



Work and Pensions Committee

23 May 2024

Rt Hon Mel Stride MP
Secretary of State for Work and Pensions
(By e-mail only)

Dear Mel,

Norton Pension Schemes and the Fraud Compensation Fund

As a result of the General Election having been called, it has not been possible for the Committee to agree a Report in conclusion of its [Norton pension schemes and the Fraud Compensation Fund](#) inquiry before the prorogation of Parliament on Friday 24 May. Although we had concluded taking evidence on this inquiry, we had not yet finalised our findings.

However, we want to place on record our thanks to all those who contributed to our inquiry, particularly those who were affected by the Norton pension scam and took the time to share their experiences with us in written evidence and in a roundtable we held.

The inquiry raised a number of important policy questions which will be relevant in the next Parliament, including on:

- Whether The Pensions Regulator's (TPR's) remit should be extended to cover pension scheme administrators;
- Whether TPR should have rule-making powers;
- The funding of the Pensions Ombudsman and whether some of its funding should be demanded; and
- What changes could be made to the Fraud Compensation Fund and when payments can be made from it.

We have provided as an annex to this letter a summary of the key points raised in the inquiry, which should help identify areas requiring attention and possible policy change in the new Parliament.

As is usual practice with the Committee's correspondence, I will be publishing this letter on the Committee's website. I am copying this letter to the Chief Executives of TPR and PPF, and to the Pensions Ombudsman.

Yours sincerely,

Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Committee

Annex: Summary of key points raised in the inquiry

The key events

The Pensions Ombudsman's [published](#) in June 2020 its determination on Norton Motorcycles, which detailed the circumstances in which the schemes were set up. It explained that:

- The three Norton Pension Schemes were set up in 2012, each had fewer than 100 members. The sponsoring employer was Manorcrest Limited, a dormant company of which Mr Stuart Garner was the sole director. He was also sole trustee of the schemes (paras 20–24; [TPR determination notice](#), April 2019).
- The first administrator of the schemes was a company called T12, two directors of which (Peter Bradley and Andrew Meeson) were jailed for pension tax fraud in relation to a separate case in 2013. They introduced Mr Garner to Simon Colfer (also known as Simon Davies), who promoted the schemes to prospective members. He was convicted of fraud in 2018 for the way that he had promoted the schemes (para 78).
- Members were admitted into the schemes between April 2012 and December 2013, transferring in funds totalling over £10.9 million from other pension arrangements. Between October 2012 and February 2013, the schemes' funds were invested in preference shares in Norton Motorcycle Holdings Limited, of which Mr Garner was sole director (para 25-28).
- Mr Garner told the Pensions Ombudsman (TPO) that, as soon as he became aware of "the position regarding Simon Davies, Andrew Meeson and Peter Bradley" in late 2013, he sought to appoint a new trustee. However, no independent trustee was willing to take on the role because of T12's involvement (para 98).
- Mr Garner sought to appoint Dalriada in late 2017. Dalriada told him he would need to approach TPR due to the issues with T12 setting up the scheme. TPR conducted an investigation, which resulted in it appointing Dalriada as independent trustee to the Schemes in 2019 (para 99-100).
- In January 2020, Metro Bank appointed administrators, BDO Ltd, to the Norton companies. Norton Motorcycles UK was sold on 17 April 2020 to a listed Indian business for approximately £20 million in cash and enterprise value (para 127).

The TPO in its determination upheld complaints from 31 scheme members and Dalriada. TPO found that Mr Garner had committed multiple dishonest breaches of trust and maladministration, which had led to the loss of scheme members' pension funds. It determined that Mr Garner was personally liable to pay the schemes a total sum of approximately £10.6 million plus simple interest at a rate of 8% per annum ([NPS0004](#)).

In January 2021, after the publication of the Ombudsman's report, the Norton companies entered a Creditors' Voluntary Liquidation. In July 2021, Kristina Kicks and David Standish of Interpath Ltd were appointed joint trustees in the bankruptcy of Stuart Garner ([NPS0013](#); [NPS0014](#)).

In 2022, TPR used its criminal powers successfully to prosecute Mr Garner for three pension scheme investment offences. He was sentenced to eight months imprisonment, suspended for two years, for each of three counts of breaching employer-related investment rules. In October 2023, TPR's determinations panel banned Stuart Garner from ever being a pension trustee again ([NPS0005](#)).

However, scheme members have faced a long wait to know whether any of their pension assets could be recovered, or whether there would be any form of compensation. Neil Davis and William Wallace explained the toll these events had taken on them: “the effect of the theft of our pension and the impact of what has happened, is becoming more apparent as we go on. We are even more vulnerable than before, both health wise, emotionally and financially. The length of time taken to resolve these issues has caused added stress and should not be underestimated for its impact” ([NPS0002](#)).

The independent trustee appointed to the schemes by TPR, [Dalriada](#), told scheme members in April 2023, that the “best chance of making a material recovery of members' funds will be by way of successful claims on the Fraud Compensation Fund.” On 10 March 2024, Dalriada received the first payment (of £9.4 million) from the Fraud Compensation Fund.

Gaps in the regulatory framework

The Association of Pension Lawyers told us it is not possible to design a regime that would eradicate scams altogether as, if an individual is wilfully dishonest, information and wrongdoing will inevitably be concealed ([NPS0010](#)). Nonetheless, it is clear that there were gaps in the regulatory framework at the time that allowed the events with the Norton Scheme to happen. These have since been closed, but too late for the Norton Pension Scheme members. These included changes to the process for scheme registration and the pension transfer rules.

Scheme registration

Neil Davis and William Wallace, scheme members who provided written evidence to our inquiry, thought they had exercised due diligence before transferring their savings into the Norton Schemes. One factor which had helped to reassure them was that the pension schemes were registered with HMRC and The Pensions Regulator (TPR).

TPR told us that the registration processes HMRC and TPR had in place at the time were not intended to ‘authorise’ schemes or to act as a form of endorsement. They had other purposes. Pension schemes had first to register with HMRC so that they were eligible for tax relief. They would then provide information to TPR, which was required to maintain a register for levy and pension tracing purposes. The legislation did not provide for TPR to determine whether a scheme should be registered, or for it to refuse registration. Nonetheless, TPR said it is a “matter of record” that it “liaised with HMRC in relation to the latter's investigation and successful prosecution of directors of Tudor Capital Management, Andrew Meeson and Peter Bradley in 2013” ([Correspondence with the Pensions Regulator, Norton Pension Schemes, 30 April 2024](#)).

We heard that the process for registration had in the past been more involved but that from 2006, it became a simple online process ([Q4](#)). It became apparent fairly quickly, in around 2012 or 2013, that it was too easy to register a pension scheme ([Q5](#)). Changes to the rules in 2014, including allowing HMRC to refuse to register a new scheme or to de-register an existing scheme if it believed the administrator was not “fit and proper” were “intended to make it harder for sham arrangements and pension schemes to be set up and for tax avoiders and fraudsters to set up and run registered pension schemes” ([Correspondence with TPR, 30 April 2024](#)).

Pension transfer rules

The Norton Pension Schemes were not traditional occupational pension schemes, with a contributing sponsoring employer. The vast majority of its members transferred in savings built up in other schemes and were not employees of the Norton Motorcycle companies, or the sponsoring employer of the schemes, Manorcrest. Some, at least, were encouraged to join on the basis that they would receive a tax-free 'commission' after the transfer. Scheme members thought their pension schemes would do 'due diligence' before allowing the transfers to go ahead ([NPS0002](#)). However, at the time, there was no requirement on schemes to undertake checks before allowing a transfer out. Indeed, even if the transferring scheme had concerns that there was a risk of a scam, they were not able to prevent a transfer ([PO-14889, March 2017; Q88](#)).

Changes to the rules in November 2021 allowed the trustees to prevent a transfer if the circumstances triggered a 'red flag' and referred the scheme member to MoneyHelper in the case of an 'amber flag'. TPR said that as a result "the risks of similar situations arising now are much lower." Pinsent Masons LLP agreed, saying that scammers were now more likely to use routes other than occupational pension schemes ([NPS0009](#)). DWP estimated that in 2022, the regulations may have stopped approximately 2,000 transfers taking place which may have been scams or fraudulent ([Correspondence with TPR, April 2024](#)).

TPR's intervention

Over the period 2010 to 2014, TPR received whistleblowing reports about a number of schemes to which T12 Administration Ltd was linked and appointed independent trustees on an emergency basis to a number of those schemes. As a consequence of receiving information from HMRC that Mr Bradley and Mr Meeson were being arrested in relation to pension tax matters, it took action in relation to a number of schemes linked to both Tudor Capital Management Limited and T12 Administration Limited. However, it took a "risk-based decision not to investigate the Norton pension schemes further during this period." In 2013, a whistleblowing report relating to Norton was referred to Action Fraud ([Q124; Correspondence with the Pensions Regulator, Norton Motorcycle Holdings Ltd, 7 August 2020](#)).

Tony Raymond, General Counsel and Director of Governance at TPR, told the Committee that, while "looking at the situation now, it obviously feels uncomfortable," at the time, TPR had had a "very high volume of cases" and had allocated its scarce resources to cases that were "even more egregious" than Norton and which TPR was particularly keen to disrupt. They involved investment models that were obviously scams aimed at pensions liberation through reciprocal loan arrangements ([Q124; Q142](#)). Maria Evgenidou-Wright, Head of Enforcement Proceedings at TPR, told the Committee that TPR had received another whistleblower report in 2017 but had initially carried out "quite limited inquiries" because of an ongoing police investigation. From February 2018, TPR expanded its investigation, contacting Mr Garner directly. However, it was not until over a year later in May 2019 that TPR appointed Dalriada as independent trustee to the Norton pension schemes. After it became apparent that not enough progress was being made, TPR had to go through a tendering process and give those affected the opportunity to make representations before asking its determinations panel to decide on the appointment ([Q143](#)).

Sean Browes of Dalriada, said that in terms of being able to recover assets, it would not have made a “massive amount of difference” as the pension funds had already been invested in the Norton Motorcycle business back in 2012 or 2013 ([Q10](#)). Anthony Arter, who, as Pensions Ombudsman, made the determination on the Norton pension schemes, outlined the emotional impact of delay, saying that individuals’ lives had been “ruined” ([Q92](#)). Tony Raymond of TPR acknowledged that the facts relied on in the prosecution of Mr Garner were available in 2013 ([Q169](#)).

Changes to the regulatory framework

We heard from the Association of Pension Lawyers that TPR had extensive powers in relation to occupational pension schemes and that these seemed sufficient ([NPS0010](#)). TPR told us it was confident that “the right regulatory arrangements are now in place to prevent a similar case happening again.” It was now a “clearer, quicker and tougher regulator.” Under new ways of working, whistleblowing reports are fast-tracked to an investigations team and it is “more proactive in following up on the wider intelligence picture of cases and will consider the appointment of independent trustees where appropriate” ([NPS0005](#)).

Witnesses suggested a number of areas for further change, including:

- A review of the process for appointing independent trustees to see if the process can be made quicker, while still giving those affected the time they need to make representations ([NPS0008](#)) and the development of a “culture of rapid action when trustee wrong-doing is flagged or suspected” ([NPS0016](#)).
- A review of the requirements on industry to provide information that would give TPR better oversight. PSIG said it believed that TPR had sufficient powers to act but needed “sufficient oversight to identify problems early enough to prevent irrecoverable losses” ([NPS0016](#)). Dalriada said that industry typically only made a report where it was convinced a transfer was a scam, meaning that the number of reports is far less than the number of red and amber flags identified ([NPS0008](#)).

Another area of weakness brought to the fore by the Norton case was TPR’s lack of oversight of pension scheme administrators. The directors of the first administrators, T12, were replaced by Liddell Dunbar (LD) in 2014. Deputy Pensions Ombudsman, Anthony Arter, told us he was amazed that such a company could set itself up as an administrator, given that Ms Dunbar “admitted that she knew nothing about the regulations of pensions” ([Q93](#)).

TPR told us that it does not have regulatory powers over scheme administrators and that there was no registration or authorisation framework for them. It was working with DWP in response to a recommendation in Mary Starks’ review that TPR should work with DWP on “the costs and benefits of extending TPR’s remit to cover pension administrators.” In the meantime, it was working with the largest administrators to develop a voluntary supervisory regime ([Correspondence with TPR, 30 April 2024](#)).

The Norton pension schemes were all small schemes, with fewer than 100 members and had a sole trustee, Stuart Garner. When TPR spoke directly to him in 2018, they said “he admitted himself that he was not a competent trustee and that he was not able to take care of the scheme” ([Q143](#)). There were

also conflicts of interest, as he was the sole director of the sponsoring employer, Manorcrest, and the Norton Motorcycle companies. These were warning signs that should have helped TPR spot there was a problem. The Pension Scams Industry Group (PSIG) noted that TPR “appears to focus on large schemes where a single failure would have a huge impact” and to give “less attention to smaller ones and rely on self-reporting and whistleblowing” ([NPS00016](#)).

The forthcoming trustee register is intended to help TPR to spot problems with small schemes in the future ([Oral evidence on 29 November 2023](#), HC 144, Q248). However, Dalriada told the Committee that if schemes were required to have a professional trustee as a condition of registration, that would also help make scams of occupational pension schemes a thing of the past ([NPS0008](#)). We made recommendations on these matters in our [Defined benefit pension schemes](#) Report.

The framework for changing rules

We heard that delays in changing the rules had contributed to more people experiencing consumer harm ([NPS0016](#)). Anthony Arter described becoming increasingly frustrated about “the number of members of the public who were cold-called and persuaded to transfer from a safe pension arrangement to a completely unsafe pension arrangement”, often “losing their whole life pension savings” as a result. He made a determination which highlighted this, when challenged successfully in the High Court in 2016 ([Hughes v Royal London](#); [Q86](#)).

We asked TPR what it had been doing to raise awareness of the need for changes in the rules. It told us it was involved in discussions in 2013 and 2014 with DWP and others to build the case for legislative change. This had contributed towards the introduction of the cold-call ban in January 2019 and rules preventing transfers to scam schemes in 2021, which were a “significant step in preventing transfer scams” ([Correspondence with TPR](#), April 2024).

Successive reviews of TPR for DWP have recommended giving TPR rule-making powers to enable it to respond better to emerging risks. A [Tailored Review](#) conducted for DWP in 2019 said TPR could benefit from being able to “respond more quickly to risks and changes in the pensions sector.” It noted that changes to how TPR used its regulatory powers required legislation, involving Departmental and Parliamentary time. It recommended that DWP “consider the benefits of extending TPR’s powers to enable them to make rules in specific circumstances”, with correct ministerial oversight and industry input, to see if this could “enable it to better achieve its goal of being clearer, quicker and tougher.”

In the next [Independent Review of the Pensions Regulator](#), in September 2023, Mary Starks noted that these recommendations had not been taken forward, partly due to the pandemic. Following the LDI episode, she said it was “important that TPR plays an authoritative part in these policy discussions, as an informed and expert voice aligned with the interests of savers.” The legislation governing the FCA and PRA (Financial Services and Markets Act 2000), for example, “was designed to avoid a dependency on new primary legislation to update the regulatory framework as markets evolve.” There was “no hard line” between the aspects of rule-making that should sit with Government and those which should sit with an independent regulator. The Mary Starks’ Review said that although core pensions policy should sit clearly with DWP, day-to-day regulation should be delegated to the regulator within constraints. For example, there was “a strong case for TPR to have powers over information-gathering.”

Enforcement

Mr Davis and Mr Wallace argued that there was a failure to take appropriate action that could have proved criminality. They were also concerned that trying to get action was very frustrating. They reported their concerns, with evidence, but no action seemed to be taken ([NPS002](#)). The fragmentary enforcement landscape and the frustration experienced by scheme members was an issue on which we made recommendations in our 2021 report on [Pension scams](#).

TPR has [power to prosecute](#) pension offences, where offences are created under pensions legislation, or are related to its functions. It explained how it had used its powers in relation to Stuart Garner:

TPR replaced Stuart Garner as a trustee of the Schemes with an Independent Trustee, Dalriada Trustees Ltd, and as a result of TPR's prosecution for employer-related investments offences, he received a suspended prison sentence and was banned from acting as a company director for three years. His three-year company director ban also has the effect of preventing him from acting as a trustee of any pension scheme during that period. Since this prosecution, TPR has taken further regulatory action to ban Stuart Garner from ever being a trustee again. ([NPS0005](#))

We asked TPR why it did not prosecute Mr Garner for fraud. Tony Raymond told us it had been "led by the evidence." In his determination, the Pensions Ombudsman found that Mr Garner had "committed multiple dishonest breaches of trust and maladministration which led to the loss of scheme members' pension funds." However, TPO operates according to a civil standard of proof, which is different to that which applies in criminal prosecutions ([Q95](#)).

The Pensions Ombudsman

TPO's Determination on the [Norton Pension Schemes](#) runs to 96 pages and contains detailed findings of fact and analysis of case law. Anthony Arter, the then Pensions Ombudsman, found that "Mr Garner had committed multiple dishonest breaches of trust and maladministration, which had led to the loss of scheme members' pension funds, and determined that Mr Garner was personally liable to pay to the schemes a total sum of approximately £10.6 million plus simple interest at the rate of 8% per annum" ([NPS004](#)). He told the Committee that it had been a big decision to focus resources on the Norton Pension Schemes. However, he thought it was "a very important area" to focus on and that some other things had to give way that were "perhaps, in my view at the time, less important" ([Q104](#)).

TPO went on to establish the Pensions Dishonesty Unit to "efficiently investigate cases of suspected pension scheme dishonesty and, where possible, make directions against those trustees (or others responsible, for example, manager or administrator) instructing them to personally reimburse the scheme (and therefore the members) for losses stemming from their actions" ([2021/22 Annual report](#)). The current Pensions Ombudsman, Dominic Harris, explained that DWP had provided pilot funding for the PDU for two years until 2025. Without that additional funding, TPO "probably wouldn't be doing all of the nine cases that are on foot." It expected to see more cases ([Q107](#); [Correspondence, 3 April 2024](#)).

Mr Harris also told us that determinations were taking "too long". He wanted to take the opportunity of the public bodies review of TPO this year to discuss the prospect of demand-led funding ([Qq118-20](#)).

The Fraud Compensation Fund

The Fraud Compensation Fund (FCF) is administered by the Pension Protection Fund. It is set up under the [Pensions Act 2004](#) (Chapter Four) to pay compensation to occupational pension schemes where the employer is insolvent and the scheme has lost out as a result of dishonesty.

The Pension Protection Fund (PPF) told us that it had to obtain clarity from the [High Court](#) that 'pension liberation' or 'scam schemes' could potentially be eligible to make a claim on the Fraud Compensation Fund (FCF). This was needed because of the nature of the schemes—they were new creations, in which members had no connection with the schemes' employer. The Norton schemes were an integral part of a scam, whereas the FCF had been designed for schemes which were defrauded by an individual(s) but were otherwise bona fide pension schemes ([NPS0006](#); [NPS0008](#)).

Sean Browes of Dalriada told us that, once the Judgment had been obtained, it was a "massive learning curve" to develop processes that complied with the legislative rules but would work for schemes like Norton. It was like fitting "square pegs in round holes, and we were trying to get to a point where we could efficiently put in claims for 100-odd pension schemes." ([Q33](#)) Dalriada suggested two changes to the eligibility criteria to simplify and speed up the process for scheme members:

- Remove the need for a Scheme Failure Notice as a requirement for a legitimate claim. Typically, the 'employers' in such cases were dormant companies which had never traded and were often already dissolved at the point of making a claim. However, where they were still registered on Companies House as being active, they had to be liquidated, incurring time and expense; and
- Allow the FCF to agree that a scheme is at 'last resort' and to start to making payments on the understanding that if further recoveries are made, they pass directly to the FCF. This would help because the investments in such schemes were "usually in unorthodox assets and recovery can involve protracted timescales and uncertain partial recovery" ([NPS0008](#)).

Kristina Kicks of Interpath said that a notable difference between the FCF and other compensation schemes, such as the Financial Services Compensation Scheme, was that the latter stood in the victims' shoes': i.e. it made payments to scheme members in the expectation that, if scheme assets were recovered, the FCSF would be paid ([Q69](#)). The FCF said that for it to be able to do this, it would require legislation, which was unlikely to come quickly enough for its current pipeline of cases. The FCF was working to "largely effect the same outcomes" within existing legislation by making it a condition of money it paid out that if there were further recoveries into the scheme, it would get the money back. ([NPS0006](#); [Q160](#)).

Payments to Norton scheme members

On 13 March of this year Sean Browes told the Committee that on 10 March, Dalriada had received the first compensation payment into the schemes of £9.4 million ([Q27](#)). We asked Dalriada when scheme members could expect to receive payments. It told us that the FCF had "imposed a number of conditions on payment of compensation." One was that members should not be compensated for payments they had already received due to their membership of one of the schemes. Dalriada had therefore had to agree

a process whereby it would contact members to obtain this information and then report the results to the FCF which would determine the final level of compensation ([Correspondence with Dalriada](#)).

Communication with scheme members

The Pension Scams Industry Group said that it had “seen examples of members not being informed because of the cost and because communications generate questions which add further to that cost. Failure to maintain regular communications causes further suffering to members, who tend to be in an anxious state already.” It suggested that in cases where wrongdoing was suspected, “early access to external funding (perhaps by an advance from the Fraud Compensation Fund, or similar) would avoid the penny-pinching on member communications.” ([NPS0016](#))

Orphan schemes

As of 30 September 2023, the FCF was aware of 138 claims, of which: one had been settled in full; 13 had received a first payment; 37 had received confirmation that a fraudulent event had occurred; 43 were under investigation; and 45 were potential claims. The FCF noted one challenge was that “the framing of the legislation means a trustee needs to be in place in order to progress applications and process compensation. It cannot pay the scheme members direct. This means that it is reliant on TPR to appoint an independent trustee” ([NPS0006](#)).

Dalriada said it was aware of a number of orphan schemes that were potentially eligible for compensation but where a trustee had not been appointed ([NPS0006](#)). The Association of Pension Lawyers said that there may be other schemes that were eligible but did not have the support needed to make a claim ([NPS00010](#)).

TPR said that it had been “helping the FCF compile a list of the schemes that we are aware of that, should the eligibility criteria be met, may apply for compensation. However, this is not a definitive list and it should be noted that the intelligence picture on potentially eligible schemes is constantly evolving.” It was looking at options for schemes where it was not possible to appoint an independent trustee because there were no assets involved ([NPS0005](#)). Dalriada said that this was a common problem. When it was appointed to these types of schemes, it could “never be certain what, if any, assets there are. Certainly, in the later appointments, almost invariably the money has gone” ([Q16](#)). It suggested that professional trustee firms might be encouraged to take on such work if agencies could conduct a prior assessment of the likelihood of a scheme qualifying for FCF compensation:

the various agencies could work collaboratively to determine whether there has been dishonesty in a scheme and whether it would be eligible for compensation from the FCF, what scope there is for asset recovery (and, so, whether a scheme is at last resort) before an independent trustee is appointed. This might encourage more trustees to take on appointments to these types of schemes. It should also eliminate the requirement of the trustee to provide evidence of dishonesty to the FCF in support of the claim, thereby saving some time from the date of their appointment to getting compensation into the hands of the victims and, thereafter, winding the schemes up ([NPS0006](#)).