few minutes off to think about the content of that call. A cooling-off period would be really good. I am guessing it would be quite frustrating for some people if it is a genuine transfer, but I think on the whole anything that would protect a victim and their finances would be a good thing.



HOUSE OF COMMONS

Q201 **Steve McCabe:** Rick, I wonder if I can just ask one other question of you. I noticed when you were answering one of my colleagues earlier you appeared to suggest that it had been a mistake to legislate for pension freedoms without also legislating for tighter advice and regulation. Is that your view? Have I characterised it correctly?

Rick Muir: Yes, I think it is my view. My view is that we need to provide sufficient protections so that people can exercise—I am not against the freedoms, per se. I do think a requirement to override the right to transfer is important, and that was not in place, and I think that should be in place.

The use of Pension Wise to provide advice to people before they transfer is impartial advice, and my understanding is that the intention was that many more people should be using that impartial service and they are not doing so. Very small numbers are using it. Potentially, even an automatic referral to Pension Wise—I know there would be resource implications and so on from doing that, but such is the seriousness of these decisions in terms of the amount of money that is at risk. Introducing more impartial advice into the system would be another protection.

I am fine with keeping the freedoms, but we need to build some greater protection into the system.

Q202 **Steve McCabe:** A requirement for advice or for guidance. Is there anything else in your report that has not been picked up by the Pension Schemes Bill that you think would make a real difference?

Rick Muir: We also argue—it is a bit outside the remit of the Bill—that there needs to be a central intelligence database for the private sector to be able to share information, which it is not doing sufficiently at the moment, so pension companies being able to share information about scams and suspicious activity and so on, and also for law enforcement and the regulators to be able to co-ordinate their work a bit more effectively. I know we have Project Bloom, but I think having some kind of database that brings together information from the pensions industry and then enables the industry to take more co-ordinated action but also enables the regulators and the police to be able to prioritise effectively and be more proactive in trying to tackle this. Having that information in one place would be another big step forward.

Chair: Thank you, Steve. Shaun Bailey has some questions on that very point.

Q203 **Shaun Bailey:** Rick, just coming back to you, I am looking at the results of the survey the Police Foundation did around how information collected on scams is used by companies. I have noted that when it comes to reporting these scams, if we look through the headlines: reporting to regulators, 57.6%; sharing with the Pension Scams Industry Forum, 51.5%; reporting to law enforcement, 45.5%; and sharing with other pension providers to prevent further attempts by scammers, 21.2%.

I know there have been calls for a central intelligence database. If that



HOUSE OF COMMONS

were to come to fruition, do you think that the industry would participate in it on a voluntary basis, or do you think there would need to be more of an enforcement approach? Some of these numbers are quite low, to be honest, in terms of how data are being shared.

Rick Muir: A really good question. I would be happy to pursue it on a voluntary basis in the first instance, but if we did not see an increase in the levels of reporting, then clearly Parliament and Government would have to look at it again. There needs to be an expectation that people will share information to protect pension savers, and that needs to be baked in. I would be fine to do it voluntarily at first, but ultimately, if that did not prove to be effective, then Government would need to take action.

Q204 **Shaun Bailey:** Do you think the current, reasonably low level of reporting is basically because the TPR has told us that there is no actual requirement for providers to currently report scams? Do you think that is the main reason why this reporting level seems so low?

Rick Muir: Yes, I think so. There is not really a requirement on them to do it, and that needs to change. Whether that is a clear expectation or whether it is a legal requirement, I do not know. Clearly, the expectation needs to be that people should be reporting these incidents and sharing information.

Q205 **Shaun Bailey:** Great. Going back to this idea of this central intelligence database, how would that differ from the data that are currently collected by Action Fraud?

Rick Muir: What we are trying to do here is get information from the industry, which is not currently reporting it to Action Fraud. We are trying to have a system whereby industry is systematically reporting suspicious activity, concerns and red flags—all of the things that are not currently being shared with the police through Action Fraud. It would be a database that would bring all of that together, to which law enforcement would also have access, and that could help them prioritise and gather intelligence and guide their work.

Q206 **Shaun Bailey:** If I am understanding correctly, it is basically a bit of an integrated approach to how you—

Rick Muir: Yes, absolutely. It would integrate. At the moment, victims are reporting things to Action Fraud, although we still know there is massive under-reporting. Industry is holding up its information in its own little silos and is not sharing that information, either with each other or with the regulators and the police. All of that needs to be brought together so that we have a clearer picture of trends, activities, suspicious actors and so on.

Q207 **Shaun Bailey:** Just turning more widely now to individuals who are carrying out some of these activities, do you think introducers should be regulated?

Rick Muir: Yes, we do say that in our report. It is a complex area, and I know regulating this kind of thing is difficult, but I do think that there



HOUSE OF COMMONS

should be some regulation of people who are introducing people to others who are giving regulated advice. I do think that the Financial Conduct Authority needs to be proactive in policing this space, because at the moment there are many people who are acting outside of any regulatory purview, and there is very little proactive approach to them. I think that does need to change.

Q208 Shaun Bailey: That is really interesting. Also, something that I think the Police Foundation has said previously is that the boundary separating formal, authorised advice and sales advice is quite ambiguous. Under article 33 of FSMA, as long as a financial introducer directs someone to an authorised adviser, that is still okay. Do you think that that current set-up—I know you have briefly touched on it—is a systemic failure, a regulatory failure, an anomaly? How do you think that currently works? For many users, many victims as well, they are taking these decisions sometimes having just met an introducer and then going forward from there. I am just wondering what your view on that was and how we have got to that scenario, if that makes sense, given the wider financial framework that we are in at the moment.

Rick Muir: The introducer has emerged because of the way the regulations are devised at the moment. Trying to bring that together and have a more coherent approach that encompasses those activities within the purview of FCA regulation, I do not know how, technically, that would be done. The FCA and others would have to be consulted, clearly, but at the moment there are many people acting outwith the purview of that regulation, and that needs to be tackled.

Q209 Shaun Bailey: Great. Finally from me, the FCA acts as the regulator but it also acts as the enforcement agency as well. We know that, at times, the FCA's enforcement side of this has been somewhat wanting, particularly around its work on financial promotions. How do you think that should be addressed? Do you think that enforcement element should maybe be taken away from the FCA or there should be some sort of a new enforcement agency that deals with this? At the moment, it seems to be quite, I would not quite say "judge and jury," but operating with two hats on.

Rick Muir: I do not know whether it would make sense to set up a new body, but I do think you are absolutely right that there is not sufficient enforcement. If that is a resource issue, then that needs to be addressed, but it is quite clear that it is not at the moment being proactive enough in dealing with these people who are tricking people out of a lot of money and who are often providing regulated advice without the right credentials. I do think that needs to be tackled. No doubt the FCA would say it needs more resources if it is going to be doing that. That is another discussion. Whether it is giving it more resources so that it can do it more effectively or making its responsibility clearer or setting up a new body, we could start by making it very clear that that is the expectation of Government and that, if necessary, the FCA needs to have the resources to carry that out.



HOUSE OF COMMONS

Shaun Bailey: That is great. Thank you.

Q210 **Chair:** Can I just pick up a couple of final points? Rick, your idea of a central database of intelligence on scams: who do you think should run that database? Do you think the industry should do it?

Rick Muir: It is a good question, and of course it is a difficult question to answer because of the complexity of all of the different agencies involved. We have the FCA and we have the Pensions Regulator. Project Bloom sits under the Pensions Regulator. It may make sense, therefore, for it to be with it, but of course we know that the FCA has a very important role there as well. The police obviously have a role across all of this. It might even sit with them. I do not know, to be honest.

I would say there are two things that we need this database to do, and one is to enable the industry to share more information and to know more. Industry needs to input into it and to have access to the information, and it also needs to enable the regulators and law enforcement to collaborate more effectively and to coordinate their efforts more effectively to work on the basis of that intelligence. All of those groups need to be involved. Where it sits, we did not get into that, but, as I say, it could be one of the regulators. It could sit with even the police. That is a practical point that will need to be worked through.

Q211 **Chair:** You have made a very clear call for better co-ordination between all these different bodies that are involved. I think Project Bloom is an attempt to deliver that co-ordination. We have heard that HMRC perhaps was involved, but it is not involved any more. What is your sense? Is Project Bloom helpful here? Does it need to go further to achieve the co-ordination you are asking for? How would you sum that up?

Rick Muir: Project Bloom is a good idea to bring everybody together, and so its existence is a step forward. There is lots of work, particularly around public awareness and all of that, which it is overseeing, which is very useful.

What we need more of is for that co-ordination to steer more of the operation activity, the activity within the industry and within law enforcement and by regulators. I just think the whole thing needs ramping up a significant notch. A database would help with that as well. I do not have a problem with Project Bloom; I just think we need more action to follow from the collaboration that we are seeing.

Q212 **Chair:** Fine. Thank you very much. Pauline, a final question to you. Is Project Bloom a big part of your work? Do you spend a lot of time co-ordinating with these other bodies, or is that rather separate from what you are doing?

Pauline Smith: Yes, we do spend a lot of time, and we are in the process of working with the pensions industry to look at getting bulk reporting of these types of scams. It could mean to us another 100,000 reports going into our system to, as Rick says, enrich what we already have. Yes, it is really important to us that we all pull together in the same direction, and we are working tirelessly to do that. As Rick says, we need



HOUSE OF COMMONS

more action. It seems like it takes longer than it should. However, it is really important to us because, by joining together, I think that is the only way that we can have some strength to at least try to combat this type of crime.

Chair: Fine. Thank you all very much indeed for giving us a very interesting evidence session and some useful ideas for us to pursue and think some more about as well. That concludes our meeting.