

Written evidence from Association of Member Nominated Trustees [PPS0011]

1. The Association of Member Nominated Trustees (AMNT) is grateful for the opportunity to respond to the call for evidence on pension freedoms. This submission is presented in a personal capacity by David Weeks, co-chair of the association.

Association of Member Nominated Trustees: background

2. AMNT is a not for profit organisation supporting member nominated trustees, member nominated directors and employee representatives of UK based pension schemes in both private and public sectors. We are the only pensions trade association that represents chiefly individual pension scheme members themselves rather than provider interests. AMNT has grown to a membership of around 800 individual trustees, representing pension schemes with assets under management of over £950 billion. That is around one third of the total UK occupational pensions sector.

3. AMNT was launched in September 2010, in the backwash of the Maxwell pensions scandal. Member nominated representatives expressed a desire to liaise with others in similar roles. They aimed to share experiences and to build a community that was designed to cater for their special perspective within the pensions industry. Since then, the association has won widespread support for its work: from the pensions media, pensions provider organisations and other representative groups. Momentum continues to build during the Covid-19 regime.

4. David Weeks has been co-chair of the AMNT since 2016. This submission is presented by him in a personal capacity for reasons that are explained in paragraph 15, below.

Submission

5. The incidence of pension scams, together with their scale and significance, has been well documented. We share the Select Committee's view that many cases may not have been reported. The scale of the problem may be greater than currently identified. We do not comment on questions 1, 2, 3 and 4. Our submission concentrates on the following questions: 5. What more can be done to prevent pension scammers operating? 6. What more can be done to prevent individuals becoming victims of pension scams? 7. What role should the pensions industry have in preventing scams?

6. We see that trustee boards and their administrators are currently expected to oversee the details of a member who requests a transfer. Trustees have to check that the receiving scheme is a recognised scheme, and that the transaction is not fraudulent or a scam. They have a duty of care to their members to stave off becoming scammed. Then, they must also ensure that transfers take place within specified time limits.

7. Currently, the Financial Conduct Authority (FCA) regulates the financial advice required for transfers of greater than £30,000. We think that there is evidence, however, to suggest that advice proffered can still be unsound. Insistent members can obtain advice to support their transfers even when it is not felt to be in their best interests to do so. We think that this is undesirable. We support changes to FCA's regime for individuals who are considering changes from defined benefit schemes, with increased scrutiny of the individuals and companies who provide such advice.

8. The Pensions Regulator (TPR) regulates pension schemes. Fraudulent receiving schemes thus come under their radar. Further work would be welcome to pinpoint rogue elements, because fraudulent schemes still ply their trade on sizeable scale.

9. We ask the Select Committee to look at two issues. These have been addressed by FCA, but may require further legislative action:

1. The mandatory requirement for consumers who want to transfer safeguarded benefits of greater than £30,000 to obtain independent financial advice. This should include new obligations to require trustees or managers of a pension scheme to check that consumers have received advice from a suitably qualified adviser. 2. The potential legal liability that arises should trustees of a pension scheme be found to give some form of “advice”, as opposed to mere “guidance

10. HM Government and the Financial Conduct Authority have recognised that, for some customers, a pension pot of below £30,000 may still represent a large part of retirement savings. The cost of providing independent advice could then be a significant proportion of the value of the pension. Hence, a minimum limit was set. The consequence of this limit is that some consumers make critical financial decisions without professional support. We acknowledge the excellent work of PensionWise. Their service is restricted, however, to general guidance. Thus, a gap exists, which we would like to see receive attention.

Recommendations

11. AMNT suggests that the practicalities of establishing an advisory service should be investigated: to operate as an intermediate support activity somewhere between guidance and full financial advice.

12. The terms of reference for such an advisory service would be to provide appropriate advice to individuals, including those with a pension fund of under £30,000, who seek to transfer from a defined benefit scheme. The advice would cover: 1. The reason for the transfer; 2. The provenance and status in law of the proposed receiving organisation or individual; and 3. Confirmation that the person requesting the transfer understands fully the consequences of their decision. This suggested brief should not be inclusive or exclusive. It should be open to change following consultation, and over time as needs evolve. The advice would be limited to transfers from a specific defined benefit scheme.

13. Should the individual need full financial advice then they would be directed to seek an appropriate Independent Financial Advisor: IFA. We do not comment here on the state of the IFA market to provide value for money advice.

14. The advisory service might be included within the present PensionWise arrangement, with advice given by trained personnel. Once advice had been given then a certificate would be issued. The aim would be to provide reassurance for the originating pension scheme trustees

Matters for further consideration

15. Members of the AMNT differ on how such a service should be funded, or what should be its potential liability for negligent, or otherwise defective, advice. We do not consider it appropriate, however, for us to recommend on every detail of how our proposal ought to be implemented. Our aim is to raise for public debate the idea of an advice service. We submit that others are better qualified and better placed to consider the particulars of realisation.

16. AMNT would be pleased to support this written evidence in person at any oral hearing that the Select Committee may wish to hold.

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