

Work and Pensions Committee

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

Wednesday 27 January 2021

Ordered by the House of Commons to be published on 27 January 2021.

[Watch the meeting](#)

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

Questions 266 - 324

Witnesses

I: Guy Opperman MP, Minister for Pensions and Financial Inclusion, Department for Work and Pensions; Emma Varley, Head of DC and International Private Pensions Policy, Department for Work and Pensions; and Pete Searle, Director, Private Pensions and Arm's Length Bodies, Department for Work and Pensions.

Written evidence from witnesses:

Department for Work and Pensions [PPS0070](#).



Examination of witnesses

Witnesses: Guy Opperman MP, Emma Varley and Pete Searle.

Q266 **Chair:** I welcome everybody to this meeting of the Work and Pensions Select Committee. I would like to warmly welcome the Minister, Guy Opperman. Thank you very much for joining us for this last session of our inquiry into pension scams. Welcome to your colleagues as well. Guy, do you want to introduce them or shall we ask them to introduce themselves? How do you want to handle it?

Guy Opperman: Shall I introduce myself? I have to make one disclosure as well. I am Guy Opperman. I am the Minister for Pensions and Financial Inclusion. I probably ought to disclose that for many years I was a criminal barrister representing, prosecuting and defending on behalf of and against the Government in many types of *[Inaudible]* and financial fraud cases. I have done an audit because it is a very long time ago—10 years ago. I do not believe that I have any ongoing cases, but I should put that on the record that I have that in my past.

I have brought with me Pete Searle, who is the overall director in charge of this particular part of the programme, and Emma Varley, who is the person who has been doing the nuts and bolts in terms of the Pensions Schemes Bill and the scams work that we are doing and can particularly speak to the specifics on transfers and the particular points that we are trying to raise on this.

Q267 **Chair:** Thank you all for being with us. I will start with the first question. We have heard in the course of this inquiry that less than 1% of the funds lost to pension scams are ever recovered. There was a report on fraud published yesterday by the think tank RUSI, which makes the point that fraud is “everyone’s problem but no one’s priority”. That rather reflects the evidence to this inquiry specifically on pension scams. There is a confusing plethora of agencies looking at pension scams, but no one seems to be getting on top of it. Project Bloom seems to be the closest that we have. Minister, shouldn’t that have dedicated funding and a clear mandate and powers to try to get on top of this problem?

Guy Opperman: You raise a lot of points in that particular question. I will start with a few preambles and then I will get on to Project Bloom.

The first thing to understand is that there are a variety of different types of things that constitute a pension scam. What we have been discussing and debating—and I have read some of the records of your transcripts—talk about various different things. Some is, frankly, criminal activity, which the police need to pursue, the traditional type of crime that should be pursued under the Fraud Act or the Theft Act and which requires proper prosecution. Secondly, there is regulatory breach, which is a matter for *[Inaudible]*—a great deal of work to ensure that the matters that the DWP controls through section 125 of the Pension Schemes Bill are matters that then can be actioned in a regulatory way. The third is



HOUSE OF COMMONS

then a grey area, a difficult area, which I know you have examined in your evidence, where an individual receives advice to invest in a particular way and that advice is either, as some people have talked about it, in a grey area or questionable. Of course, that advice is actionable through a civil action against the *[Inaudible]* or it is actionable through a variety of means. There are a variety of different ways that individual pension scams can then be actioned, depending on the severity and the nature of them.

You raise Project Bloom, and I know that that is a matter that we will discuss in more detail. It is something that has been ongoing for a while. Reading the evidence as I have, the view of the Committee I think would be that Project Bloom needs to be increased in its capability; it needs to have much greater force about it. Certainly, it is funded already through TPR and the FCA and the work that they do, but it does not have a direct form of specific funding over and above the money that we give through the taxpayer through the levy to the FCA and TPR.

Do I think that we need to do more with Project Bloom? Yes, unquestionably, I do think we need to do more with Project Bloom, but there is an issue as well about the nature and the difficulty of trying to action pension scams. They are very different in a variety of different ways. I will give you an easy example. Traditionally, we had a real issue with cold calling. Those of us who have been in the House for a couple of years will have been party to the Financial Guidance and Claims Bill, which brought in the measures that the Treasury then implemented to address cold calling and ban cold calling. That has had a significant effect and that is then actioned in the form of fines and work done by the regulators. Indeed, I think that one Swansea company received a fine of several hundred thousand pounds fairly recently. It is those individual actions by individual regulators that then can make a significant difference on an ongoing basis.

Q268 **Chair:** You have accepted the case for strengthening Project Bloom. Do you accept as well the case for some dedicated funding for it so that it is not dependent on contributions from constituent bodies?

Guy Opperman: No disrespect, but it does have dedicated funding at the present stage. It is funded by the FCA and TPR. The question is, therefore, whether it should have a larger budget in a specific funded way. Should that be from a levy? Should that be from taxpayer funding? More particularly, the wider issue, which I am sure we are going to come on to, is who should take overall responsibility for running and implementing enforcement of data and an understanding of what the trends are in pension scams, of which Project Bloom has done as good a job as it possibly can do, but I think that everybody agrees that it could be doing a better job. I think that it needs to have greater co-operation with Action Fraud and greater co-operation with the various Departments. You will be aware—and this is the difficulty; I am sure that I am going to be asked to answer for every part of Government but I will attempt my



best—that some of this relates to the Department for Work and Pensions, and some of it relates to the Home Office in the way it prosecutes people and the City of London Police reports to the Home Office. I think that James Brokenshire was the Minister; I am not quite sure who holds the brief. I think that Susan Williams is presently holding the brief on that City of London Police and pension prosecution work.

There is also then what is quite clear from the evidence of Margaret Snowden and the gentleman whose name escapes me—I think it is Mr Hazlewood from Aviva—that online scams in terms of fake websites are without a shadow of a doubt the biggest problem right now. That is clearly a criminal activity, but it is also a problem because of the issues that we all understand with Google having fake websites set up that fool even staff members of Aviva.

Q269 **Chair:** We will certainly come on to that. On this point about better collaboration, the Pensions Regulator and others, including the Police Federation, have proposed that we should have a pension scams hub database so that everyone involved can share intelligence. Is that something that will be done, and who will do it?

Guy Opperman: I don't think that I am divulging information unfairly. I spoke at great length to Margaret Snowden, who you and I know very well, who runs PSIG and who has been a driving force and gave evidence to you earlier in these proceedings. I spoke to her at great length yesterday. I would not on this occasion agree with TPR and the Police Federation. The reality, I think, is that you already have Action Fraud. I know that there is criticism—and I have read the transcripts—of Action Fraud's efficacy in the past, but if what we are addressing here is fundamentally crime, then the driving force, in my view, has to be catching those criminals. The way that you do that is you take an institution, Action Fraud, and you take Project Bloom, both of which, the impression is given from the transcripts that I have read, could do more to up their game to address these things. I would not want to reinvent the wheel at this particular stage. I would like to take the organisations that are up and running—that are doing a job—look at how we can improve that and see if we can't use the data that is on Action Fraud better. It clearly has a lot of data, there is no question. Can we then harness Project Bloom, fire that up in a better way, and make sure those things work together?

I have one more point and then I will stop, I promise. The third point is that clearly industry has to do a great deal more. The striking thing for me is this. PSIG has done a very good job. There were about 44 different organisations who were part of its data sharing, and that is now up to about 50, but the practical reality is you would need about 200 of the organisations that are part of industry for there to be real coverage of every part of that industry. In other words, you have about 150 firms who are not providing their data and are not contributing that data. Once you get over that line and you get industry data back up to speed, you



HOUSE OF COMMONS

get Project Bloom fired up in a much better way and Action Fraud working in a better way, channelling into proper prosecutions, then I think that you really have something.

Q270 **Chair:** I think that you are saying that there should be a database, and it should be Action Fraud and Project Bloom that run it between them. Is that correct?

Guy Opperman: There is a lot of cross-departmental work that needs to be done. I know I am a politician and a Minister and I would say this, but I think that it genuinely needs to be done. You have to try to get all the different Departments around the table and say, "How are we going to institute this? Who takes operational command? How do you split things up?" The difficulty with the TPR proposal is that it is pension specific, whereas a lot of this, as the Aviva gentleman made very clear, is not actually to do with pensions—95% of the problem at the moment is fake websites.

I would like to say, and I think that the evidence will show, that the 5% of the problem which is transfers, we are dealing with. That is the whole point about the Pension Schemes Bill. The transfers, which are entirely within my domain and the domain of the regulator, we can resolve and we are resolving with section 125 of the Bill. Yes, it is entirely right that we should have dedicated pension information and TPR should be absolutely front and centre of that. There is no question whatsoever. Given that 95% of the problem at the present stage—and I am sure we will come to the fact that there is a massive difference between individual scams, and they evolve every year or two—is fake websites, then that is not a problem with TPR and a pension, of itself. It is a problem of a clone. That is the issue.

Q271 **Chair:** I have a final point, and I can see that Pete has his hand up as well. If I work in the pensions industry and come across what looks like a scam, where should I report that?

Guy Opperman: Action Fraud, Project Bloom, and I am hoping that you are going to be part of the PSIG 50 organisations. I just want to add something on that. Clearly, I have not spoken to the Secretary of State about this, but what Margaret and I agreed yesterday was that Ministers have—how can I put this delicately?—lots of influence and sometimes we have some power, but the influence does matter. It has been very successful in the past where we have written to people and said, "Can you please explain why you are not part of something?" I did it very successfully about 18 months ago with ESG—the environmental, social and governance regulations—when I wrote to a large number of companies saying, "Why do you not have an ESG protocol? What are you doing on climate change? How are you changing your pension?"

What I propose to do is to get the list from Margaret and write to the 150 other companies and organisations and say to them, "Why is it that you are not part of the data sharing that PSIG is running?" I think that will



HOUSE OF COMMONS

galvanise a great deal of change in a quick amount of time. That will make a big difference. Yes, Action Fraud is key and, yes, Project Bloom needs to be better, but I also feel that industry has to share the information better.

Q272 **Chair:** I ought to be reporting it to three places—is that right? Action Fraud, Project Bloom and PSIG.

Guy Opperman: It depends on the nature of the individual problem. This is such a many-headed hydra, as we all have known and discovered through this, that there are differences. There is no one scam that is going on right now, and that is the problem. The moment you shut one down—cold calling is a good example. Cold calling was a massive problem. We have stopped that now, by and large, with the odd transgression that is the form of prosecution since. In reality, we have changed that dramatically. I should probably stop there and let others come in.

Chair: Pete wanted to make a comment, and then we will have a question from Nigel Mills.

Pete Searle: Yes, it links with the point that the Minister was making. The crucial thing for me is that you have data, like Action Fraud's data, but you also have insight and you have suspicion. All the relevant organisations—PSIG, Action Fraud, TPR and the FCA—come together in Project Bloom, so we want that information, data and insight to come together so they all have that. Yes, if providers see something suspicious, they should report it to Action Fraud, but we also want them, as the Minister says, to report it to PSIG so that it can be shared among other providers. If something suspicious is seen by Aviva, other providers will know about it as well and can be on the lookout for that sort of behaviour. It is about sharing data and sharing intelligence to enable everyone to act on it and protect vulnerable consumers.

Q273 **Nigel Mills:** Minister, I think that you have touched on all the organisations and the joint working. Would it help if there was an agreed definition of a pension scam? I think that you and the Treasury agreed to use a joint version, and then the FCA uses one that is slightly different. Doesn't that make this slightly complicated as well?

Guy Opperman: The answer is yes; in my view it would be a massive step forward. The difficulty is that the question is: what is crime, what is a regulatory breach and what is what I have described as a matter for civil action? Splitting those particular three things in any professional context is difficult, but it is not impossible.

It seems to me that we need to be really clear because matters of crime need to be actioned by the police. There are certain people out there who are the sort of crooks that we all deplore and we want them prosecuted and sent to jail. Regulatory breach is more complicated, but it is definitely something that can be actioned and it clearly can be a pension scam. Where I think it gets into a grey area is what I have called civil liability,



where any professional organisation, whether it is a trustee or a doctor or a lawyer, gives advice in particular circumstances and that advice is then deemed to be negligent or in breach of contract in whatever particular way or form. You then get into a situation where there is a potential recovery.

The final point I would make is that you still also have the ombudsman, and there is a potential claim that can be made to the FCF or to the ombudsman for particular recovery in circumstances where there has been maladministration or where there have been other particular problems. I agree with you that definition would improve, but you have to subdivide that into the different types of particular actions that follow. Other sectors and other professions have done this before and I do not see why we can't do it.

Q274 Nigel Mills: Do you have an assessment of what you think the scale of the pension scam—I won't say industry—issue is? From the evidence we had, there was a feeling that it was much more widespread than the data seem to show. Is that an assessment you would concur with and, if so, how do you think we could get a real understanding of the scale of all the various definitions of scam you just talked about?

Guy Opperman: I will let Pete come in in a second, because he has the overall dealings with the various organisations on a regular basis.

There are two answers to that. The evidence, for example, in 2020—and TPR and the FCA have given the evidence to you—is that in reality the incidents and the reports to Action Fraud of pension scams have gone down. The stats are something like 116 as compared to 176 in the cohort period that they looked at; correct me if I am wrong.

The reality is, though, that with many pension scams you do not know that you have been scammed—sometimes not until five to 10 years later—because the investment that you have made on advice is not something that is realisable until after some considerable period of time. Some people realise, as one of your witnesses did, within a month or two, "I wasn't getting the correspondence that I was expecting as a result of the investment that I had made and, therefore, I was concerned and I then went to the south-east of England to see this particular venue, to have a look at this and to be in a position to action it." They discovered it within a month or two. The difficulty with scams is that you do not necessarily know that you have been scammed until potentially many, many years later, which makes understanding the scale of the problem very difficult.

You can do it on reported incidents, which is Action Fraud. Those are down. You can do it on supposition, as the police organisation did that gave evidence to you—the Police Foundation. I think that I called it the Police Federation before; they are slightly different. I am not totally convinced by its evidence, but there is clearly a significant problem that we need to deal with.



Q275 **Nigel Mills:** You said in response to the Chair that you thought 5% of the issue was transfers and that the Pension Schemes Bill would fix all that. Are you saying that in a year or so's time nobody will transfer their money out of a proper pension scheme into a scam, or am I misunderstanding that very generous and optimistic promise that you just made?

Guy Opperman: Clearly, the devil is in the detail, but I am going to go out on a limb here. I think that the measures set out in section 125, the four red flags that have been requested by PSIG, the approach that we have taken and the regulations that will come in by probably about September or October—that is my plan, and I know we are going to discuss that in more detail later—will significantly address the problem of transfers.

Can I guarantee that no transfer will slip through the net? I don't know. It depends on how well the trustees do their job. If the trustees do not do their job, that is a regulatory breach that can be actioned. That goes back to my point that there are types of work here: criminal offences, regulatory breaches and what I have called civil offences. Of the 5% identified and agreed by, I think, Margaret Snowden and the gentleman from Aviva, we at the DWP think we are addressing that with section 125 and the consequential regulations in the Bill.

My very strong hope is this: those are the things that everybody has identified to me, that is what Parliament has agreed are the things we should be doing and we should be able to sort them out. It obviously then depends on the trustees to do their job as required by regulation. You and I know that regulatory breach still occurs even when there are regulations. It is going to make a massive difference, though—massive.

Q276 **Nigel Mills:** Yes, and we all hope and expect it will. With hindsight, looking back five years, do you regret how quickly we rushed into pension freedoms? Do you perhaps think we should have [*Inaudible*] so we could have all these regulatory powers in place before we found all the problems, or do you think there was just no way of doing that five years ago, in hindsight?

Guy Opperman: You cut out, but I think that you are basically asking me: with the benefit of hindsight, did pension freedoms happen too quickly, and should we have had all these regulations in place at the very start? Is that a fair description of it?

Nigel Mills: Yes.

Guy Opperman: I think that possibly you should ask Steve Webb and George Osborne, but at the time I was a PPS—

Nigel Mills: I know what Steve would say.

Guy Opperman: Well, Steve would famously say that no one bought a Lamborghini, which I think is probably the line that he is best



remembered for in Parliament. The bottom line is this. I was a PPS to the then Home Secretary Theresa May, and I was running around worrying about homeland security and immigration at the time. I am probably not the best person to answer on whether it was the right policy or the wrong policy in 2014-15, post the 2015 election, in respect of how you brought in pension freedoms. I didn't get this job until 2017.

Don't ask me; the key document—and I was having a quick read through it—is the FCA's Retirement Outcomes Review. There is no doubt that the independent regulator did a very detailed appraisal of pension freedoms and retirement outcomes in June 2018. Clearly, events have moved on since then, but that was broadly supportive—I am summarising a 50-page report—of pension freedoms and did not show abuse of pension freedoms at that particular time. There has been no other definitive report criticising them on an ongoing basis. In fact, various other organisations—I do not have them to hand, but the various other regulators and organisations—have looked at pension freedoms and have not found them to be fundamentally abused.

There is one point I will make; I was going to make it later but I will address it now. You will be aware that the Retirement Outcomes Review and the FCA's work since has focused on what are called wake-up packs. Wake-up packs are documentation that is provided to the individual prior to them accessing their pension freedoms in a way that should alert them to the information so that they make reasoned and well-argued decisions. I welcome the work that was done, but I think that you and I, and I know the Chair and I, have discussed the fact that the problem becomes that the individual has made up their mind before they access the wake-up pack. They have started the process of accessing their freedom, and they have gone down a path.

The question is: do we try to intervene at an earlier stage? I am a massive fan of the mid-life MOT and my desire would be—I have discussed this with the FCA, and I have looked at the two corporate examples at Hargreaves Lansdown and particularly at Aviva—that the mid-life MOT, which looks at your wealth, your wellbeing and your work, should definitely be an opportunity at an earlier stage to get you to address the problems that are coming down the track but, more particularly, get you to have an understanding of the individual choices that you have and to access and take advantage of the unquestionably good things that are out there to give you advice or guidance on an ongoing basis.

That was a long answer to the freedoms question; clearly, Steve Webb might say something different.

Chair: Emma, your hand is up. Did you want to say something? No, okay. Selaine Saxby is next.

Q277 **Selaine Saxby:** Thank you, Minister, for coming along this morning. As Minister for Pensions, would you say that protecting people's retirement



HOUSE OF COMMONS

savings outside of pension schemes is part of your role? In particular, we have been contacted by a number of people who have lost their retirement savings after moving their savings abroad or have invested in foreign assets. How important is international co-operation?

Guy Opperman: I think that it is important. The key point, though, is to try to ensure that transfers, which is what you are referring to—a transfer to an international organisation—do not take place in these particular circumstances. A study of section 125 of the Pension Schemes Bill and the proposed regulations—and, if you do not have it, the letter that I exchanged with the Chair dated 6 October, which I think is in evidence in the pack that you have—sets out the specifics that we believe will address this particular point. The first thing is to stop them doing a dodgy international transfer; that is surely the key point.

There is then a legitimate question as to whether the City of London Police, which specialises in fraud and international fraud, is doing enough to liaise with its international colleagues. That is a question that I think you heard some evidence on from some of the team. I would certainly like it to be doing more and I think that there is more that it can do. It is a question, ultimately, for the Home Office and international co-operation, but my hope is that more would be done on that particular point. The key, surely, is to stop such an international transfer happening in the first place, unless it is a legitimate transfer in an appropriate way. Pete may have a better answer than I do.

Pete Searle: Definitely not a better answer, just a supplementary answer to the first part around the wider protection of savers. As part of his role, the Minister oversees the Money and Pensions Service, and part of its remit is financial wellbeing. It has issued a 10-year strategy around improving financial wellbeing. Part of that needs to prepare people from a very young age and at various life stages for the risks that they face from scams, be it smaller value scams or potentially very big ones with pension rights. We need to use that relationship, that organisation and all its effective guidance through Pension Wise and its activity through debt advice to make sure that we raise awareness. Raising awareness is so important in this area.

Emma Varley: To add to what the Minister said on the Bill, I just want to make the point that the Bill will give us powers to limit pensions being transferred abroad. In regulations, that is when we will require a member to prove that they are resident in the country the money is going to. I think that is a really key way of safeguarding consumers.

Chair: Thank you, Selaine. Sir Desmond Swayne.

Q278 **Sir Desmond Swayne:** Do you think that the public are aware that the crime of which they are most likely to be the victim is financial fraud and, comrade, is it part of your job to inform them?

Guy Opperman: Desmond, delightful to hear from you, as always. As everybody knows, we are all comrades in the House of Commons.



HOUSE OF COMMONS

Are the public aware? Could we do more? In my view, yes, of course we could do more, but the ScamSmart campaign has been very successful and the regulators and the individual organisations came together in May 2020 to try to make the case collectively that action was being taken to try to educate people. I do not have the data on ScamSmart to hand right now, but I know it is very good in terms of its cut-through and its understanding.

There are two wider points. A greater understanding of finance, of money and of what is some people's second or third most important asset, is something that we would love to do more about. Pension Wise does a great job. The data and the stats on Pension Wise take-up are going through the roof; it is very successful. It gives great advice and guidance, and it is something that is developing. The Money and Pensions Service, as Pete mentioned earlier, was formed following advice from the Work and Pensions Committee and the Treasury Committee to bring those individual organisations into one organisation—there used to be three, and there is now one—providing proper guidance. The Money and Pensions Service is a young organisation. It has only been going for a couple of years. It is clearly developing and it is getting better.

I come back to the key point for me, which is that there is definitely more that the state could do to educate people as to finance and their financial decisions at an earlier stage, prior to them exercising their pension freedoms and making decisions on retirement. The FCA is doing good work on that. The wake-up pack is a good example. Every individual will get that. People get a wake-up call, I think four months before their individual pension kicks in, but it has to start at an earlier stage. The evidence of the mid-life MOT that we have seen from the private sector shows very strongly that it engages people with long-term fiscal decisions that they need to make at an earlier stage and it educates them in a better way. That, I think, is something that we can do more of.

It is a big deal, though, to try to take a mid-life MOT. It is fairly easy for an organisation like Aviva to do it. It is a big deal to try to do that on a wider level. We are looking at that and it is something that I would love to take forward.

Q279 Sir Desmond Swayne: How do campaigns like ScamSmart fit into the overall Government information targeting campaigns from all sorts of other Departments? In that context, the Investing and Saving Alliance, while acknowledging the success of ScamSmart, said that in order to be “an effective force against pension scammers, a single body should operate with ultimate responsibility for setting and co-ordinating the approach.” Do you agree with that?

Guy Opperman: I think ScamSmart is doing a very good job. There is effectively a single body, but it goes back to the original question: what is a pension scam? There are different types of pension scams, with different actions required.



Now what we are referring to, in the main, are “be careful of a fake website” and “be careful of something that is too good to be true”. There is the use of influencers and social media to try to get that message across, and we need to do so, but that is not the only part of what we are trying to do to stop pension scams. With respect, yes, one organisation can drive this forward, but it has to have different messages for different people at different times to combat different problems.

Q280 **Chair:** Pete Searle, do you want to come in on this?

Pete Searle: Yes, briefly. First, on the figures for ScamSmart, which I think you have heard in the Committee from previous witnesses, the cut-through is 80%, so four out five 45 to 64-year-old pension savers are aware of the messages and have seen the adverts, so it is hitting the right people, and 77% of those people have understood the messages that ScamSmart brings. Those are the numbers that support the message the Minister gave.

I have just one other thought on the single-body approach. You can argue it either way. I think there is one other dimension that needs to be considered. If you form a single body, you pull resource out of the FCA, out of TPR and out of Action Fraud, and then you lose some of the connections with the heart of those bodies. Our approach at the moment is to bring people from those bodies together as well as being still attached to their bodies. One would need to think quite carefully about what the pros and cons were of different approaches.

Guy Opperman: Chairman, the evidence on ScamSmart, which was 80%, comes from Nicola Parish’s evidence. I cannot place my finger on it in the transcript right now, but I have a good note of it that she said there was an 80% cut-through on that, which for any campaign is pretty good. It is not 100%. Clearly one would want it to be 100%, but 80% is very good in these particular circumstances. It is run by the Pensions Regulator and the FCA jointly, within input from Project Bloom. I would not necessarily want to change that, because I think it is getting the two key regulators working together. You could look at how you could improve and expand on that but, putting it bluntly, I want everybody singing off the same hymn sheet but having different input as they come forward.

Chair: Chris Stephens is next.

Q281 **Chris Stephens:** I will resist the urge to call you comrade. I think that would damage both our reputations, Minister.

Following on from what you have been saying to Sir Desmond and how you just finished the last answer, I am curious about what role you see for the Money and Pensions Service and Pension Wise in providing advice and guidance and preventing pension scams.

Guy Opperman: I consider us all comrades, so I refuse to not approach it in this particular way.



I think this is a good time to be addressing the role of the Money and Pensions Service, and how it is doing. It is a young organisation. It was only in the 2017 Parliament that we brought it into existence. There is no doubt that Pension Wise, again a relatively young organisation, has grown massively over the last few years. I don't think there is any doubt whatsoever that Pension Wise is lauded as a very good organisation in the way it provides this, but it provides guidance; it is not giving advice. I think your question is linked to whether it should be giving advice as well as guidance. I think you get into a very difficult circumstance there, because those are two very different types of approach, not least because this is a Government-backed, quasi-independent body that is very well trusted for giving guidance. The moment you start giving advice, you are entering the realms of an independent financial adviser and you are going down a different route.

Governments are sometimes popular, sometimes not popular and sometimes popular with particular organisations. The beauty of Pension Wise is it is not part of Government; it is not perceived as part of the Government. It is an independent organisation providing neutral guidance, and that is very, very helpful. After the £30,000 limit, the law requires you to take certain advice, and we also encourage people to take advice. There is no question; advice is better than guidance.

Q282 **Chris Stephens:** Thanks, Minister.

The Money and Pensions Service website has no obvious link to Pension Wise. Is the intention that the Money and Pensions Service provides guidance, or is it simply going to be a signpost to other sources? I am just curious about what you think.

Guy Opperman: Thanks for the heads up, because I can assure you that within seven days, the website will have a proper signpost to Pension Wise. That is not appropriate. I don't think that is right. I will put it to Sir Hector Sants, who runs the Money and Pensions Service, and see whether that can be improved, because I certainly would like all opportunities to signpost and flag up Pension Wise. I think it is a wonderful organisation, doing very well, and I will certainly be taking that up with Sir Hector.

Q283 **Chris Stephens:** Thanks. I think Pete has his hand up.

Pete Searle: Yes. Maybe I was lucky, but I was looking at the MAPS website yesterday and went fairly quickly through to Pension Wise: "Do you want information about pensions?" So I think it is there, but we very much take your feedback that perhaps it is not as easily accessible as it should be. As the Minister says, we will take it up with Sir Hector Sants.

Q284 **Chris Stephens:** I think "obvious link" is how I would put it, but if that could be taken up, I think that would be helpful.

Minister, you were answering my question about advice versus guidance. Is it being considered that there would be a limited range of advice? I am



thinking in particular about the difference between automated guidance and direct human contact at some stage. Could you maybe give us a view of your current thinking on that?

Guy Opperman: Are you referring to the pension advice allowance?

Q285 **Chris Stephens:** I am referring to the Money and Pensions Service, but I am also thinking about the Department's thinking in relation to helping people here, and whether they think that direct human contact is better than referring people to automated guidance.

Guy Opperman: Pension Wise, I think, has traditionally been online, but you can also have an appointment. Clearly, life is more complicated through Covid. I don't want to give a politician's answer, but I would quite like to learn what the product of the Covid experience has been in circumstances where Pension Wise has been effectively an online process, or over the phone.

It is hard to assess. Does that get better outcomes? In my experience, it probably does not, but that is my experience. I like to see people and look them in the eye. I think lots of people, particularly the over 50s, would be wanting to meet with somebody and talk with somebody, and then they would get a better understanding. I would quite like to understand the experience of Covid, and whether that has made a difference to the performance and outcomes. Hopefully, we will then be in a position to come back to the Committee and/or Parliament and have a better understanding of where we are.

It is something that we keep under review. I would really hope that post-Covid, when we are all able to meet each other, hug each other and be normal again, that we would continue to hold one-to-one sessions with Pension Wise. I don't believe it should solely go to an online or telephone service.

Q286 **Chris Stephens:** Do you think that is the best way to help the service?

Guy Opperman: Of I speak to a 21 year-old who is tech savvy, they want most things online. If I speak to someone who is 50-plus or 60-plus, they tend to want to meet people in person. There are different strokes for different folks. I think you need to have a service that has all potential opportunities for everybody. You and I know that there are online systems and apps for savings, for pensions and for banking that young people of 18 to 21 have no problem at all with—but try getting our elderly parents to do an online or app-based approach to understanding their pension, and I think that would be difficult. Some can, but it is about different approaches for different people. That is what I am trying to get.

Q287 **Chris Stephens:** Thanks very much, Minister. I think Pete wants to make a quick point.



Pete Searle: Yes, thank you, just very briefly. I think it is all about the outcomes. If you can deal with more people by blending in online support as well as face to face and telephony, and you can have the same outcomes, or even better outcomes, in terms of the positive impact you have on people's decisions, great, but that is something we would want to test. There are different parts of the market, as the Minister says. We want to understand, evaluate and test whether online can achieve the same sort of positive impact that face to face or appointments can achieve before deciding that with MAPS.

Guy Opperman: Can I come in on one point, which is the pension advice allowance? I know you have had lots of evidence on that and I think that is also what you are referring to. I have done a little bit of research on this because clearly it is a Treasury matter.¹

My understanding is that they are doing an evaluation of this and are reporting back in 2021. I don't know a huge amount of detail, but clearly it is a subject matter that I know that you took evidence on. There was some criticism about the size of the pension advice allowance, and it is certainly something that you might want to get more information from Treasury on.

Q288 **Chair:** Thank you. Can I raise a point, Minister? You were raising with the Money and Pensions Service the question of resuming monthly publication of usage data. That has not appeared yet. Can we expect it shortly?

Guy Opperman: I remember well intervening on you at, I think it was at Report stage—

Chair: In Committee?

Guy Opperman: It was Report stage, in the House. My understanding is they are definitely doing it quarterly. It was yearly. It started out as monthly, then they went yearly. My understanding is they are definitely able to do quarterly. Whether they are able to do monthly with the data that they have—whether they are able to compile it monthly—I am not totally sure. The fact that they have not got back to you is not acceptable. They will have a letter with you in seven days.

Q289 **Chair:** Okay. Thank you. It was monthly before MAPS took over, so there seems to be no reason why it could not be monthly again.

Guy Opperman: I think there is a problem in accumulating and assimilating the data on a monthly basis. I am conjecturing now. I am disappointed that you have not had a definitive written answer. I thought you had, but I will definitely make sure that you do. Other witnesses may be able to assist on that, but I will find out and you will get a response within seven days.

¹ The Minister wrote to the Committee to correct the record. You can see this letter [here](#)



Chair: Thank you.

Q290 **Steve McCabe:** I want to ask a very quick question about the pension advice allowance. I appreciate that you have just said that it is largely a responsibility of HMRC. I am glad to hear that they are going to hold an evaluation because they said in an FOI response last March that they had no plans to review the policy and that they had no idea how many people were using it.

Given its interaction with your responsibilities, what advice will you be giving to HMRC on their evaluation? Will you be suggesting that they should retain it, reform it, or scrap it?

Guy Opperman: It is HM Treasury, not HMRC.

The answer is that as I understand it—I will try to get it right, and if I get it wrong, doubtless civil servants like Pete will jump in and tell me I have got it wrong. As I understand it, where they are is that they looked at this in details as part of the Retirement Outcomes Review and then as part of the Farmer Review. They then have gone off to do an evaluation of the take-up and effectiveness of the pension advice allowance and they will be reporting back, HMT and the FCA, in 2021. That is where I think we are.

Q291 **Steve McCabe:** Will you be feeding in to that?

Guy Opperman: Most definitely we will do that.

Q292 **Steve McCabe:** What will you say?

Guy Opperman: It is not right for me to say that I have a definitive answer at the present stage. I am also curious to hear what the Work and Pensions Committee have to say on this particular issue.

I looked—I can't quote it offhand—at the evidence that was given to you a couple of months ago when there was evidence on this particular point. To summarise, it was that the amount of the pension advice allowance was too low to provide the proper service that was necessary in these circumstances. So the question is: do we think this is the right product in this circumstance? I do think it helps; there is no question, but it appears to be too low to be getting an efficacious outcome for the individual. Now, industry would always say that—they would obviously like a large amount of money spent on a particular product that then can be beneficial to them—but my view is that we should be looking at whether this is sufficient and whether we should be working with the FCA and HMT to provide a better product.

No disrespect, Steve, but the pension advice allowance is a good product, but it is very late in the day. Most people have reached their decision-making process at that stage. I want to try to tackle these people a lot earlier, hence why I believe very strongly that you need to be approaching people when they are 45, 47, 50, 51, 52, prior to them making their decisions at 55 and onwards. When you are making your



HOUSE OF COMMONS

decision at 55, you have pretty much made it. You might take the benefit of guidance or advice, and that does sometimes change your view, but people start with the presumption of, "This is the direction I am going". What I want to try to do is influence them at an earlier stage, hence why I believe the mid-life MOT, which also has benefits in terms of health and fuller working lives, is the right way forward.

Steve McCabe: Okay. Thank you.

Q293 **Chair:** Thank you very much. Pete?

Pete Searle: I will just briefly add to what the Minister said around what the Treasury and the FCA are doing. They have carried out the financial advice market review. They did an evaluation of that and found positive signs around the direction the financial advice market was taking but some remaining challenges. They have committed to doing further work to address those challenges, but in particular around the pension advice allowance, to continue work to monitor take-up and effectiveness: is it working? You certainly had feedback earlier on in the proceedings—

Q294 **Steve McCabe:** How long have they been monitoring the take-up?

Guy Opperman: I'm not sure—

Q295 **Steve McCabe:** This FOI response, which is from last March, said, "We don't hold any information on the pension advice allowance" and that they had not reviewed the uptake, and they had no plans to do so.

Pete Searle: It is my understanding that they are monitoring take-up and effectiveness. How long they have been doing that? They would be the best people to answer. I think you had the FCA here on 6 January. My understanding is that they are monitoring take-up and effectiveness.

Q296 **Dr Ben Spencer:** Thank you, Chair, and I would like to thank all three witnesses for given evidence today and giving us their time.

Minister, I would like you a few questions about online promotion of scams. Mark Steward, at the FCA, told us—these were the words he used—"The irony is very rich, that social media is receiving a fee from both the scammer and the regulator." It does seem a bit—bizarre is probably a very nice way of putting it. Do you have a message that you would like to put out to firms such as Google, which are profiting from both the advertisement of these scams but also messages to stop people taking part in these scams?

Guy Opperman: As a Government Minister, Ben, I have to choose my words carefully. I have absolutely no doubt whatsoever that Google needs to take a very, very, long, hard look at itself and to change its ways. There is no question that effectively taking money from fraudulent organisations on your website in circumstances where there is, it seems, very limited assessment of the merit of the organisation before it is allowed on the website—the consequential damage that is then done to all of our constituents by people then thinking that they are going to the



Prudential or to Legal and General or to Aviva, or whoever it is, is massive. I read the evidence of the gentleman from Aviva, who, I think, went to the next degree, where they were paying money to persuade Google to take down sites and advertising that their own site may be subject to fraud as well.

We have reached a situation where the No. 1 provider of information is not a newspaper or an encyclopaedia; it is Google, quite clearly, and to a lesser extent the problem is with Facebook. We, as legislators, need to take a very long, hard look at how we are going to regulate online operators on an ongoing basis. Clearly, this is a decision way above my pay grade. It is a decision not even in my Department, but I have very strong and unequivocal views that what is going on, and what Google and Facebook are allowing to happen, is utterly unacceptable.

Q297 Dr Ben Spencer: I appreciate that there is a lot of cross-departmental overlap, for want of better words, in this sort of area, but if I may, what do you think about the situation where we have quite stringent regulation of TV and newspapers, but there is that disconnect in terms of the online world? Also—I realise that you may want to pull back, but I will ask this anyway—do you think that online platforms should be brought into the scope of the financial promotions regime?

Guy Opperman: You can ask anything. That is the nature of the Select Committee. You are allowed to ask whatever you like.

I do think there is a dramatic difference between the way we regulate newspapers, TV companies and online providers, and these are the providers of information, in reality, in not that different a way. We, as a country, are grappling with this, as are many other countries around the world. The Australian example is worth a look, in my view, by the Committee. You will be aware that the Australian Government are in a very robust stand-off with Google, for example. We need to catch up how we regulate these providers.

I know that John Glen, in answer to the Dame Elizabeth Gloucester report into the FCA's regulation and supervision of London Capital and Finance, set out that the Treasury would work with the FCA to consider whether paid-for advertising on online platforms should be brought into the scope of the financial promotions regime. It seems to me that Treasury and FCA are commencing that process that you, it seems to me, would like to happen, whereby anybody who is promoting financial material is certainly regulated. For me, it is a wider issue of how the state treats online providers and the responsibility that online providers have for their content. We have had this in terms of political advertising. We have had this in terms of abuse. We all see that this is beginning to change, and to change quite rapidly, whether it is Twitter, Facebook or Google. All these providers will have to be regulated in a way that is not presently done. Clearly, that is a Government decision with a multitude of different Departments having to address this on an ongoing basis. I greatly look forward to your recommendations in this Committee.



Q298 **Dr Ben Spencer:** Thank you. Ms Varley?

Emma Varley: Adding to what the Minister said, DCMS had a call for evidence last year on this and as we understand it, that Committee will be launching a public consultation on measures to enhance online advertising and how it is regulated, as part of their online advertising programme, which is due in the first half of this year. Clearly, as the Minister has said, this is a cross-government effort. We will be working with them on that.

Q299 **Chair:** Minister, can I put a point to you? As you know, very strong representations have been made to us that financial harms should be within the scope of the forthcoming online harms legislation. Are you willing to comment on that view?

Guy Opperman: As always, any Minister who comes before any Committee answers for everything that Government does but clearly, I do not know where the processes of the online harms Bill are at the present stage. My understanding is that there has been a consultation on the extent of it. My understanding is that there was a debate, I believe in Westminster Hall, specifically on online harms approximately two or three months ago, where the Minister, Caroline Dinenage, gave a fairly detailed explanation. At the moment, the online harms Bill is very is very much directed at harms to children in the traditional sense of what we would call harm. It is not directed towards this particular type of work. There is a separate form of regulation and law-making as to what is the responsibility and the liability of an organisation—Facebook, Google, Twitter—to the content that they have on.

It is relatively easy to identify really offensive material—I would not say “relatively easy”, but you can see how that is the starting point for work done on this. It is much harder to identify what is a real company or a fake company, a fake version of Legal and General, Aviva or whatever. How do you then work out whether it is fake? What work do you need to do on that? More specifically, if I set up a company and it is a start-up, is that a true company or a fake company? At the moment, it is a start-up, but I can advertise it. It is not simple, and I suspect that this is a whole different set of rules and regulations that proper thought needs to be put into as to how you regulate, in much more detail, content on a whole host of different levels on an online provider.

Q300 **Chris Stephens:** Minister, it is clear from what you have been saying today that you have been following our evidence sessions pretty closely, so you will be aware of the evidence that pension scam victims gave us in terms of how they feel they are being treated by HMRC. Has your Department had any discussions with HMRC about maybe changing its approach, or is there any work that your officials have done?

Guy Opperman: I will leave officials to come in and talk about the work that they do on an ongoing basis in a second, but clearly HMRC is run by Treasury and is an arm’s-length body of Treasury as well. I have in front



HOUSE OF COMMONS

of me the exchange of correspondence between Stephen, the Chair, and John Glen, who responded in detail on the HMRC-specific points. I also spoke at great length yesterday with Margaret Snowden and discussed all the various parts of this inquiry and various particular points raised.

There is a legitimate point that can be made, as a very interested observer as the Pensions Minister, that HMRC are not consistent in their approach. As with all Government or quasi-Government organisations, knowing what they are going to do in a particular circumstance is really helpful, and them being arbitrary and not consistent is very unhelpful. At the very least, I would hope that there is a greater degree of consistency.

I have not met with HMRC during the currency of this inquiry either in person or by Zoom, Teams, semaphore or whatever other means, so it is not something that I have been updated on. At the same stage, I take on board what has been said. Clearly, it is a matter for Treasury to decide whether they are going to change the way that HMRC are operating, and I will look forward to your report with interest.

Pete Searle: Just, again, very briefly to come in on that, HMRC do engage with the organisations around Project Bloom, but they are not formal members of Project Bloom for the reasons the Economic Secretary to the Treasury set out in his letter. Having them involved is really important. They did take some important steps. Some of the concerns that were raised by the victims in their terrible stories were around pensions schemes being authorised by HMRC but actually being scams. HMRC has taken steps in recent years to correct that and tighten up the authorisation of pension schemes. There has been a big drop, as a result of that, in the number of schemes that are authorised. They are taking action. They are heavily involved in ScamSmart, for example, and did a webinar jointly with FCA and TPR around scams, but there is a wider conversation to have with colleagues at HMRC and Treasury about how they play in in future.

Guy Opperman: Can I come back on that point?

Chris Stephens: Yes, of course.

Guy Opperman: There is one bit in John's letter—it is the 14 January letter that he wrote to the Committee— where he says that HMRC is not an active member of the Project Bloom strategy group due to the duty of taxpayer confidentiality. Now, I fully respect and understand that there is a significant issue that they have. It is a classic problem of data sharing, and we all get that and understand that, but I have to say I am going to look at that particular point because it seems to me HMRC could take a much more active role in Project Bloom while still respecting individual taxpayer confidentiality. We all deal with broad-brush issues, as parliamentarians, in constituency cases without divulging individual constituents' particular problems, their data or their individual experiences. Ben, as a doctor, would have done this on many occasions without divulging that Mrs Smith has a particular problem.



HOUSE OF COMMONS

I have to say I find that their reason for not being part of the strategy group and being more involved in Project Bloom, while perfectly understandable in terms of data confidentiality, can definitely be overcome, and I would very much hope that whatever the future does hold with HMRC, they will become much more actively involved in Project Bloom. They surely should be able to be part of the group without revealing taxpayer data in circumstances where, frankly, we want as many hands on deck as we possibly can.

Chris Stephens: Thanks, Minister, and I do appreciate that, because that was going to be one of my next questions—whether HMRC should rejoin Project Bloom. I think you have given a fairly positive answer to that.

Guy Opperman: 100%, yes.

Q301 **Chris Stephens:** Thank you. Obviously, we had heard from a number of pension scam victims who feel they are being put from pillar to post because they are having to negotiate with various bodies—HMRC and other bodies. Minister, which one body should have oversight to help a pension scam victim, to ensure that they are getting the support across the board?

Guy Opperman: Chris, I am going to give a politician's answer, similar to the answer I gave earlier. There is no one body, because a pension scam is a very different thing.

I have prosecuted nine murder trials and hundreds of fraud trials, and lots of nasty people went to prison. I have dealt with hundreds of victims, and there is an established organisation, Victim Support, and tremendous follow-up—it has got better in the last 10 years—by individual organisations with the police to look after the individual victim of that crime and navigate them through the process, through the compensation schemes and through a victim impact statement. Traditionally, the sentence would take place with no involvement of the victim. Now you have a situation where the victim gives an impact statement, which is then given to the judge and is disclosed to the defendant, and they have a proper understanding of what has happened to them. That is in relation to crime.

In those crime cases, there is a well-established process. Where it is a regulatory breach, that process does not exist in the same way. There are still organisations, from Citizens Advice to the Money and Pensions Service, that can provide a degree of assistance, but it is not the case that a regulatory breach triggers all of the police and other support.

Thirdly, there are what I have called the civil liability type cases. That is a different type of organisation and a different type of problem. I was the deputy chair of the victims of Arch Cru, which was a financial scandal when I first got into Parliament in 2010 to 2011. We were trying to navigate victims through a particular problem—very similar to the 2011



HOUSE OF COMMONS

and 2012 victims who gave evidence, one of whom was in relation to Arch, I think, and the other in relation to a Royal Mail scandal.

The bottom line is this. It is hard, when you are doing a civil liability claim, to envisage organisations to help, but I have to say an attempt must be made to do more, to the best of our ability. I do think you have to divide up the three types of individual organisations. I will let Pete come in because he probably has more experience.

Pete Searle: Thank you. Just tied to that, I read with great interest the evidence you had from Neil Postins from the National Economic Crime Victim Care Unit, part of Action Fraud, back on 2 December. He was honest in saying that the experiences that the victims you heard from had were pretty terrible and they were left unsupported, and Action Fraud had looked hard at that and, as a result, set up the National Economic Crime Victim Care Unit, which does aim to give people support. His advice, which I would support as a linked organisation to Project Bloom, is for people to report to Action Fraud. They can link them up to that part of their organisation, and that organisation will then help connect them with other bits of the system to give them the support that they need. That would be the route that I would strongly advise that those who are unfortunately victims of fraud should take.

Guy Opperman: Can I just add to that? I have found my notes on that particular point as well, therefore I can probably give a better answer to Chris. There are a number of organisations who can also provide compensation and redress, putting it bluntly.

Clearly, you have the Pensions Ombudsman, which is an independent organisation set up by law that investigates complaints or disputes. We refer our constituents to the Pensions Ombudsman on a periodic basis. As with all ombudsmen, whether it is health, pensions or the various different ombudsmen set up, quite rightly, under the Labour Government—I think Tony Blair's Government—they try to provide redress. It is an organisation that, ultimately, I am responsible for. The Pensions Ombudsman comes within my portfolio of arm's-length bodies. They provide redress and compensation in certain cases.

Separately, you have the Fraud Compensation Fund. That is administered by the Pension Protection Fund, again set up by the Labour Government in 2005, which provides compensation in circumstances where a defined benefit or a defined contribution pension has lost out financially due to dishonesty and, as a result, the scheme-sponsoring employer has become insolvent.

In addition—and here is the nature of the problem that I am trying to address—there is another form of redress, which is the Financial Services Compensation Scheme set up by Parliament and funded by the financial services industry, which provides compensation for losses that individual people incur in the wider context of fraud.



This is a many-headed hydra, and depending which route you are going down, there is redress and there is support. Co-ordinating that is exceptionally difficult, but there are definitely opportunities for people to get redress and compensation arising out of these particular things.

Q302 Siobhan Baillie: Certainly thinking about the redress, how significant is the Court's declaration that some victims of pension scams will be eligible for the Fraud Compensation Fund?

Guy Opperman: The decision was made, I think, in PPF v. Dalriada in November, and it does affect the interpretation of some of the eligibility requirements of the Fraud Compensation Fund, specifically in what qualifies as an employer in the context of an employer's insolvency. It is likely that the pension schemes will be deemed eligible for compensation from the Fraud Compensation Fund, but there are eligibility requirements set out by the Pension Protection Fund. The judgment says what it says, but that is subject to the individual eligibility requirements under the Pension Protection Fund, which is judged by the Pension Protection Fund. It clearly has implications for the Fraud Compensation Fund and it is something on which I think the Pension Protection Fund is going to respond in more detail in the fulness of time.

I will bow to other witnesses who may have more detail on this, but I suppose the simple point is that, clearly, a judgment has been given and the organisations are going to have to act in accordance with that judgment. It is not something that the Government are appealing in any way.

Q303 Siobhan Baillie: Thank you. Pete, if you have any understanding of timelines of responses, that would also be helpful.

Pete Searle: Extraordinarily briefly, I understand the Pension Protection Fund are already using the judgment in practice to consider claims for support from the Fraud Compensation Fund. They have taken the judgment and they are acting on it in the cases that come before them right now.

Q304 Siobhan Baillie: Can you speak to some of the issues surrounding the appointment of statutory trustees? I have three particular areas written down, if you could try to address them in your answers. The first is whether you think there should be a cap on their fees, given that the fees come out of recovered savings. Secondly, we have learned that 80% of statutory appointments are going to one single firm, which is causing suspicion and concern in some quarters. The third is that we have also been told as a Committee about the lack of transparency for scam victims. When asked what is happening while they are in this process with the statutory trustee, they do not know. They do not even know how much is left in the fund. There are ongoing questions and a lack of clarity.

Guy Opperman: I will go first on that and I will try to address it. It is difficult. This is clearly not an easy issue. Trustees appointed to schemes are professional and have built up experience, and this is a niche



HOUSE OF COMMONS

speciality in this particular circumstance; there is no question about that whatsoever. There is no other resource available to remunerate the appointed trustees save for the assets of the scheme, as the Pensions Regulator is not able to pay for such work carried out. The trustees being paid from the assets of the scheme is analogous to a company administrator in the insolvency examples. It is fairly standard practice in insolvency where a company administrator will have a situation where they are one of the listed creditors in a corporate insolvency. I am not aware of a fundamental difference, in terms of insolvency, on that particular basis.

When criticising this process, and it is a legitimate criticism, the question is: who else would fund this and how else would it be funded? The state has taken a decision, down successive Governments, that it should be out of the proceeds of the particular problem. Now, there is an alternative way that Ben will know and I certainly was party to when I did medical negligence cases as a barrister, where you could have a “no win, no fee” example, but again that would be a consequential recovery and you would have to have a significant premium on the recovery because, of course, an individual organisation would be effectively acting for free unless there was a recovery out of this matter, and then there would be a significant uplift. Those uplifts are criticised by those who deal with medical negligence cases. There is no easy way of dealing with this. There are alternative ways of dealing with it—you could do a “no win, no fee” approach, but it has been accepted by successive Governments that this is the appropriate way forward.

I will make a couple of quick points. Professional trustees still have a fiduciary duty. They are not appointed unless they are appropriate and there is a fiduciary duty that the costs are not excessive. Now, you rightly raise whether they can do better with handling individual victims and how they can do better at managing people’s expectations on an ongoing basis. Clearly you have heard from Dalriada, who are one of the major players in this, and you have heard from various other witnesses. I am curious to see how you think this can be done better, but putting it bluntly, communicating with people is always the best way possible. As always, the more communication that you do, there is a cost to that. If I hold a public meeting to explain a matter, someone has to organise that and then make representations at it.

There are also legalities, and the legalities are, quite clearly: this is an ongoing legal process and as always, whether it is an insolvency, a company administration, a difficult situation or a hospital responding to whether a particular surgeon has or has not been negligent, there is only so much that you can say at that particular process during the currency of an inquiry. That imposes restrictions on the organisation who is responding, whether it is a hospital trust, trustees, or an insolvency practitioner, in what they can or cannot say. That has to be borne in mind.



The final bit is that you could set a potential cap on fees, but this is not a big market and the truth is you only have one major player in said market at the present stage. If you applaud and want to see greater competition, the more you set a cap on fees, the more you are going to restrict it. My suspicion is that only those who are experienced at doing this day in, day out will be able to make a living out of doing this particular process. Clearly, I do not know the nuts and bolts of how they do this, but repetition of a particular task inevitably means that you should be able to do it in a much more economical way on an ongoing basis. If it is a capped task, it gets more difficult for new entrants to come in because they do not have the experience of handling the individual problem. This is why a hip surgeon only operates on hips. It is why practitioners only do particular specialities. That is my gut feeling. Pete may have a better view on how we deal with these on an ongoing basis.

Pete Searle: I do not have much more to say, and I certainly do not have a better view, Minister, but I am personally a bit concerned by the 80% figure and also the point about transparency. I would like, if the Minister is happy for me to do so, to explore this with the Pensions Regulator. Why is that the way it is panning out? Is there something that could be done to promote a bit more competition here while still maintaining the high standards? There is clearly a bit of an issue there that I would like to look into, if the Minister is happy for me to do so.

Guy Opperman: I can answer that now. Yes.

Q305 **Siobhan Baillie:** I defer to the Chair, but I think it would be helpful. I think it is the "smell test" issue. For example, when was the main firm last really audited and when did it have a real look at its processes? Is there an element of complacency? The Minister is right about repetition, scale and ability to turn this around when you have real expertise, but we all know that that can also go the wrong way. I think that would be really helpful, and perhaps a look at how to encourage more actors into the field would be good.

Guy Opperman: I am very happy for the Department and Pete to look at that, but this is a market. The bottom line is that this is a market where it appears, and certainly the evidence would suggest, that 80% is taken up by one company. They are not only the dominant player, but they are the go-to player in this particular market. You cannot artificially stimulate that market if people will not enter into it, not least because this is very sensitive and very difficult; you are dealing with people who are very upset and it is not an easy situation. Now, there is no doubt that in the world of insolvency there are many different players and it is a much wider market, so you get PricewaterhouseCoopers or whoever—the individual big accountancy firms—who provide that service. I suspect there is not the size of the market to allow lots of different participants, but certainly it is something that we can look at.



HOUSE OF COMMONS

Pete Searle: Just for the record, I am not in any way saying or suggesting that Dalriada are not doing an excellent job. I have every reason to believe they are doing an excellent job, and highly professional, but, as you say, the smell test—we just need to explore whether more could be done to enhance competition.

Q306 **Siobhan Baillie:** Moving on, we have been looking at a report called “Caught in the web” from the Money and Mental Health Policy Institute, and they found people with mental health conditions are three times more likely to fall victim to a scam. You have already talked about the different redress for victims, but I am just wondering, is the Department considering updating how to support vulnerable groups and are those vulnerable groups informing policy and processes for this area?

Guy Opperman: I will be corrected if I get it wrong, but the Money and Pensions Service are doing a lot in this space. Those of us who have been here a bit longer will recall the Financial Guidance and Claims Bill that we took through the House a couple of years ago. I think in section 18 of that Bill, off the top of my head—if it is not 18, it is section 17 or 19—there is a specific section that says that the Money and Pensions Service have to be particularly cognisant and make efforts to look after those who are more vulnerable than others.

There is no doubt that when we set up MAPS, we had specifically in mind that we are trying to provide assistance and help to those who are particularly vulnerable. We have put it into statute. It is one of the guiding principles of the Money and Pensions Service. I know the organisation that you referred to and we, I hope, are working with them and MAPS are working with them. I can ask Hector Sants, as a relatively speedy thing, to provide a bit more detail about what the Money and Pensions Service are doing to address this particular problem, but there is a statutory requirement to look after the vulnerable in the context of which you are speaking, and certainly that is what we are trying to do.

Siobhan Baillie: If Hector could look at the report as well, because there are a number of points raised, and see if there is any updating that MAPS could do, that would be helpful.

Guy Opperman: Sure.

Q307 **Steve McCabe:** Minister, I would like to ask about the take-up of Pension Credit. I believe it dropped by about a further 100,000 last year and that more than £2 billion a year goes unclaimed. I think only about 40% of people who are entitled to it are actually claiming it. You are on record as saying, “We’re keen to get the message out there that everyone should claim the benefits they are entitled to”. How are you doing that?

Guy Opperman: I am going to give quite a long answer, but I will try to see if I can address this. I have lauded two things done by the Labour Government that Stephen served in in detail already this morning, on two occasions. Many things that the Labour Government did under Tony Blair were very good, but there is no doubt that Pension Credit as an invented



HOUSE OF COMMONS

benefit has really struggled. The principle behind it is very good, and we all understand the principle behind it, but—and I will be corrected if I am wrong—at no stage has take-up of Pension Credit exceeded 70% of entitlement.

Various Governments—the Labour Government of Tony Blair, the Government of Gordon Brown, the coalition and the Conservative Government—have tried repeated efforts, from advertising campaigns to signposting, to increase take-up, and Pension Credit has pretty much grumbled along between 60% and 70% take-up throughout the entirety of its existence. You said that Pension Credit had gone down in the last year. I do not think that is right. I will be corrected if I am wrong, but I think you will find that Pension Credit has gone up in the last year, and there are a number of particular—

Steve McCabe: The take-up has reduced by a further 100,000. That is what the reports in *The Financial Times* say. They may have it wrong, of course, Minister.

Guy Opperman: I am not sure how I can put this, because the FT criticise my every move, but I think the FT are wrong. I will give you my statistics, certainly. Take-up of Pension Credit has remained broadly at the same level, at about 60%, since 2010. The most recent figures for 2018-19 show a slight increase from 61% to 63%. Now, there are a number of causes for that. I think it is up, not down. Apologies to Jo Cumbo, who will doubtless be reporting every word of this. The FT—esteemed organisation—may be right, or my stats may be right. Whatever happens, the percentage is in the low 60s. We are in agreement on that.

There have been two things that have made a difference in the last year, in my view, which have increased take-up. Defining those precisely is hard, but first of all, there is no doubt that we have really made an effort to try to signpost in particular places—GP surgeries and the like—the potential for Pension Credit. The second is that the decision of the BBC in respect of the over-75s licence fee clearly got a great deal of publicity, and the fact that if you had Pension Credit you would get a free TV licence was something that began to become known to a very large amount of the population.

I suspect, although I do not have the hard data, that the take-up increase—because I think it has gone up, not down—over the last year or so is largely due to the BBC decision. Now, we can have an argument about whether that was the right decision of the BBC and an argument about whose fault is and everything like that, but there is no doubt that that brought a great deal of publicity to Pension Credit and the benefits of getting Pension Credit. A significant number of people, in my view, by reason of that, did apply for Pension Credit and got Pension Credit.

Q308 **Steve McCabe:** Minister, if publicity is an important factor, why has your Department stopped Pension Credit campaigns during the pandemic?



HOUSE OF COMMONS

Guy Opperman: We did continue with the Pension Credit campaign during the early part of the pandemic. There is a difficulty because self-evidently we did not continue it, partly because that particular campaign was for the spring, going into the summer of 2020. That campaign ended of its own accord but the pandemic still continued. There was an overlap with the pandemic.

There is a separate issue, which is that during the pandemic the wider Government as a whole has discontinued a large number of some of the normal communication campaigns that it has been doing, partly because we have been focused on pandemic planning, pandemic reaction and communicating the core messages of the pandemic. That is a decision made at the very highest level and something that I think everybody understands and agrees with.

There is a separate issue about what we are doing going forward, and certainly there are a variety of other things. Let me try to address that. The first is that we have developed an online claims service. This is an additional claim facility that was not there before. It improves access. It enables family, friends and organisations to help pensioners make a claim. That was not there before. That was done in the middle of the pandemic.

We are also still trying to target individuals to ensure that we have better access and a better understanding of their eligibility at pivotal points in the process that they are going through. A key point, for example, is that when they claim State Pension or report a change in their circumstances, we are trying to alert them to the entitlement and to the possibility that they should have Pension Credit.

I would reject the idea that we did not do any advertising in the pandemic. The advertising was affected by the pandemic because if you are advertising in post offices, GP surgeries and places where the elderly go, and the pandemic comes in and everyone is locked down, the efficacy of that advertising campaign is clearly impacted. My second point would be that we did do something in the pandemic. We developed and launched the online claims service.

Then, finally, I met with a significant cohort of primarily Labour peers but also some Conservative peers, and we sat down and we held, effectively, a Pension Credit summit. We discussed it in great detail and had some discussions with the Department, and went away and decided how we would review and try to improve the service on an ongoing basis. I am happy to provide you with details of that in a second. I have given you a very long answer to your question, sorry.

Q309 **Steve McCabe:** No, that is fine. I just want to return to this question about whether it went up or down. I have just checked and it was the Department for Work and Pensions that said that 1.6 million people received Pension Credit in August 2019. Those are the Department's figures. That is 94,000 fewer than the previous year, Minister. Maybe that



HOUSE OF COMMONS

is something we could come back to as well, if you are going to write to me.

Guy Opperman: Listen, I am very happy to write to you but my understanding is that Pension Credit take-up has gone up. Certainly I am pretty strong on that particular point.

Steve McCabe: I am merely quoting the figures that came from the Department. You can understand my confusion.

Guy Opperman: It depends which figures you are looking at.

Steve McCabe: I thought you were going to say “which Department”. No, it is definitely Work and Pensions, and it definitely said 1.6 million people received Pension Credit in August 2019. Minister, I am happy to receive your follow-up, I am simply making the point.

Guy Opperman: I will happily follow it up with you. Sorry, Pete, do you want to come in?

Pete Searle: This is not my area, but it is possible that both are correct in the sense that if the population of people entitled to Pension Credit is going down because of State Pension age changes, then the number could be going down while the proportion goes up. The Department, with the Minister, will look into it and reply.

Q310 **Steve McCabe:** I would be grateful. Thank you.

Guy Opperman: I do not want to take the time of the Committee if you are not interested, but can I follow up on what we are trying to do now? There are two issues here.

Is Pension Credit a fit-for-purpose benefit? That is a very wide issue and something on which I would always be very interested and grateful for the thoughts of the Work and Pension Select Committee, because however you dress it up, whichever Government it is, we have never really got above 70% take-up and it has grumbled along in the low 60s as a percentage. The nature of this particular benefit has struggled. Now, you can criticise each Government for the approach that they have taken and whether they have done the right sort of promotions or the wrong sort of promotions, but it has not been successful in the past.

However, that does not stop us trying to increase take-up. The evidence, in my view, is that we should look at two particular ways. The process at the moment—and it is still very much a work in progress; I have just done a parliamentary question on this in writing—is twofold.

The first is that we are trying to look at the individual letters that Government send out, particularly those that DWP sends out. Stephen will know—he has done my job—that we send out literally millions of letters on State Pension. We send out literally millions of letters on Attendance Allowance and on winter fuel payments. We are looking at those millions of letters and the format of those letters, and asking



HOUSE OF COMMONS

ourselves, "Can we potentially add further information into those letters to flag up Pension Credit? Can we review the nature of those letters and make an understanding of whether we can signpost this better?" It is a dangerous thing to do when you add in extra pieces of information not linked to the individual benefit that you are trying to alert people to, but can we add in, hypothetically, a flier to an Attendance Allowance or a winter fuel payment letter that says, "You may be entitled to Pension Credit"?

That is a work in progress and, as always with Government, be careful what you wish for. If I pull a lever here and I put in a flier, hypothetically, for Pension Credit, then people will think, "Oh, this is a letter about Pension Credit, it is not about my winter fuel payment, my Attendance Allowance or State Pension," and it dilutes the message that you are fundamentally trying to get across. That is a tricky issue that behavioural scientists and also departmental analysts have to go through in detail, but we have certainly begun the process of looking in detail at the letters that we send out and, putting it bluntly, saying, "How can we utilise pre-existing Government communication, millions of taxpayer-funded communications, and make those work better?"

There is a second bit, which is the BBC.

Chair: Briefly, if you would, Minister.

Guy Opperman: Sure; I apologise, but the BBC stuff is actually quite important. The BBC clearly has a major role in this because one of its actions has triggered an interest in Pension Credit. I wrote to Tim Davie, the new Chief Executive of the BBC, before Christmas and invited him to meet with the Department of Work and Pensions to see to what extent we can work collaboratively to try to increase and improve take-up of Pension Credit. It does him good because people will therefore get a free TV licence, it does the Department good because it gets our numbers up in terms of take-up of Pension Credit, and it does the individual good because we want more people to claim Pension Credit. We have had a meeting. I have not done the ministerial follow-up to that—obviously, in Covid, it is difficult—but we have begun the process of working with the BBC to try to get a better understanding of how we can increase take-up of Pension Credit. The wider issue is whether Pension Credit is a functioning benefit, given its take-up remains stubbornly low.

Q311 **Steve McCabe:** Okay, Minister. I am grateful to you for that. I wonder if I can very briefly turn to another subject in the same vein, because this is about people getting what they are entitled to. I just wanted to ask about the question of underpayments of State Pension to women. You will be aware of the suggestion that tens of thousands of women—married women who hit State Pension age before April 2016, widows, divorcees and those over 80—have all been underpaid on their State Pension, possibly to the tune of thousands of pounds.

You said in your letter in October to the Committee that you were



considering what more could be done to encourage people to come forward, and you also said you were exploring how DWP can most effectively analyse the State Pension accounts to identify widows and those over 80. What has the exploration and consideration produced, Minister? How many more people have you identified?

Guy Opperman: Can I try to contextualise this, to answer your question? This is a matter that came to light in 2020 and dates back to effectively a variety of changes that took place in 2008, when the 1987 Social Security Regulations were amended, and prior to 2008, when there was effectively manual uprating of individual claimants' particular state benefit entitlement.

The practical reality of that is that these are very old records. We carried out a scan of the records to have an understanding of what the problem is. We are still analysing and getting to an understanding of that scan, and I would love to be able to give you definitive answers today but it is something that I am not able to be definitive about; I am sorry. Knowing that I was coming here today, what I wanted to try and assure you was that probably in the month of February—certainly by March, without a shadow of a doubt—I will be able to update the House in detail on where we are on this particular problem.

It is a problem we discovered in 2020. It is a significant legacy issue. The problem is, if I can be blunt about it, that each individual case has to be assessed individually. It is not a generic problem where you can then say, "Because we have this number of people and we know this took place on this date, all of these particular records are wrong".

Q312 **Steve McCabe:** Have you any idea how many of the tens of thousands of people you have identified yet?

Guy Opperman: It is genuinely not possible to be definitive at this stage.

Steve McCabe: I did not say, "Could you be definitive?" I said, "Have you any idea?"

Guy Opperman: What I can say is that some claims have been submitted and some of those claims have been assessed by the Department of Work and Pensions. The precise figures I do not have in front of me, but in broad terms approximately 20% to 25% of the claims that have been submitted thus far have either been found to need a change to the entitlement or have required further information. I am giving you that very much off the top of my head. I have notes somewhere, which I cannot access right now.

We know that some of these cases that have been presented thus far have needed reassessment, and we have then made reparations and payments to those individual claimants. Some of those cases are pre-2008. Some are after the 2008 changes implemented by the Government when they uprated and changed the particular regulations.



Q313 **Steve McCabe:** Minister, some people would say the Department is pretty good at clawing back money when you identify overpayments. Why do you think you are so tardy on an issue like this, when we are talking about women, some of them in their 80s?

Guy Opperman: I will choose my words carefully because Stephen was one of the Pensions Ministers in the 2000s and will know very well that trying to go through legacy systems of the DWP, going back several years and identifying whether an individual has had an error in their assessment on an ongoing basis, is a very—

Steve McCabe: It is not a problem when you are clawing back overpaid tax credits, for example. You do not have too much trouble going through the systems for that. I get letters regularly—as does, I think, every MP on this Committee—from people who suddenly discover that their Universal Credit is being reduced because of clawback. That seems to be relatively easy. Why do you think it is so difficult when it is the other way around?

Guy Opperman: You will have to ask the Welfare Minister in respect of Universal Credit. There is a legitimate point, and I have to choose my words carefully, but UC is a modern computer-based system that has been established post-2010 and is clearly a proper technological programme, with one fundamental system and a capability that is modern.

Steve McCabe: Yes, but I am talking about clawing back overpaid working tax credits. UC is the vehicle for the clawback in that situation.

Guy Opperman: What you are asking me to do is to compare apples and pears. You have, on the one hand, a very modern UC system that has been evolved very carefully, which is a modern computer system. You and I know that the traditional legacy systems that UC is replacing are a problem because they have all the legacy problems. I can assure you that the difference between the modern UC computer-based system and the legacy State Pensions, which under a category B(L) required manual uprating—

The process is as follows. Somebody had to, at a particular stage, take somebody's individual entitlement and add on an extra entitlement to that. That is not done by a computer; that was done by an individual. We are dealing with a junior civil servant at DWP, at some stage, sometimes 12 to 20 years ago, failing to uprate a particular entitlement of a particular person. It is not everybody—in fact, we are quite clear that it is definitely not the majority—but some individual claims have not been manually uprated by an individual working in a pensions centre. We then have to find those individual cases and we have to try to reassess them.

Q314 **Steve McCabe:** How many people do you have working on this exercise at the moment, Minister?

Guy Opperman: When the Permanent Secretary came and gave evidence to you before Christmas we had, I think, approximately 37



people working on it. We now have well over 100 people working on it. I am sure all Ministers would say this, but it is exceptionally difficult to run this operation in Covid because clearly this is a manual process. This is not something that can be dealt with by computers. Every case has to be looked at individually. We have well over 100 working on it and we hope to have significant numbers more, but at the same stage we have the same problems that every Government Department has. We have people who have Covid, or caring responsibilities. Also, there is no doubt that this is a correction of a legacy problem, but there are also massive pressures on the Department of Work and Pensions in terms of the other things that they are having to do.

Q315 **Steve McCabe:** You hoped by March to be able to give an update on progress.

Guy Opperman: Yes. You clearly want much more detail and I need to provide much more detail to the House. What I do not want to do is to give you a half-pie answer because, frankly, I would be misleading you if I was to try to give you more definitive answers at this particular stage. I want to be able to give something on which you can then come back to me and criticise or otherwise, however you wish to approach it, in a bit more detail then.

Chair: Siobhan, did you want to come back on this?

Q316 **Siobhan Baillie:** Only very quickly. I accept that this is a really complex area. From my constituency casework, I have a wonderful group of WASPI women, for example, who have obviously dealt with the court cases. We know about that. Where this issue is hitting the same women—I do think it is the sensitivity of it—it is really helpful to hear that there is a timeline and just how many people are working on the issue. I just wanted to bring that home to the Department, the type of thing that is coming into our inbox. I will defer to the Chair as to how we follow that up with you.

Guy Opperman: I can guarantee we have pretty much quadrupled the workforce, which in Covid is extraordinarily difficult. We have moved people around and created a dedicated team. We take it very seriously and we are committed very strongly to trying to redress this matter. Trying to understand the scale and extent of the problem and how we are going to approach it thereafter is something that I absolutely accept I have to update the House on. My intention is, without a shadow of a doubt, in the spring term, probably in the next month or so, to do this, but I do not want to do it in a half-baked way. I want to try to come to the House and say, "Look, I have more definitive answers". That is what I am trying to do.

Chair: Thank you. We look forward to the definitive letter, hopefully in February. There are some concluding points we would like to raise on the scams front, and Chris Stephens has one of them.

Q317 **Chris Stephens:** I did not want to disturb the flow of the meeting and it



HOUSE OF COMMONS

is always difficult to do these things virtually. My question, Minister, goes back to Pension Wise: 66% of people do not get advice when they access a pension. Do you believe that there is a role there for Pension Wise, given its success in dealing with pensions scam and stopping people being scammed, to provide guidance to people accessing a pension at that point?

Guy Opperman: I would like Pension Wise to be used more. We have debated in the House of Commons how we are going to do it, in what way and what the mechanisms are. Clearly, some people will want to get advice and should get advice, and clearly, they would not be appropriate people to go to Pension Wise because they are only going to get guidance. I certainly want to get the numbers up with Pension Wise, no question, and that is what we are trying to do.

Chair: Chris, I think you said in the House it should be the norm, taking up Pension Wise.

Chris Stephens: Yes.

Q318 **Chair:** We are keen to see progress in achieving that. Minister, a few final points, one from me about Action Fraud. We know that the vast majority of cases reported to Action Fraud are not investigated. Does the Department use the information that Action Fraud collects but does not investigate?

Guy Opperman: I do not have my notes in front of me on that particular point. The understanding is that the Action Fraud is used in that it is data and an understanding of a particular problem, but it does not necessarily result in that particular problem being the source of a criminal investigation by the Department. I think—no disrespect—that that is something that goes to City of London Police, the Home Office and the criminal prosecutions. The point is that it goes into Action Fraud and then if it is flagged as a serious crime it becomes a crime, and then it is actioned. As I was discussing with Margaret yesterday, I do think there is an ability to use that data better, but I will defer to Peter. He is probably better on this point.

Pete Searle: Project Bloom uses the insight from what goes into Action Fraud—things that are reported. It is not for Project Bloom or for us to pursue the criminal investigations; that is for the police. But using it to understand what is going on, where the risks are and what sorts of tactics scammers are using, and then using that to inform our approach through Project Bloom and through the various partners, is absolutely part of what we do.

Q319 **Chair:** The data collected by Action Fraud is available to the Department for that purpose?

Pete Searle: The insights from Action Fraud feed into Project Bloom and we are a part of Project Bloom.

Q320 **Chair:** We have heard, as you will know, a lot of criticism of Action



HOUSE OF COMMONS

Fraud, and you will know about *The Times* exposé of a year and a half ago. Has the Department worked with Action Fraud to address the problems that were identified, particularly by *The Times*?

Guy Opperman: The difficulty is that Action Fraud reports to the Home Office. It is not something that I have any ministerial control over. If you ask me about the PPF or you ask me about the Pensions Regulator, although they are independent bodies, ultimately they report to me. Action Fraud reports to the City of London Police and the Home Office. It was James Brokenshire, and it is now Susan Williams who is the Minister who takes that forward.

I would make a couple of quick comments, though. The first would be that I do feel that since *The Times* report—whether that is right or wrong, I do not know—there is no doubt, and I read the evidence of the gentleman who came along from Action Fraud to give evidence to you, that that has shaken them up and they have looked again at the way in which they are working, there is no question. That was the essence of what he was saying.

The data from Action Fraud is clearly really good data. Are we using that well enough? In my view, we can use it in a better way. I do believe we can share it with industry in a data-appropriate way, and we can share it with regulators in a better way. One of the key lessons from all of this process is: try to build on what you have. What we have is Action Fraud, which has a lot of data. We just need to use it in a better way.

Q321 **Chair:** Thank you. I think we very much agree with that. I do want to express appreciation, Minister, for your responsiveness to concerns we raised in the Pension Schemes Bill debates about trustees having to make transfers into what they thought very likely to be scams. We are looking forward to seeing the regulations that you are working on. You said this morning that you expect the regulations to be in place by September or October, I think. Did I understand that correctly? Is that the point at which you would expect trustees to be able to start blocking pension transfers in those cases?

Guy Opperman: Yes, and yes.

Q322 **Chair:** Smashing, thank you. In terms of the things that the regulations will block, if a firm appeared on the FCA warning list, would you expect it to raise one of the flags that will be in the regulations?

Guy Opperman: I may defer to Emma in a second on this, but you will be aware of the letter I have written to you on this. The FCA warning list, of itself—in fact, the FCA witness made this point as well—will not necessarily be a trigger for the red flag, and there is a variety of reasons for that. The first is its efficacy, in its own way. Also, the powers under section 125 do not allow us to have a third party organisation running such a warning list and triggering an action.



HOUSE OF COMMONS

We feel that we have addressed exactly the same problem of the FCA warning list by an alternative means, which is what I set out in, I think, the first key paragraph of the letter I wrote to you on 22 October, off the top of my head. Putting it bluntly, we will fix the FCA warning list problem by another means, and we can do that within the Bill, as I think I set out in Parliament and as I can very much confirm today. I also spoke to Margaret Snowden, who also spoke to officials yesterday, and I think she is now utterly satisfied that what we are doing is going to address this particular problem from the point of view of PSIG. I will let Emma come in on this point.

Emma Varley: Just to add to what the Minister has said, I thought it might be helpful just to briefly explain how we have pursued the red flags. We have taken the PSIG red flag list as the starting point and, as the Minister has said, officials and the Minister himself have spent a lot of time working with PSIG. We have also worked closely with regulators and others to really explore which are the key red flags that indicate that a scam is present. We have narrowed down that wider list and are now working out how these can be translated into regulations. We will, of course, want to consult to ensure that the red flags are both understood and, of course, can be implemented by trustees.

If I just explain where we are at the moment, the particular areas we are looking at are where advice has been provided by firms or individuals without appropriate permissions, and then the second major area is about method of contact—whether a member has been contacted via social media, email, or offers of free pension reviews or early access, or where somebody has been pressured to transfer quickly.

As the Minister has already said, and as you heard directly from the FCA in a previous evidence session, while the FCA warning list is a really useful too, it is not, in and of itself, a silver bullet. Our aim with the regulations, particularly the red flags, is to capture all of those elements that get somebody on the FCA warning list, primarily advice that has been provided by somebody without the appropriate permissions, and make sure that that is in the red flags.

Q323 **Chair:** It would be quite surprising if there was something on the FCA warning list that did not give rise to a red flag. I take the point entirely that you will not directly be referencing the warning list, but nevertheless one would normally expect a red flag to be raised, wouldn't one?

Emma Varley: The way that the FCA have described the warning list to us is that it is an early warning system and a consumer tool rather than an enforcement tool. As the Minister has already said, we do not have those powers in terms of the sub-delegation. Our way around it, and the way that we believe we will capture all of those elements that do get somebody on the warning list, is to focus on the red flags that I have just outlined there.



Guy Opperman: Chair, can I come in with one quick point? I think it is important for this Committee. Parliament normally requires Ministers to identify a problem and then set out the specific provision that that problem is solving in parliamentary legislation. Going forward, one of the key recommendations I would love this Committee to make is to do a radical thing, which is to give, in certain limited circumstances, Secretaries of State broad powers to take whatever action they need to take to combat scams.

The problem that is repeatedly identified is that we identify a problem—cold calling is a good example, and transfers are a good example—and we then go through a long process of consultation, legislation—and it almost always has to be primary legislation—and then secondary regulation to deal with the problem, which takes a long period of time, and there is a problem in the interim. What Parliament needs to get better at doing, in my view, is giving broad powers to Government in limited circumstances. These are known as Henry VIII powers. We do not identify what problem you are trying to fix.

The difficulty is that if something pops up in the next six to 12 months that is an identifiable scam that you wish me to address as Minister, I have to come back and do consultation, primary legislation and secondary regulation because I do not have a totally broad power. That is a difficult one because I know that, particularly in the House of Lords, they really deprecate Henry VIII powers and those broad powers, but it is a serious issue. Going forward, as scammers evolve, our ability to react in a legislative way quickly is definitely hampered by the process that we are in because we do not have that broad primary power.

Q324 **Chair:** Thank you; that is a helpful point. This is the final question. You mentioned earlier the FCA's quite positive assessment of the pension freedoms in, I think, 2018—the document that you had. At the time, Andrew Bailey was the Chief Executive there—now the Governor of the Bank of England—and he recently told the Treasury Committee, and I quote, "Whether you think the pension freedoms were good, bad or indifferent, they were introduced too quickly." He is right about that, is he not?

Guy Opperman: I am not necessarily going to try to second-guess what Mr Bailey now thinks, now he is occupying that particular role. I spoke to him yesterday on a separate matter and I should probably have asked him, "Could you give me some advice as to what your views are on other matters that will be raised tomorrow?"

Mr Bailey has his own view, of course, but the evidence of the various reports is that that is not supported. Certainly, the Retirement Outcomes Review and the Farmer Review do not support that view. I know that some members of this Committee are strong opponents of the way in which pension freedoms are introduced, but I do not think the evidence necessarily supports that particular argument.



HOUSE OF COMMONS

Chair: Certainly, nobody said to us that the pension freedoms should be repealed, but I do think Andrew Bailey has a point that they were introduced too quickly five years ago, without the kinds of safeguards that we are now having to put back in place. Thank you, Minister, very much indeed.