HOUSE OF COMMONS

Work and Pensions Committee

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

Wednesday 16 September 2020

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Watch the meeting

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

Questions 1 - 43

Witnesses

I: Andy Agathangelou, Founder, Transparency Task Force, Margaret Snowdon, Chair, Pension Scams Industry Group, (PSIG), Richard Piggin, Head of External Affairs and Campaigns, WHICH?, Tim Fassam, Director of Government Relations & Policy, Personal Investment Management and Financial Advice Association (PIMFA).

Written evidence from witnesses:

Pension Scams Industry Group

Which

The Personal Investment Management and Financial Advice Association (PIMFA)

Examination of Witnesses

Witnesses: Andy Agathangelou, Margaret Snowdon, Richard Piggin and Tim Fassam.

Q1 **Chair:** Welcome to this meeting of the Work and Pensions Select Committee, the first meeting in our inquiry on pension scams. Can I particularly welcome the four witnesses who have joined us via Zoom for this session? Could I begin by asking each of you very briefly to introduce yourselves, starting with Margaret Snowdon?

Margaret Snowdon: Thank you, Stephen. I am Margaret Snowdon. I am Chair of the Pension Scams Industry Group, which is a voluntary body that was set up in 2015 to combat pension scams. We have now produced our third version of the code of good practice and we are working on our fourth.

Andy Agathangelou: Good morning. I am a governor of the Pensions Policy Institute and I am also involved in the new All-Party Parliamentary Group on Pension Scams, but I am here today speaking in my capacity as the founder of the Transparency Task Force, which is a pro-consumer campaigning group.

Richard Piggin: Good morning, I am Richard Piggin. I am Head of External Affairs and Campaigns at Which?. Many of you will be familiar with us; we are the UK's consumer champion.

Tim Fassam: I am Tim Fassam. I am the Director of Government Relations and Policy at PIMFA, the Personal Investment Management and Financial Advice Association. We are the trade association that represents wealth managers and financial advisers.

Q2 **Chair:** Thank you all very much and thank you for joining us for this session. Can I begin by asking each of you what we know about the scale of pension scamming in the UK and whether it is going up or down at the moment? Could each of you comment on that, starting with Margaret?

Margaret Snowdon: The truth is no one really knows how many pension scams there are because MI is not collected. Organisations do not note risky transfers that they see because they are rather busy dealing with transfer values. However, PSIG did a survey in 2018, the first of its kind. Based on that small survey, which covered £1.3 billion in transfer values, over 27,000 transfers in that year, we found that between 0.5% and 12% of transfers—that is all transfers in that group—appeared to be scams, so we settled on an estimate of 5%. We have seen nothing to contradict that, although we have seen some commentators say that scam transfers are much, much more.

What I can say is we see the change is around the type, rather than necessarily going up or down. We think that potentially 40,000 people may have been scammed in some way or another and up to £10 billion might have gone to scams to date. That is a significant problem.

Q3 **Chair:** Margaret, I did not catch your figure there for the number of people. What was the number of people?

Margaret Snowdon: Based on the number of transfers that happen, 210,000 people transfer from DB every year, so working on those numbers and the likely prevalence of scams, there could be around 40,000 people having lost some part of their pensions. Some might not know it yet because they have not reached retirement age.

Q4 **Chair:** Do you think the problem is getting worse or not at the moment?

Margaret Snowdon: I do not think it is necessarily getting worse. It is changing a little bit; that is what scams do. When you spot some things that they do, they change tack a little bit. They have changed over the years, but I think that the problem remains roughly the same scale.

Andy Agathangelou: I believe that Margaret is absolutely right when she says that there is insufficient data on this topic, which is a pity, as it is such an important issue. I personally think that the matter is getting worse. I base that comment on the anecdotal evidence around what has happened as a consequence of Covid. Many people are becoming financially distressed and they therefore become an even easier target for crooks and scammers to approach. The scammers have confidence and knowledge that they can trick people into moving their pension funds elsewhere. I generally think that when there is eventually reasonable MI around the pension scams problem—in particular what is happening during Covid—we are going to be seeing some very, very worrying data indeed.

Richard Piggin: As with all fraud, it is likely to be underreported. What we can tell you is that the impact on any given individual is significant, both in terms of the sums of money lost, tens of thousands, maybe hundreds of thousands of pounds, but also significant in terms of what that money means to the individual. This money is likely to have been built up over a period of time with a specific purpose, to support an individual later in life. Pension scams can leave many people facing retirement with limited income and with little or no opportunity to build those savings back up.

We also think that there is a risk of looking at the issue too narrowly, that we focus on pension liberation scams or transfer scams, when you see that over half of all pension pots are withdrawn fully into cash. We see people then taking that money and putting it into their current accounts and into savings accounts where there they are vulnerable. There are a whole range of scams that could put their pension savings at risk. That is not properly considered, so we agree that the data is not quite there, but it is likely to be more significant than perhaps we are estimating at the moment.

Tim Fassam: We would agree with many of the comments about the data not being of sufficient quality and Richard's point about underreporting. Many people are too embarrassed, for example, to be willing to admit that they are the victims of a scam. Our members tend to think about pension scams in three buckets and we are seeing slightly different things in each.

One is specific pension scams, for example, pensions liberation, which are unique to the pensions environment. In general, freedom in choice has meant we are seeing those reduced.

We then have, if you like, wider investment scams whereby pensions are one of the pools of assets that the fraudulent activity is going after. There it may be that the scammer is using a romance scam or a social media scam and they will go after any pool of money that an individual has available. To Richard's point, pensions are particularly vulnerable because they are often the largest asset and they are often the asset that if people lose close to retirement they do not have very much time to rebuild to provide for their future. We are seeing some increase in this area, particularly on the technology platforms.

The third bucket where we are seeing significant increases are things that are technically within the scope of regulation, but lead to bad consumer outcomes. We have seen this with some of the issues around SIPPs, where people are being put into high-risk unregulated investments. This leads often to them falling on to the Financial Services Compensation Scheme or being without compensation at all. We believe this is partly caused by the FCA supervision focusing on larger firms and missing some of the smaller firms, and also the regulatory perimeter excluding too many products that are of high risk to retail investors. This is then causing distortions in the market in terms of things like phoenixing, where financial advisers are closing down and then reappearing, and leading to ever-increasing calls on the FSCS, which is paid for by the well-behaving, high-quality firms.

In short, liberation scams we are seeing reduce, investment scams we are worried about in general and we are seeing some increase on technology platforms, then we are seeing an increase in terms of near fraud, where people are using unregulated products in order to lead to bad consumer outcomes.

Q5 **Chair:** Thank you very much. Margaret, you have given us some figures in your answer there and you have suggested between 0.5% and 12% are scams. There are a range of things you could call scams, ranging from money being handed over to thieves at one end of the scale, to regulated firms not acting strictly in their client's best interests on the other. Where in that range are most of the scams that we are seeing today?

Margaret Snowdon: Obviously in terms of numbers the majority are probably sharp practice rather than out and out fraud, but it is almost impossible to tell because within the pensions industry we tend to see suspicions rather than actual fraud, so it is very difficult to put a concrete number on the number that are fraud.

What we need—and Tim's answer pointed to that—is a consistent definition of what a pension scam is. In PSIG we look at a definition that is fairly broad because we take the view the damage to individuals is the same whether it is a fraud or whether it is sharp practice. Fraud involves the intent to deceive, whereas sharp practice is misleading people about a contract, about terms, about fees, about investments and people can be very convincing, but it makes it very difficult to draw a line. But as I say, whether it is a scam in the looser sense or whether it is pension fraud, it is equally devastating to people. Where it is sharp practice, we reckon that you can lose up to 100% of your savings anyway, but typically one to eight years of savings because of poor investments and high charges.

Q6 **Chair:** Can you tell us what the definition that you use for a pension scam is?

Margaret Snowdon: It is a long definition because it is quite complicated. Basically it is any attempt, successful or not, to persuade people to remove their pension assets from a registered pension scheme to another arrangement where they are misled about the terms and the conditions. It does not involve any intent, it just involves fact, in that what is being suggested is not entirely true. In other words, rogue advisers will say or imply that there are no charges to be paid other than the commission. That covers a multitude of sins, but if you delve down into the transactions you can see that lots of different people are taking their commissions and the net result is a huge loss to an individual. That is what we are trying to stop. We do not get hung up on whether it is criminal behaviour or whether it is bad behaviour, but people do make that distinction.

Q7 **Chair:** Thank you. For the other witnesses, are there any particular trends that you have seen lately that are happening in this space? Tim, you have talked about some, but Richard or Andy, are there any trends you want to draw our attention to at this point?

Andy Agathangelou: I would like to share the observation that scammers are organised criminals, as well as those practising sharp practice, as mentioned by Margaret. Organised criminals are extremely good at harnessing the bad power of the internet. They are using the internet very successfully. The internet is riddled with bear traps for people with money, lots of tripwires and it is easy to get caught. Unfortunately, despite the fact that many volunteers have been successfully alerting the regulators to hard evidence of rogue adverts that are the fronts for criminal activity, we are not convinced that all of that alerting that is being done is being effectively picked up by the regulators.

The second trend is also texts. A couple of weeks ago we interviewed a scam victim. The beginnings of the process started out with a text message. The gist of the text message was, "Are you confident that your frozen pension is safe?" That kind of language is very effective at getting people—who we already know have a low level of trust towards the pensions and the financial services industry generally—to bite. We must remember two things. The crooks know how to use the internet and the crooks have built years and years of experience of how to get to people through bear traps on the internet and tripwires and so on and so forth. The big worry of course is that unless the regulators clamp down on this, it is a phenomenally scalable business for these crooks. That is the big worry.

Richard Piggin: It is absolutely critical that we look at how fraudsters are reaching consumers and that has changed. Andy is absolutely right in terms of the internet. Back in 2016 we found a significant number of paid-for adverts on search engines, online platforms and social media sites specifically aimed at attracting people looking to withdraw funds from their pension as a result of the pension freedom reform. We are still seeing those types of adverts and engagement on social media sites and online platforms and we need to look at what sort of responsibilities should be given to those online platforms to protect their users from scams.

Q8 **Sir Desmond Swayne:** To what extent is the dramatic fall in overseas transfers over recent years a measure of the effectiveness in policy in dealing with scams and what more of an agenda is there to address scams involving overseas transfers?

Margaret Snowdon: It is interesting that we see overseas transfers have reduced. They certainly had reduced in 2018 when PSIG did its survey, because at that point we found only 2% of transfers going to qualified and registered overseas pension schemes. That was largely because HMRC rightly made it more difficult for overseas transfers to take place. Since then we have seen an increase in overseas activity, not necessarily people transferring to an overseas scheme, but people who may be conned, being advised by advisers who are based overseas, and also to invest in overseas investments that are run regularly. They are a bit spurious and they are very high risk with high charges.

Overseas activity has increased. We saw some signs of increased concerns being raised about the UK economy. We certainly saw a number of adverts from advisers, some of them fairly new advisers, suggesting that people with pensions ought to think very carefully about how secure they are, as Andy mentioned, but also to think that there might be a recession that will be very deep and very low and therefore think about overseas investments. That is quite worrying.

Andy Agathangelou: I would like to make three points quite quickly. The first is that we see a general lack of international collaboration by regulators and enforcement agencies to work together to create a defensive wall that is difficult to breach. Currently the defensive wall is so easy to breach it may as well not be there.

Point two: we are quite concerned that there is a very problematic grey area. I will be quite specific. The grey area is when somebody carries out a transfer where part of the process involves an unregulated entity operating outside the UK. The regulators, we believe, have incorrectly deemed such cases to be outside their jurisdiction. We believe they are inside the jurisdiction if it is a UK-registered regulated entity that transacts the transfer. We think there is a huge breach going on that needs to be looked at and we think that many people have been told by the regulators that the regulators cannot help because it is outside their jurisdiction. We believe the regulators—at least in some cases, possibly many cases—are wrong.

The third point is in relation to passporting rights. We understand there is an acceptance between the Treasury, which is responsible for passporting rights, and the Financial Conduct Authority that there is a lack of robust diligence being applied on how people achieve passporting rights. We would urge the Committee to consider how to shine a light on that issue.

Q9 **Sir Desmond Swayne:** Andy, you mentioned the wall in your first point. What does a wall look like? What is it?

Andy Agathangelou: I will tell you what the wall should look like. The wall should look like a carefully and intelligently assembled defensive wall. Let’s think of Dover Castle, for example. The wall looks like an old, mostly destroyed, very casually assembled wall by people who are not apparently committed to creating the best possible defences. When I imagine the defensive wall around the British public protecting them from scammers, I see a wall that is so easy to get across it may as well not be there. It is worse than no defences at all, because if there were no defences at all we would all be clamouring for change. There is a perception that there is a defensive ring protecting the British public. That defensive ring, in my opinion, is so flawed it is almost worse than having nothing at all.

Q10 **Sir Desmond Swayne:** You mentioned international co-operation. To what extent can we fix some of these problems and create a defensive wall using our own regulations, for example, excluding the possibility of operations by anyone who is not registered and administered here? To what extent does it require international co-operation with other jurisdictions to achieve what?

Andy Agathangelou: We should be doing all we can to harness the power of the British legal and regulatory framework to protect our citizens by using our own domestic laws, as well as maximising the collaboration with other countries. In fact, Bob Blackman MP very recently drew attention to the fact that a big part of this issue is the jurisdiction international dimension.

The third point I wish to make on this particular matter is that it is wrong strategically simply to tie us down to the question of what can we do about this within the UK, when of course there are many scam victims—pension scam victims and otherwise—right around the world. There needs to be true, joined-up, international thinking.

Tim Fassam: If I could add something very briefly to Margaret’s point, where we see a lot of the sharp practice, as she put it, they often are going into overseas investment, be they overseas real estate, and we have seen some issues around overseas storage containers. As well as efforts to co-ordinate specifically on pension scams, efforts to co-ordinate on fraud more generally are important, not least because to have any chance of recovering this money that has been transferred overseas it will require law enforcement to work cross-border.

Q11 **Chris Stephens:** Good morning, panel. To pick up on some of the themes that Sir Desmond asked about, Andy, I know you said in answer to the Chair earlier on that scammers are organised criminals, so I wanted to ask you first and then ask the rest of the panel this question. Are pension scammers specialists in pensions or finance or is it just part of a wider range of scam activities?

Andy Agathangelou: Thank you for your question, Chris. Unfortunately, pension scamming is a team sport. What I mean by that is this: the normal pattern is for there to be a regulated entity involved plus one or more unregulated entities involved. They operate together as a team. That is why trying to distinguish between what is sharp practice and what is criminality is difficult. It is like debating whether it was murder or manslaughter. We still end up with a corpse. That is the way to look at this problem. I would say that we do need to step back and take a macro view of what needs to be happening to protect the British public, compared to what is taking place right now.

Q12 **Chris Stephens:** Richard from Which?, I know you have done some great work in Glasgow South West in stopping scam activity, but I want to ask you about pension scammers in particular. Are they specialists or is it just a wider range of financial and scam activity?

Richard Piggin: It is difficult to know, but scammers in general are completely unscrupulous. They will go after people's money and get their hands on whatever they can. I will give you an example. We heard from an individual who was persuaded to invest their pension savings into cryptocurrency, but that was not enough. Then the individual was persuaded also to invest money from credit cards and a personal loan. It is not just pension savings and that is a point that we should get across. If a fraudster gets hold of an individual and is successful, they will try and try again. There is an element around repeat victims that perhaps we will get on to in terms of victim support later that also needs addressing. It is not just focusing on scams; they will focus on any money they can get their hands on.

Tim Fassam: I would agree with Richard's point. Partly it is mechanism dependent. We have seen a big increase in social media scams, as I say, and they will go after any pool of money that is available. Romance scams, where people are using dating apps, again they will go after any pool. Or they may be more mechanistic, using, as other witnesses have said, specific fears around pension transfer. Unfortunately, the fraudsters will innovate and will use whatever mechanism is most effective. They are happy to take any money that they can find from any source, but they will tend to specialise through the mechanism of the fraud—social media, dating app, clone website—rather than the source of income that they are looking for.

Margaret Snowdon: I would make a couple of points. We only work within the pension space, therefore we see a lot of people who perpetrate scams of one form or another. What we find is the same names, the same address, the same telephone numbers, the same companies come up time and time again. That is why it is very important that we do share intelligence on these people. We have no doubt that they are also scamming in other areas, but we do not go across there. If we had done better sharing of intelligence, it would be much easier to deny some of these scammers the funds that they get. With something like £2.5 trillion worth of pensions money still sitting in pension schemes, there is a huge prize for scammers to go for, so we need to try to do everything we can, and I think sharing intelligence is very useful.

Within PSIG we run a forum with about 44 different organisations who get together once a month to talk about the individuals they have seen practising and share that, and that helps to make sure that the other 43, for example, do not fall victim to the same person trying the same tricks. But that is only within 44 companies and we get very little, if any, intelligence back from law enforcement or from regulators. That does not help us.

Q13 **Chris Stephens:** Thanks, Margaret. That is an important point and I know some of the panel had answered this to Sir Desmond about international working. Margaret, how important is it that there is cross-body working here in tackling pension scams?

Margaret Snowdon: It is vital. We do not all need to be treading on one another's toes, but it is vital that it is co-ordinated. For some years it has certainly felt as though it is not co-ordinated at all. Within PSIG we have some international experts who help us, so we do learn from overseas experience when we are writing a report, but we do need all of the regulators and authorities to be joined up. We need the police to be resourced to pursue scam cases. At the moment they do not tend to because they are underresourced. They do not see the scale of the problem because they get it all from Action Fraud, and Action Fraud takes something like 180 complaints a year, whereas we think there is probably about 10,000 a year, so collaboration is absolutely vital.

I have to say that I have seen some signs of better collaboration with Project Bloom. Some new parties have joined Project Bloom. TPR, The Pensions Regulator, is absolutely determined to get that group working together for the benefit of society and victims and it ought to be encouraged and possibly resourced in order to do that properly.

Q14 **Chris Stephens:** Thanks, Margaret. Tim, how important is the cross-body working and are public bodies co-ordinating that response well enough or is it something you would want the Committee to recommend?

Tim Fassam: It is absolutely critical. We work very closely with the police, with regulators and the Treasury to share intelligence and co-ordinate. One thing that has been quite effective is the Economic Crime Plan. To date the Economic Crime Plan was predominantly focused on money laundering. The Treasury is consulting about whether it should be extended to cover fraud and we would strongly support the development of a fraud plan, a co-ordinated strategy.

To Margaret's point, that then needs to be appropriately resourced. At the moment we do not believe that the authorities, particularly the police, have the resources they need to properly investigate fraud. A co-ordinated strategy will only be effective if it is properly resourced and also if the public have faith so that it is transparent and clear what the strategy is, when things will be investigated and why, because people need to have faith in the system. That should in itself encourage and improve reporting as well.

Q15 **Chris Stephens:** Thanks, Tim. Richard, is there anything you want to add about the importance of cross-body working and whether public bodies are co-ordinating that or whether it needs to be done better?

Richard Piggin: Not a huge amount. The point around sharing information is absolutely critical. We recognise the challenges in acting after the fact, but looking at how information and data that is available to regulators, to law enforcement, to reporting bodies as well as the industry, and the role that that can play in detecting and preventing fraud from happening in the first place is critical and we are not seeing enough of that.

Who is best placed to identify it? We will talk about this perhaps later in terms of when we look at prevention, but who is best placed to mitigate against the harm from pension scams and manage the risk? Is it an individual and the pressure that they are under and the knowledge and information they might have available to them, or is it the widespread information that is available to law enforcement, to regulators, who would have received hundreds—if not thousands or hundreds of thousands—of reports about different individuals, different schemes, different concerns that have been flagged to them? How can we make sure that that data is disseminated and used effectively to help protect and prevent fraud from happening in the first place?

Q16 **Chris Stephens:** Thanks Richard, for an excellent answer. Andy, is there anything you want to add about the cross-body working and maybe public bodies being better at it in terms of co-ordinating a response?

Andy Agathangelou: We think there needs to be a strategically different approach. The model that is normally used is to create collaboration and cohesion and co-operation between different entities. On the surface that may look like the best thing to do. However, that model is flawed because its success is dependent upon the extremely good interworking between the different agencies. We advocate a different approach, a strategically different approach. We advocate a joint taskforce that is an entity in and of itself that can leverage the information and the powers of all the other agencies, but has central control, central responsibility and central accountability. This is a safer way to solve the problem because it gives you what parliamentarians want—transparency and accountability. It is a fundamentally different way of solving the problem. We do not think the current approach will work because it relies upon absolute Teflon-coated processes between the different agencies. You only have to look, for example, at Action Fraud, to see that if you have one weakness in the interconnectivity, in the interoperability, the system is going to fail.

Q17 **Chris Stephens:** Thanks, Andy. If we do not already have that in writing, maybe you could write to the Committee with some wider thoughts about that. That would be useful for us when we come to our deliberations.

Richard, you spoke earlier and touched on regulations. Is the regulation sufficiently flexible to deal with scams and are regulators preventing repeat offenders? Is there anything you would want to recommend to the Committee for us to take up in relation to our response to regulators?

Richard Piggin: Only to say that it is important that we avoid box-ticking rules and that regulations remain flexible to respond to the different ways in which fraudsters will operate. I can give you a good example of the cold-calling ban. The cold-calling ban is very welcome because to an extent it gave a clear message that we could put out—Which? and others—that if you receive a call out of the blue in relation to your pension, then it is likely to be a scam so you should hang up. A nice clear message, nice and simple.

However, the effectiveness of the ban relies on people being aware of it and remembering that it is relevant to them in that situation when they are being approached about their pensions. Let's not forget fraudsters are incredibly sophisticated. They may take days or weeks grooming an individual to persuade them they are legitimate. Then we see ways in which fraudsters will circumnavigate issues around cold calling. We talked about adverts online earlier. They see these adverts and they will encourage people to give their details, "Looking for a free pensions review or pensions advice?" They will put in their contact details and then they will receive a call. That call is not unexpected. They are expecting it and they do not see it as a cold call, but it could be a call, more likely than not, from a fraudster. We need to remain flexible and that is probably the most important thing to get across there.

Q18 **Chris Stephens:** Or they can pretend to be a public body, which is one of the scams that is going on in Glasgow at the moment, pretending they are HMRC and demanding money. The police get involved in all of that. My greatest concern is about regulation. Are there any changes you would want to see around if it is flexible enough or anything you would want the Committee to recommend?

Margaret Snowdon: I would certainly like to see change. It is important the regulators are flexible to the extent they can move fast, because scams do change. We are certainly a little bit concerned that we are often trying to regulate for last year's problem rather than this year's problem with scammers. The cold-calling ban was a very good example because when we did our survey in 2018 we found that only 6% of cases involved a cold call. That showed that the ban was effective. What it also showed was while that ban was effective, before it came into law the scammers were already using other ways to get to people, which we have already heard about, social media, e-mails, online adverts and so on. The scammers were smart enough to move quickly, while honestly we were all patting ourselves on the back and saying, "Isn't that good? We have a cold-calling ban", which incidentally we had been calling for since 2016.

Q19 **Chris Stephens:** In terms of social media, I am curious about that. Is that someone pretending they are a friend of someone, befriending them in social media and then calling them? Is that effectively what we are talking about, Margaret?

Margaret Snowdon: Yes, they do a lot of that, but they also advertise irresistible deals. People get in touch because they quite like that irresistible deal and then the scammers are all over them. But they do become friends and that is where scammers differ from pensions professionals. Pensions professionals tend to keep a bit of distance, whereas the scammers are a bit like a best friend and are very convincing, very friendly, interested in being in touch all the time, helping them, sending couriers to make it more convenient for them to sign those papers. They are very helpful and very convincing, but they get their hooks into people through social media, through Facebook, just by saying, "Things are really bad, I can help you" and people fall for it. Even though we have campaigns to alert people to pension scammers, 50% of people still do not think it matters to them because they would never be fooled by a scammer, but the truth is they always can be victims.

Q20 **Chris Stephens:** Thanks, Margaret. Andy, your thoughts on regulation. Anything you would want the Committee to recommend? Obviously one of the concerns would be no prosecutions between 2013 to 2019 from the FCA, so there is a question of whether this is being taken seriously enough.

Andy Agathangelou: You are right to raise that particular point, Chris. The data suggests that there is a lack of effective enforcement activity. We know that because how many people have been sent to jail, how many people have been closed down, how many people have had their licences taken away? If you look for the data around all those metrics, you will find yourselves not looking at very much at all.

However, to give a balanced view, I would like to make a point. On 17 July 2018 the FCA started what turned out to be, in my opinion, some absolutely first-class regulatory work. It created a discussion paper on the idea of a duty of care, an overarching, legally enforceable framework. What is wonderful about an overarching, legally enforceable framework is that it is not based upon little nitty-gritty granular rules, it is fundamentally enforceable principles about duty of care and so on. Unfortunately, while that started off being a good exercise, for one reason or another it would appear to have been kicked into the long grass. Some people suggest that might be because the industry pushed back against it. I would suggest that if what we want is a comprehensive but also flexible, easy to adapt, agile regulatory framework, it needs to be built around a duty of care type principle.

My other point in relation to this particular matter is my point earlier about the need for effective centrality of power, accountability and enforcement. It is easy to see why that is such an effective approach when you think about the gaps between the regulatory framework. The regulatory arbitrage is easy to navigate and exploit. Crooks understand how to dance on, inside and just beyond the regulatory perimeter. Why do we have financial and investment products that are not regulated? That is a good place to start.

Q21 **Chris Stephens:** Thanks, Andy. Tim, a last question before I go back to the Chair. Your thoughts on regulation, reasons for light prosecutions, anything you want the Committee to look at.

Tim Fassam: Regulation is absolutely critical. As well as regulation being sufficiently flexible, it is critical that it is sufficiently broad. As I mentioned, there are certain issues around the regulatory perimeter and your colleagues in the Treasury Committee have looked at this previously.

Over the age of 55, in effect, the distinction between investment fraud and pension fraud is relatively moot. They are pools of money that can be moved around in very similar ways. Predominantly what we are seeing is unregulated products being used in order to lead to bad outcomes, be that poor returns or losing all of their money. We think that regulatory perimeter needs to be expanded to include more. The Treasury is currently consulting on the promotion of unregulated investments, we are calling on it to go further than it is proposing, to include additional restrictions on the ability to promote unregulated product.

Increasingly one of the things we are seeing is association fraud. This is on social media or on search engines. People are not pretending to be one of our members, they are pretending to have an association with one of our members. This makes it much harder to crack down and to get those removed. A member I spoke to yesterday, it took over 30 days to have a fraudulent advert removed from Google. One of the suggestions that we know the FCA supports and we would support is DCMS is currently looking at the Online Harms Bill. That is quite rightly looking at serious social issues like online grooming and cyberbullying, but it has explicitly excluded financial harm. We believe that is the wrong decision and that financial harm should be included.

Finally, we believe that many of the regulations that exist are already effective, but the supervision is not strong enough. In particular, this is because the FCA has focused over recent years on larger firms. Many of our members interact with the FCA, predominantly through a call centre, and do not feel that the FCA has a detailed understanding of their business, their organisation, which they are very happy to be transparent about. It makes them concerned that if they do not feel they are being supervised effectively, that means the bad guys are not being supervised effectively either. We would like to see a broader regulatory perimeter, enhanced supervision and we believe there are some areas where the FCA and other regulators need powers to act specifically on technical platforms.

Chris Stephens: Thanks very much, Tim. I want to thank the panellists for their answers. If you have any other thoughts on regulation, could you write to us?

Q22 **Selaine Saxby:** Chris covered off some of the points, but if there is anything you have not already covered around banning cold calling, whether you see it was a success or not and if there is anything further the Government should be doing to address those matters.

Andy Agathangelou: I would like to pick up on a point that Margaret made. Margaret made a statement that she and others in PSIG have been campaigning for a cold-calling ban since 2016. Forgive me if I have that wrong, Margaret, but correct me if I do not have it right. One of the recurring themes is how slow the regulatory framework and the policy-making framework is to respond in what is a very fast-moving battleground. We cannot afford to have three or four-year discussions about doing something that could potentially have been dealt with in a matter of days. What would the opposition have been to banning a cold call on pensions? Why did it take three years to do that? I simply do not understand.

Selaine Saxby: Does anyone else on the panel want to add anything on cold calling or Government policy?

Richard Piggin: I would like to reiterate the point around regulation of online platforms and the other ways in which fraudsters are reaching consumers. Online platforms and social media sites and search engines are playing an increasing role in this space, but they have very limited responsibilities, as it stands, for protecting their users from this type of harm. As Tim said, the Government are looking at the online harm legislation and have published a White Paper on online harms. Unbelievably, online scams are not part of it. We are another voice that is strongly encouraging the Government to include online scams within the scope of that work. It is absolutely critical. They should be made more responsible, those online platforms, for preventing fraudulent content from appearing on their sites, not just taking it down and taking it down expeditiously, as they required to do at the moment, but doing much more to prevent it from appearing in the first place.

Q23 **Selaine Saxby:** Thank you. In your view, will removing contingent charging on defined benefit transfers reduce the amount of people who are victims of scams or misselling?

Margaret Snowdon: Again, it is something that we have been calling for for a long time, so we are delighted that it is being introduced. Way back in 2012 when I was looking at incentive exercises, we found that many poor outcomes were because of conflict of interest. People were being advised to take a transfer deal because it made more money for advisers. The incentive exercises code in 2012 banned contingent charging for incentive exercises and we thought it could have a broader application. PSIG has also called for it.

As I say, we are very delighted that it has come in, but it has taken a long time and there are still lots of parties who are trying to find exemptions from contingent charging, for example, contingent charging should not apply where people cannot afford to pay fees for financial advice. I tend to think if they cannot afford fees, maybe they cannot afford to take some of the risky steps they are being encouraged to take. But we welcome the contingent charging plan. Where advisers were slightly going over the line, it will help them to come to the line. Absolutely, we think it will help enormously.

Richard Piggin: I will go back to the previous one. In terms of the cold-calling ban, we have been very supportive. The financial adviser industry has been supportive of the cold-calling ban and the mainstream industry has responded very positively. I think there has only been one regulatory action, which was only relatively recently, about a firm breaching the ban. Those that are continuing to cold call are the out and out fraudsters, it is certainly not the mainstream industry.

In term of contingent charging, we did think that the FCA's specific evidence on contingent charging was weak and there is some complexity to it, although we are now working very closely with the FCA to implement it. What we thought was more important in many ways was the recent guidance from the FCA on DB transfer advice so that advisers are clearer now on the regulatory expectations. We thought the FCA worked very constructively on that and we would encourage it to continue to work with the industry to clarify the guidance and expectations because we believe that is likely to have a more significant effect on the quality of advice on DB transfers.

Andy Agathangelou: It is worth making the assumption that incentives have a big impact on behaviour, so removing contingent charging and DB transfers is definitely a positive step. The point again is why it has taken so long to get there.

While talking about incentives, there are some within our community who are quite convinced that the terrible state of funding of many defined benefit pension schemes for many years may have contributed to the lack of due diligence carried out by trustees and administrators of defined benefit pension schemes when individuals applied to make a transfer. You could see, depending on how you want to look at it, almost a conflict of interest, schemes that are actively trying to encourage members to transfer out, creating a fraudster's paradise because they want to trick people into carrying out a transfer. This is a matter that needs to be looked at very closely, especially—I am going to be very specific—since October 2002. From October 2002 onwards the pension schemes in the UK have had a regulatory responsibility to warn members about making transfers. The strategy was called Operation Shark. They were supposed to give people leaflets that basically said, "There are lots of reasons why you shouldn't be doing this".

Our anecdotal evidence suggests that many such pension scheme victims transferred without having been given any warning whatsoever and definitely without having been given the Operation Shark leaflets. We would encourage the Committee to do the following: to explore an idea, which is very simply to invite all pension schemes in the UK to report on all the transfers that have taken place since October 2002 and to report which ones have occurred without there being current evidence on file to show that sufficient due warnings were given, and of course for the Committee to communicate through The Pensions Regulator that there will be spot checks to evaluate the integrity of the data that is reported back.

We think this is a necessary move because we know there are many pension scam victims talking to lawyers about how they can evidence that they were not treated correctly, ie due process, as defined by the Occupational Pensions Regulatory Authority—the predecessor to The Pensions Regulator—was not followed. Any decent lawyer who understands there has been a breach of due process will know they are halfway there. Let’s not have massive litigation, let’s have a tidy, civilised industry initiative to forensically review what is going wrong and put it right where it can, without involving the courts, without involving group actions and without causing further reputational damage to the pensions industry.

Q24 **Debbie Abrahams:** My question is around Action Fraud. I remember Tim saying earlier on in the session that he recognised that police did not have enough resources to investigate, particularly around complex cases of fraud. Could you expand on your views, your evidence in relation to how Action Fraud is particularly dealing with pension fraud?

Margaret Snowdon: Part of the difficulty comes back to what I said earlier and that is we get ourselves in a knot over whether something is fraud and criminal activity or just plain bad, leading to very poor outcomes. Action Fraud—and we have been quite public about this—is not currently fit for purpose in terms of defending or following up on pension scams. Really the system is at fault. That is where the problems lie. The system for reporting is very cumbersome. It is focused on individuals reporting, so it does not take reports from practitioners who are at the sharp end and see most of the suspicious activity and would love to be able to report it. There is almost a resistance to schemes and practitioners reporting to Action Fraud.

When you try to report to Action Fraud, it asks for the details of the victim. When a transfer has not yet happened, there is no victim. It is very clear that it is looking at pension liberation, because that is all it classifies pension fraud as, pension liberation. Pension liberation was a problem up until 2005 and there are still some cases, but the vast majority do not involve an occupational pension scheme. The definition of pension liberation may involve personal pensions, more than likely: 90%-odd of all transfers go to self-invested personal pensions rather than to other occupational pension schemes, master trusts, SSASs, all sorts of things. The vast majority go to SIPPs and Action Fraud is not equipped to do that.

We have been asking for collaboration with Action Fraud to change the system and through market resources. Until now we have not been able to do that, but I am pleased to report to the Committee that it is now taking notice and it is looking to make some changes that will help practitioner reporting. I am pleased to see that. It has taken a bit of a journey to get there, but it recognises the issue.

Q25 **Debbie Abrahams:** Sorry, I was losing a bit of your sound there. You became very soft. Do you think a lot of it is around the expertise, around the level of resources? Is there any evaluation around trends? You mentioned that one-offs may be categorised in a certain way, but is it looking for trends as well where there may be particular scams or scammers that it is looking out for?

Margaret Snowdon: Yes, looking at what Project Bloom is doing, Action Fraud is involved in that and it does try now to look for trends. It does try to look for current issues, but it takes a long time to turn the machinery around, that it takes ages. As I say, resources were quoted for rather a long time as reasons why the Action Fraud system could not be made better. I do not think it is an unwillingness to do anything, although I think they made a rod for their own backs by announcing a couple of years ago that pension scams were a thing of the past. That did not help, but I think now with Project Bloom we are much more aware of what is going on and we just need to take more action.

Debbie Abrahams: Thank you, Margaret. Who would like to go next?

Andy Agathangelou: Two points. The first is that our nickname for Action Fraud is Inaction Fraud. To elaborate on that, you only have to look at *The Times* exposé on the deficiencies and the inadequacies of Action Fraud.

The second part of my answer is to refer to a written document produced by Anthony Stansfeld, the Police and Crime Commissioner. The document's title is "High-Level Fraud". He says, "Fraud is now costing the UK economy as much as the entire NHS. The annual figure for fraud given by the National Crime Agency is over £190 billion, based on figures from three years ago. This is almost certainly an underestimate. The NHS in the same year cost £197 billion. Little is done to combat major fraud. Less than 0.03% of the amount lost is spent on countering fraud. The Serious Fraud Office receives around £50 million a year. Action Fraud, which has been shown to be largely unfit for purpose, receives £16 million". That is Anthony Stansfeld, the Police and Crime Commissioner for Thames Valley.

Tim Fassam: I would simply reiterate the point I made. I think what we need is a co-ordinated strategy, and the Economic Crime Plan presents an opportunity to do so and a model that we believe is quite effective. Resourcing needs to be increased. The Economic Crime Plan's work on money laundering is funded by the financial services industry. We are supportive of that; money laundering is a financial services crime. Fraud is much broader and in particular the funding model needs to be broader. We have talked about the role of technological firms and social media.

Finally, Andy mentioned *The Times* investigation. It is absolutely critical that those that are protecting the public and investigating are doing so in a way that is transparent, retains their confidence and is honest. Two slight side points. One is when talking about all of this, of course prevention is better than action and that needs to remain in focus. The other is as well as limited investigation and limited prosecution, there is also very limited recovery. It is important that they are not just resourced to investigate and take charges, they are resourced to recover the lost money, wherever possible.

Richard Piggin: Last year, Which? published a long article that exposed how the system was failing scam victims. I will send it and share it with the Committee afterwards.

Debbie Abrahams: Please.

Richard Piggin: The key point here is that the disparity between people's expectations and the actual reality is so stark. Consumers who have fallen victim to scams will expect to be able to report it, will expect that report to be acted on, to be investigated, to be contacted, perhaps by their local police force, and the perpetrator brought to justice. In reality, it is reported to Action Fraud. Action Fraud has no investigative powers. Reports are screened and scored by artificial intelligence. The vast majority of these do not get passed on to local police forces and even those that do often do not get followed up and limited action is taken. This erodes trust in the system and it might even put off people from reporting it in the first place because they do not see any action being taken.

That said, Margaret touched very briefly on trends. What Action Fraud can do is aggregate a lot of data and a lot of intelligence that can identify trends and identify and build the picture of what has happened, which can be very useful if shared with the relevant law enforcement organisations, relevant people in the industry and relevant regulators. That comes back to the co-ordination point between the different bodies that we have talked about earlier.

Debbie Abrahams: Fantastic, thank you so much. Go on, Andy, if you have a last point.

Andy Agathangelou: I promise I will be brief. I would encourage the Committee to take a look at the memoranda of understanding between Action Fraud and the FCA and also between the City of London Police and the FCA. Look at it not just in terms of what the words say, but also please look at it in terms of what happens in practice. The sorts of information you might want to try to obtain is how many cases where people have reported scams to City of London Police and/or Action Fraud have effectively been passed on to the FCA and what proportion of those have been actively investigated by the FCA. We are worried that there is in effect a regulatory and enforcement black hole. We believe this because so many scam victims have told us that they do all the right things in reporting what has happened to them, but nothing happens.

Debbie Abrahams: Thank you so much, everyone.

Q26 **Nigel Mills:** Can I turn to phrases like the "last chance defence", which is whether pension schemes and trustees can somehow stop scams and block the transfers before they go ahead? I think we have a tension here between pension freedoms of allowing savers to choose what to do with their money and trying to, in some cases, protect them from themselves and in some cases protect them from scammers. Is that a real problem that we are running up against here, that there is only so far we can go in changing the rules before we start unravelling pensions freedoms or is that not a big concern?

Margaret Snowdon: I think you have hit the nail on the head. The biggest tension in this area is the conflict between an individual's right to choose and an individual's right to be protected. There is an expectation among scheme members that somehow they will be protected, but trustees have very little power to do anything at all.

One area that dealt an absolutely devastating blow to trustees, who do their best to try to stop bogus transfers, was the Hughes judgment in the High Court. That was where the High Court, despite what the Ombudsman had said, ruled that the statutory right to transfer was so strong that transfers should be made, even if to a scam, because the member's right to choose was paramount. That dealt a hammer blow. It almost made me hang up my boots and say, "Why do I bother trying to persuade people a scam could be a big risk that they face?" That was devastating.

We have moved on, frankly, a little bit from that, but I very strongly believe that the trustees of the scheme that is paying the transfer is probably in the best place in terms of knowledge to be able to identify scams. In our code we set out how to go about that, as well as trying to educate schemes on what scams are and what sort of processes they follow, but we are hamstrung because the statutory right is so strong. Trustees want to be able to prevent people from making terrible mistakes and we encourage trustees to do their due diligence; if they see scam signs to speak to the members directly. What that does is it stops about 25% of suspicious-looking transfers going ahead, but of course 75% still do, despite all that. Trustees cannot do anything unless it is a transfer to an EU scheme. Those are few.

Just because of bad practice, just because the advisers do not know what they are talking about or just because the investments are highly risky does not mean it is illegal, therefore there is no way to stop the transfer. We would like trustees to be able to refuse transfers because we want a statutory right not to exist where certain features appear in a transfer. It is easy to say; it is quite hard to do. The biggest barrier is that it is contrary to Government policy of freedom to choose and freedom to make a mistake.

Q27 **Nigel Mills:** Andy earlier referred to the FCA considering a duty of care. It sounds like it would be very hard for trustees to have a duty of care to a saver if they have a duty to do what the saver is instructing them, even if they think it is a bad idea.

Margaret Snowdon: Yes, they do have a duty of care. The Pensions Ombudsman makes it clear that he thinks trustees ought to carry out due diligence. It is very unclear what level of due diligence there is. That is why we would like to see a bit more statutory footing to the quality of due diligence. No matter how much due diligence is done, if the individual still has a statutory right to transfer, the trustee has probably wasted his time and knows full well that the transfer is probably going to result in a devastating loss to an individual, but they have no powers.

Q28 **Nigel Mills:** From cases I have seen, one of the ways the scammers operate is to try to get some urgency and speed into the situation and try to tell people they have to do this tomorrow or they lose this brilliant opportunity. Is there any argument there for at least giving trustees power to slow the process down and have a cooling-off period that might help people get some better guidance?

Margaret Snowdon: Anything that slows down the transfer and injects guidance into the process is a good thing. I mentioned earlier that it probably stops 25% of people from taking the step that they were absolutely determined to do. That is a good thing that stops 25%, but the other 75%, it does not matter what you tell them, it does not matter what guidance you give them, they are still so determined to transfer because the scammer has told them how good this transfer will be for them and has also warned them that the trustees will probably try to stop them and that that is because the trustees want to hold on to their money. That is quite far from the truth.

Q29 **Nigel Mills:** Are there any obvious hallmarks or lists of potentially dodgy places that we could easily block or slow transfers down or is it not as easy as that, people are coming up with new things all the time that trustees will not have seen and will not be on a blacklist anywhere so there is no obvious way of fixing that?

Margaret Snowdon: There are some things we could do. We could, for example, remove the statutory right where certain key scam signs are there. If a demonstrable scam risk appears in a transfer, if that did not create or avoided creating a statutory right, then trustees would be able to legally not pay to that transfer. It does not mean that people are not free to go and find another adviser or find another place to transfer the money to, but just not that particular one. It will take legislation because the statutory right is in law, so it does mean we need to make a change. I think if we are more determined to stop scammers running off with another £10 billion, then we need to try to do something quite strong and accept the reality of where we are currently with people and scams.

Q30 **Nigel Mills:** Do you think the Pensions Bill, as amended in the Lords, goes far enough or do you think there is more work needed in the Commons when it finally arrives?

Margaret Snowdon: I think it is good that we are getting steps, but they are baby steps. We are looking at changes, for example, to bring in an employment link to create a statutory right. That is fine, but an employment link only affects an occupational pension scheme that someone is transferring to, which is the old pension liberation model. Where we have more than 90% of transfers going to personal pensions, they are untouched by an employment link. While it is good to bring in some constraints on the statutory right, I do not think it goes far enough because it does not deal with what schemes find every day when they do due diligence. I would like to see us incorporate more of those due diligence signs as red flags.

Q31 **Nigel Mills:** Do any other witnesses have any comments on what more powers or duties we should give or place on trustees?

Andy Agathangelou: I am very concerned that the most important part of the defensive wall that I referred to earlier are the trustees. They are literally entrusted by the pension scheme members to look after those members' interests and, as Margaret has so correctly stated, when the Hughes case developed, it was effectively tying the hands of the trustees to take the action that they could and should apply. In all other areas of the role of a pension scheme trustee, they are required to apply judgment. In this absolutely critical area they are prevented from having the ability to even express a judgment because of the statutory duty that is in place.

However, I would say this. The pension scheme members of course have a duty to do what they want with their money, but nor do they have a duty to allow themselves to become victims and ultimately, worst-case scenario, become dependent upon the state. This is a more complex issue than just thinking of it as freedom to act, freedom to choose. It is more complicated than that. We need a grown-up conversation about what is right on balance and we need to empower trustees to do their job. They simply cannot at the moment.

My final point on this is why has it taken individuals like Margaret and also Tommy Burns at PSIG to bring about progress like this? Why aren't the regulators, the major trustee bodies, the enforcement agencies working collaboratively to drive the change that is needed quickly?

Nigel Mills: Does anybody else want to come in?

Richard Piggin: Given the scale and the significant harm that could be caused, introducing a bit more friction at the point of transfer should not be seen as a bad thing. One of the things that we are suggesting is that when schemes do identify a significant risk of a scam, perhaps members could be required to take some form of limited or abridged advice with regards to that transfer. Not only would you be giving schemes more responsibility, and also enabled—empowered, as Andy said—to take on more responsibility for pension plans and liberation requests, by introducing a little bit of limited advice both those things could also serve to improve the route to redress for victims in the long term, where we know there are issues there. Perhaps some form of introduction of abridged or limited advice with regards to the transfer when the pension scheme identifies a significant risk of a scam could be something that the Committee could look at.

Q32 **Nigel Mills:** We have talked in the past about near mandatory use of Pension Wise to get guidance, if not advice. Would that be the step you would be advising here, this free service that gets great feedback? Presumably we could strongly encourage anybody before they get a transfer that looked a bit suspicious to at least have taken that impartial guidance, even if they did not want to pay large amounts for advice.

Richard Piggin: Advice and guidance certainly helps. It helps people pause, consider their circumstances, even become aware that pension scams exist. There is a fine line. We certainly do have to encourage take-up of that. Take-up is still low. We need to understand a little bit more some of the barriers to that take-up and how we remove them, but certainly encourage take-up around that.

In terms of some of the limited advice, that could be potentially the expanded role of Pension Wise working with partners to provide that. That would be looked at. Obviously the funding of that is something that would need to be considered, but given the potentially limited number of scenarios we are talking about and the fact that it would be limited or abridged advice that the FCA started talking about, it could be an option to explore.

Q33 **Nigel Mills:** Tim will not disagree with the role of advisers here.

Tim Fassam: No, not at all, as you would expect. We would say that professional financial advice is one of the best ways to protect yourself against scams. Anyone with a DB transfer value of over £30,000 already has to take financial advice, so we do already in certain circumstances require advice as part of the protection against bad outcomes. While we are incredibly supportive of MaPS and Pension Wise and pension guidance, in these specific circumstances it is very difficult for guidance to go far enough, because it is very likely that the individual is going to say, "Should I do this or not?" Guidance simply cannot provide a clear answer to that question. It cannot be sufficiently directive and advice is going to be absolutely critical there.

You asked about transfer red flags. One that we would highlight is any transfer into an unregulated investment should raise very serious red flags. In particular, a transfer into an unregulated investment that is being done without financial advice, regulated financial advice, leaves the individual incredibly vulnerable. The role of advice in these circumstances I think can be critical and protective.

One area that we think could be very useful for pension guidance is to work on the handover between the two so that where there is a clear benefit, a clear need for full advice, that we improve and make easier for the customer the handoff from Pension Wise to a professional, high-quality financial adviser.

Chair: Andy, you put your hand up. Do you want to comment on this?

Andy Agathangelou: Yes. One of the challenges we all have of course is trying to make good, effective use of very limited resource. Good quality financial planning advice is absolutely priceless, it is fantastic. Unfortunately, it is not always inexpensive. The simple reality is that much of the information that we would want to give a potential transferee is generic information around it not being a very sensible thing to do.

There are some technology-orientated firms—for example, Money Alive—who provide a very effective video education-type process that could be used very effectively in conjunction with The Pensions Advisory Service and the Money and Pensions Service to harmonise the use of technology, video, education, guidance and ultimately advice. That combination, that cocktail of factors, if you like, could prove to be the most cost-effective way of trying to rebuild this defensive wall that does not even really exist.

Q34 **Dr Spencer:** Thank you to the panel for your answers so far. I was going to go down the line of questioning about the role of social media, e-mails and texts and I see it has been chewed over quite a fair bit and your opinions are quite clear on that regarding pension scams.

Going back to some of the things you have been saying about ensuring people have access to advice and guidance, is there a role for tech companies here in terms of making sure that where things are being advertised on platforms there are links or tags to go to independent advice and guidance?

Margaret Snowdon: The short answer is we should use every tool at our disposal. Given scammers use technology so much to attract customers, it would be very sensible if we could use technology to help and guide people about the dangers of scams. Andy mentioned Money Alive, which is something that PSIG is already looking at. We are talking to MaPS about that. Again, it is because it uses technology, importantly that can produce evidence. It is one thing to ask people to look at a video or read a leaflet; it is very difficult to know whether they have done. The technology does exist to track that, which would help a little bit.

It is very difficult to find any way to guarantee that people understand because, as I have said before, most people do not think that they will be scammed, even when it is staring them in the face. But the use of technology and the use of good advisers—and I cannot do anything other than absolutely stress good advisers, because 52% of cases that we see tend to be worrisome because of bad advisers, unregulated advisers, advisers who do not have the proper permissions—is a way to cut through a lot of the cost.

Tim Fassam: We would fully support that. There are intelligent things that can be done with technology, but we are challenged with some of the basics. For example, I will not speak for them, but we know the FCA has trouble keeping its own website at the top of its search engine optimisation. We know that often for some of our member firms fraudulent or inaccurate results will appear ahead of them. There are some basics to make sure that the services people are using to access information are returning accurate information, but it seems very sensible to look at how we can use technology to flag where people may get more value from additional education, additional guidance and additional advice.

On the broader point of consumer education, the critical point is knowing when and how to ask for help and ensuring that that help is easy to access. I think technology can play a key role there.

Andy Agathangelou: In my opinion, there are several issues around this. The first point I wish to make is that Mark Taber, who is somebody I would encourage the Committee to speak to, during the first eight months of this year provided the regulators with evidence of 380 instances, I think it was, where he personally—on a purely voluntary basis—found rogue, illegal and dodgy adverts on the internet.

The second problem of course is the other piece of management information we do not have, which we do need, which is what happens with that evidence once provided to the regulators. What proportion of those reports of illegitimate advertising were taken down? Even more importantly, of the ones that were taken down, how many of those adverts led to an inquiry by the regulators and/or other enforcement agencies to take away the permissions to take these operators out of business? Only taking their advert off the internet is the first step. How many of them are simply able to put another advert up the next day using a different website address and so on and so forth?

Frankly, we are so frustrated because it is like we collectively, the pensions industry, the regulators, the enforcement agencies, are using bows and arrows when the opposition have bazookas. We really have to take this very seriously and up our game. Of course there will be a cost, but it is going to be cheaper to mitigate the risk of these things happening in the first place than it is to tidy up the mess afterwards. Please think of the cost of preventing pension scams as a very worthwhile, high-return investment. By the way, there was no guarantee on that high-return investment phrase.

Richard Piggin: Focusing on which solutions are likely to be more effective and trying to effect systemic change is an important point. We would support messages around education, awareness, signposting to guidance, amplifying those messages, very important, absolutely, but we have to recognise that given the sophistication of the fraudulent activity that we are seeing—very recently we did some research on social media scams and consumers consistently were unable to distinguish between a genuine piece of content and a fraudulent piece of content. We are talking about sophisticated advert scams, very hard for an individual by themselves to be best placed to manage the risk. We have to recognise the limitations on relying on individuals, even with the support of guidance and advice professionals, to protect themselves. Could we get more bang for our buck by looking at effective solutions that target the scams at a system level and looking at what players such as the online platforms, social media sites and search engines could be doing for preventing and protecting their users from being scammed?

Q35 **Dr Spencer:** Just picking up on that, I think that is a very important point to try to tease out of this. Clearly we need to be making sure everyone has availability of the best possible advice on a point of principle. But if we are thinking then purely about how to protect people from essentially being caught up in fraudulent activity and then losing their entire pension pot—it has been made very clear this is a catastrophic event to happen to someone—then is providing advice doing that? I see stuff from Pension Wise saying that people feel more informed in their ability to avoid pension scams in terms of feedback after they have had advice, but do we have any data to show giving people advice makes any difference in their ability to avoid being ensnared in these traps? Or are these traps so sophisticated that the advice is not quite cutting it and perhaps we need to have more teeth in terms of protecting people from the fraudsters?

Margaret Snowdon: As I hinted before, talking to members, guiding them after they have been approached by a scammer is very difficult. It is difficult to change their minds. It is difficult to get them to see that the scammers are not necessarily acting in their best interest. Our experience is that 25% of people who take guidance listen to that guidance and change their minds about something they were about to do. That is pretty good, but we would like to reach more because 75% of people are still determined. Despite the guidance, despite the education, despite leaflets, despite the adverts on telly, they still want to do what the scammer has told them to do.

Honestly, the game is almost already lost when someone puts in a request to transfer because they are already committed to it. Trying to undo that with guidance is always going to be difficult. It would be impossible to stop everybody. I still maintain that stopping 25% is good and should be encouraged, but I think we need more teeth, as you say, than simply expecting guidance to do it all for us.

Andy Agathangelou: I would like to suggest that the industry, through organisations such as Margaret's PSIG, creates a good list or a bad list—blacklist, whitelist, call it what you like—that basically identifies known scams. Isn't it crazy that we have people transferring to schemes that are known to be scams and we do not have the machinery in place to prevent it from happening? We do not have the machinery in place to prevent it from happening because we have tied the hands of the trustees—the Hughes case that Margaret referred to earlier—and we are nervous, the regulators are nervous about publishing a list of organisations that the regulators believe may be or quite likely are dodgy.

We need regulators and enforcers to rise to the challenge of recognising this is a very difficult, fast-moving battle. We need the regulators to share in taking risk and, if necessary, to expose themselves to some risk in the cause of the greater good. Having innocent people tricked into moving their pension funds, their life savings, into what is a known fraud is scandalous. It is a national scandal. To make it worse, there are many instances, we believe—and we believe we can support this with hard evidence—where the scams are scams that were reported to the regulators many years previously, sometimes by individuals, sometimes even by, wait for this, other regulators in another part of the world saying, "There is something not quite right about that organisation. We suggest you investigate with a view to closing them down". If that kind of hard evidence is ignored, then what hope do we have?

Tim Fassam: To your point about guidance and advice, guidance, as Margaret sets out, provides an excellent service, particularly for those with relatively small amounts of pension saving. When we are talking about pensions, we might say £10,000 is not a lot of money, but for any individual £10,000 is an enormous amount of money. Guidance provides a really critical role for people in those scenarios.

I would say the efficacy on full advice not only protecting from scams, but leading to significantly better financial outcomes, is excellent. There is recent research from the International Longevity Centre and from Royal London that highlights the long-term benefits of working with financial advisers. They are also more able to build up a trusting personal relationship, which means that they have a greater chance—not a perfect chance, but a greater chance—of talking people out of scams where, as Margaret points out, the scammers are often coaching the individual on the response that they are likely to get and how to respond to challenges that suggest that this is a fraud or that this is a dodgy outcome.

In terms of the affordability of full advice, we think the Pension Advice Allowance is still underutilised. That is a tax-efficient way of utilising your pension saving to access advice. It probably is not flexible enough and it is certainly not well known enough, so we think there is an opportunity to improve the Pension Advice Allowance to make full regulated advice available to a wider range of pension savers.

Q36 **Steve McCabe:** I just want to look for a second at the impact on the victims of these scams. How much of their pension does the average victim of a scam lose in say percentage terms? Conversely, how much are they likely to get back?

Andy Agathangelou: Unfortunately, it is a common theme here. There is a lack of data. We believe that when a pension scheme is deemed to be a scam, The Pensions Regulator appoints a statutory trustee. Our understanding is that when a statutory trustee is appointed, there is an 80% chance that that statutory appointment will go to that same one firm. I do not know why, but 80% of statutory appointments are going to one trustee firm. Many people that we have spoken to have told us that once a statutory trustee has been appointed, they are not given reliable, routine information.

I am frustrated at the number of pension scam victims I am speaking to who when I say, "How much is in your fund now?" they say, "I do not know". Steve, these folks do not even know how much is now left. If they do not know, how on earth can we answer your question? There is a massive communications issue once a statutory trustee has been appointed, in my opinion, based upon the conversations I have had with many scam victims.

Q37 **Steve McCabe:** Is that the same for the rest of you, you do not really know how much people are losing or how much they are likely to recover?

Margaret Snowdon: The Pensions Regulator has said that the average loss in its experience is £82,000 per person, but it has acknowledged that some people lose £1 million. It is almost how long is a piece of string. We tend to say that people can lose one year's worth of pension, which is obviously a fair bit of pension for anyone to lose, up to 100% of the pension to a scam.

In terms of how much comes back, very little, and it takes a long time to either investigate these scams or, as Andy was talking about, where an occupational pension scheme is used, which is now very limited, trustees have to be appointed and go through a process and it can take 10 years for a conclusion to be reached. By that time, there is probably very little of the fund left. One of the issues is that a number of scams do not qualify for any compensation at all, and that is where advisers are not regulated or where advisers are overseas. There are very few opportunities for scams victims to get financial compensation—

Q38 **Steve McCabe:** So you could lose the lot in that situation?

Margaret Snowdon: You could lose everything and some people have. Some of the older scams—because we are still working through scams that took place in the early 2000s—we still have not resolved. It is looking like these people, through one thing or another, will probably have lost most of their savings. People transfer even their own cash, which often comes from a pension scheme in the first place. They take cash from the scheme and then invest it. As Tim has mentioned, they invest it in some spurious scheme that somebody has sold them. They could lose all of that because quite often the investments do not exist and, if they do exist, they are so risky that there is very little ever comes back. As Andy has said, we do not have figures on this, so it is a moving game because a lot of people who have been scammed over the years are probably still going to be in an open scam.

Steve McCabe: Do you have anything to add on that point, Richard or Tim?

Tim Fassam: Yes. I would agree that the data is quite poor in terms of understanding the exact losses and the exact recovery. Perhaps slightly anecdotally, we think that for out and out fraud the recovery is less than 1%.

Steve McCabe: Less than 1%?

Tim Fassam: We would certainly like to see enhanced resource on recovering fraudulent moneys. In terms of what is left for them, if it is a pension liberation scam, they can not only lose everything, but then have a very significant tax charge to pay.

In terms of investments, we are increasingly seeing investment scams and frauds fall on to the Financial Services Compensation Scheme. This is in scenarios where any part of the chain involves a regulated activity. Obviously it is incredibly important that consumers are compensated where they have lost out and where they have had a bad experience, but our view is that the increases are now out of control and suggest a more serious problem with the system.

As we have explained, we believe that any customer who falls on to the compensation scheme has been failed. They have had a bad outcome. We believe that is largely down to inappropriate supervision and regulation not covering the products and services that it should and this is causing distortions in the market. We may well talk about phoenixing and repeat offenders, but it is also leading to increasing costs on financial advisers that some advisers are now telling us are existential. The uncontrolled frauds that are paid for by the compensation scheme may now lead to good, high-quality financial advisers leaving the market.

Q39 **Steve McCabe:** You mentioned there HMRC. There is a view that some of these people are victimised twice. First, they are got by the scammers, and then—although I understand it is technically and legally correct—they are hit again maybe with 55% tax charges by HMRC. Is that fair?

Andy Agathangelou: It is not twice, it is four times. The scammed can lose to four parties. First, they can lose money to the crooks. That is what we are here to talk about today primarily. Secondly, they can lose money to HMRC. The question you just raised is about that. Thirdly, they can lose money through the costs and charges associated with the services being provided by the statutory trustee. There would appear to be a woeful lack of scrutiny and oversight by The Pensions Regulator in relation to how much money—

Q40 **Steve McCabe:** Sorry to interrupt you, but I just want to understand what you would do about that. If you are telling me all of these things are wrong, what would you do about it?

Andy Agathangelou: As follows. In relation to HMRC, this is what I think needs to happen. There needs to be an investigation into why HMRC reduced the due diligence processes when a pension scheme is authorised. Many pension scheme victims will talk about the fact that they thought the scheme was legit because HMRC gave it legitimacy by authorising it. There needs to be an investigation on why HMRC deliberately reduced the due diligence threshold. We now know that it realised it was a mistake because it put it back, but in the meantime X thousands of people have lost their life savings.

Steve McCabe: I am just going to go to Richard because we are bit tight for time. Richard, can I bring you in on this?

Richard Piggin: In principle, we do not think it can be right that the Government gets money from people who have been scammed. That is the start and end of it. That certainly needs addressing.

Margaret Snowdon: Just to point out that I agree with what has been said about the inequity of Government taking money. They have no choice because of the way the law is constructed. PSIG has put a proposal on a very simple change to tax law to give HMRC discretion to not apply tax penalties in certain cases. It would be very low cost to introduce that, but it would take away the real double whammy of getting a tax bill on top of loss. That paper was written in 2018. It was given to the House of Lords, who liked it. It has been shared with HMRC and it has been shared with the Treasury. Frankly, it was kicked into the long grass. That is largely because there are too many other things distracting HMRC and we have told you that.

Q41 **Steve McCabe:** You might want this Committee to revisit that as a recommendation, is that what you are telling me?

Margaret Snowdon: I will make sure you have a copy of the proposal. As I say, it was a very simple change to tax law. We do have a tax Bill every year, so it should be something that is eminently doable.

Q42 **Steve McCabe:** I want to ask you one last question because I am conscious of time. You people are all pretty expert in this field. If you were giving us one single recommendation about what the best approach is to helping non-advised pension savers to spot and avoid scams or get effective help if they fall victim, what would be your single recommendation?

Chair: Let's ask each of you that question. Margaret, do you want to start?

Margaret Snowdon: Yes, I will kick off. I think it is very important to prevent scams and I believe that the people who have the best oversight of whether or not something is likely to be a scam is the scheme trustee or receiving scheme provider. I think that a single solution would be to give them the tools to be able to refuse a transfer.

Andy Agathangelou: I wholly agree with what Margaret has just set out. The pension scheme trustees have a responsibility to look after their members. Of course that includes people who are considering a transfer. At the moment their hands are tied. They are toothless and they need to be supported so they can do their job of looking after scheme members properly. That is where the energy should be focused.

Richard Piggin: I would look beyond simply just the pensions industry and look at the enablers of scams, and in particular social media sites and online platforms and the responsibility they should be given to protect people from this type of harm.

Tim Fassam: I would say to bring the fraudsters inside the system, so making sure they are supervised and regulated appropriately, that the regulated perimeter is broadened and that supervision is more effective to these high-risk firms.

Q43 **Chair:** I have one final question. You have given us lots of very interesting information. Are we seeing prosecutions in this area? You have talked to us a lot about serious crimes that have been committed. Is there a stream of prosecutions or are those not happening at the moment?

Margaret Snowdon: You can probably count them on your fingers of your hands. There aren't very many, but there are some.

Andy Agathangelou: We do not understand why there are several known, high-profile scammers that are plastered all over the internet by victims, some of whom get threatening letters from the scammers for trying to oust them. We had one individual, for example, who tried to report that somebody who is known to be a scammer was using illegitimate advertising to try to catch more victims. This previous victim of this scammer reported that individual through social media and then received letters of complaint from that scammer's lawyers saying, "Do this, do this, do this or else". That is the nature of the problem that we have. The harsh reality is that there are many high-profile, known crooks who appear to be running rings around the regulators.

Tim Fassam: Alongside the lack of prosecution I would also highlight the lack or certainly the slowness of regulatory action. If you look at one of the scams that will have affected a large number of pension savers as well as other savers, which are mini-bonds, PIMFA members were raising concerns about mini-bonds in 2015 and we are only really seeing action this year. Swift regulatory action, as well as enhanced prosecution, will be absolutely critical.

Chair: Thank you. Richard, anything to add?

Richard Piggin: The final point is just around support for victims and not to forget about that. We would like to see more done to work with those victims to prevent reoffending, but also to rebuild their confidence and trust in engaging with the financial services industry in the future.

Chair: Thank you all very much indeed. You have given us a very interesting session and lots of things for us to think about. I think you have made a pretty compelling case that there are significant changes that ought to be made to address the problems that you have told us about. Thank you all very much for joining us today. That concludes our meeting.