

Just Group – Written evidence (FDF0062)

Overview

1. High levels of disengagement and low understanding of pensions make retirement planning difficult for consumers at the best of times. The impact of the pandemic and subsequent income shocks are likely to have made this worse, and increase the importance of ensuring people receive impartial professional support before making important pensions decisions – including adequate protection against pension scams.
2. The 'pensions freedoms' policy introduced in 2015 has provided greater choice in how savers can access their pension benefits. While the policy has provided savers with unfettered access to their pension benefits from age 55, this has also created a new pool of potential victims for pension scammers. With ample evidence that pension scam activity has increased the need for effective policy to actively prevent pension scams is clear.
3. Yet the Government is not exploring all available options for reducing this harm, particularly in relation to the delivery of free, impartial pensions guidance to pension savers. Our submission focuses on this point and we urge the Committee to call for more to be done to address low take up of impartial pensions guidance as an important preventative factor against pension scams.

Key points

- *Pensions scams pose a growing risk to the financial wellbeing of millions of people. Pension scams are widespread with the Financial Conduct Authority (FCA) and the Pensions Regulator (TPR) having estimated that 42 per cent – up to 5 million pension savers – are at risk of falling victim to pension scammers.¹*
- *The Pension Wise guidance service was set up as a key component part of the 'pension freedoms' policy in 2015. The free, impartial service is popular and its appointments are proven to help people spot and avoid pension scams. But it is badly underused – six in seven pension pots are accessed without Pension Wise first being used.*
- *In response to this concern the Government and FCA are introducing 'Stronger Nudge' rules for pension schemes and providers from June 1st to encourage people to have a Pension Wise appointment when accessing their pension savings. But this approach has been criticised for coming too late in the customer journey to be effective. Trials have also demonstrated that this approach has only a limited impact on appointment usage.*
- *The Work & Pensions Committee, consumer groups and industry experts are calling on the Government to trial an auto-appointment booking intervention in order to assess this alternative approach to driving up impartial guidance usage. But the Government has so far resisted acting on these recommendations, leaving millions of pension savers exposed to financial harms including pension scams.*

¹ [5 million pension savers could put their retirement savings at risk to scammers](#), FCA, 2019

- *The Committee will understand the impact of fraud on individuals and rightly want to ensure policy actively prevents the profound harm it causes. **With Pension Wise proven to improve people’s awareness of pension scams we encourage the Committee to review and support calls for an auto-appointment booking trial, as a means of identifying new approaches to increasing impartial pensions guidance usage.***

Answers to specific questions

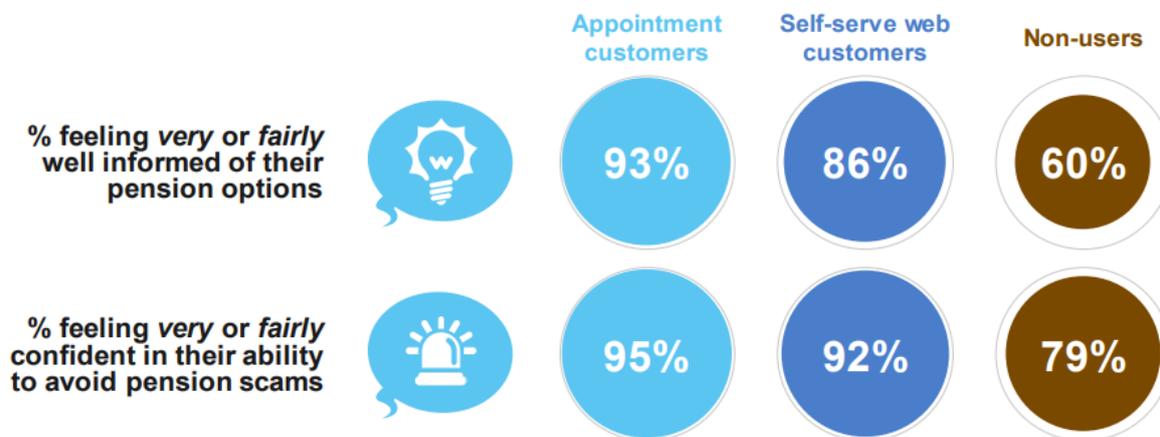
Q9. What is the role of the individual in relation to fraud? Are consumers well-informed about the risks of fraud and how to prevent them? If not, which bodies or organisations should do more to ensure this? What are the most effective methods of educating the public about fraud crime and prevention?

4. Individuals face complex risks when choosing how to use their pension savings. The concepts, terms and associated risks are unfamiliar to most. This is problematic when research suggests the complexity of related decisions is high and familiarity with the products, options and processes is low – as is the case with pensions access decision-making.
5. Poor understanding of pension options is likely to be compounded for those consumers affected by the economic impact of Covid and now rising inflation. With behavioural factors such as short-termism, overconfidence, status quo and optimism biases known to influence savers’ decision making processes, the value of impartial professional support is even greater than ever. There is also a risk that these economic factors make savers who are facing financial difficulties more susceptible to approaches from pension scammers.
6. The free, impartial, Government-backed [Pension Wise](#) guidance service was created as the principle consumer protection element of ‘pension freedoms’ policy. It has received excellent feedback from those who use it. The most recent user evaluation found that 94 per cent of appointment customers were very or fairly satisfied, with 97 per cent saying they had already or would recommend the service to others.²
7. These findings are consistent with user analysis conducted since Pension Wise was launched in 2015 and confirm the service’s positive impact. The below chart is taken from the most recent user evaluation report and shows Pension Wise’s impact in relation to pension scams. (Previous years’ findings in this area are shown in the Annex.)

² [Pension Wise service evaluation: Experiences and outcomes of customers using Pension Wise in 2019/20](#), Money and Pensions Service, 2020

Pension Wise customers feel well-informed and able to avoid scams

Around three months after their appointment ...



Bases: 857 appointment customers; 298 self-serve web customers; 770 non-users

8. Despite the ample evidence of positive impact, figures from the Financial Conduct Authority show that Pension Wise appointment usage has actually fallen over the last three years. The number of DC pension pots accessed after Pension Wise was used has fallen from 94,744 in 2018/19 to 94,274 in 2019/20 and 81,805 in 2020/21. A 14 per cent reduction. Similarly, the number of pensions accessed via a regulated financial adviser fell by four per cent in this period.³

What others say about this issue

9. Calls for government policy to be more effective in enabling informed decision making also reflect evidence from those involved in the delivery of impartial guidance and senior regulatory policy leaders. Money and Pensions Service Chairman Sir Hector Sants told the Work & Pensions Committee in March 2020 that:

"A significant number of the people who contact Pension Wise will come away saying that, after having spoken to our guidance service, they have concluded that they should do something different from what they had in mind in the first place... There is a figure that suggests that 72% of people are saying they have changed their mind about what they will do as a result of talking to our guidance service. In a way, that is a simple statistic that tells you that the vast majority of people, left to their own devices, will probably make a poor decision."

10. Similarly, FCA Chairman Charles Randell made the following observation when asked about the adequacy of regulatory policy in this area during a Treasury Committee oral evidence session in November 2020:

³ [Retirement income market data 2020/21](#), FCA, December 2021

"This issue about people making poor choices when exercising the freedoms and

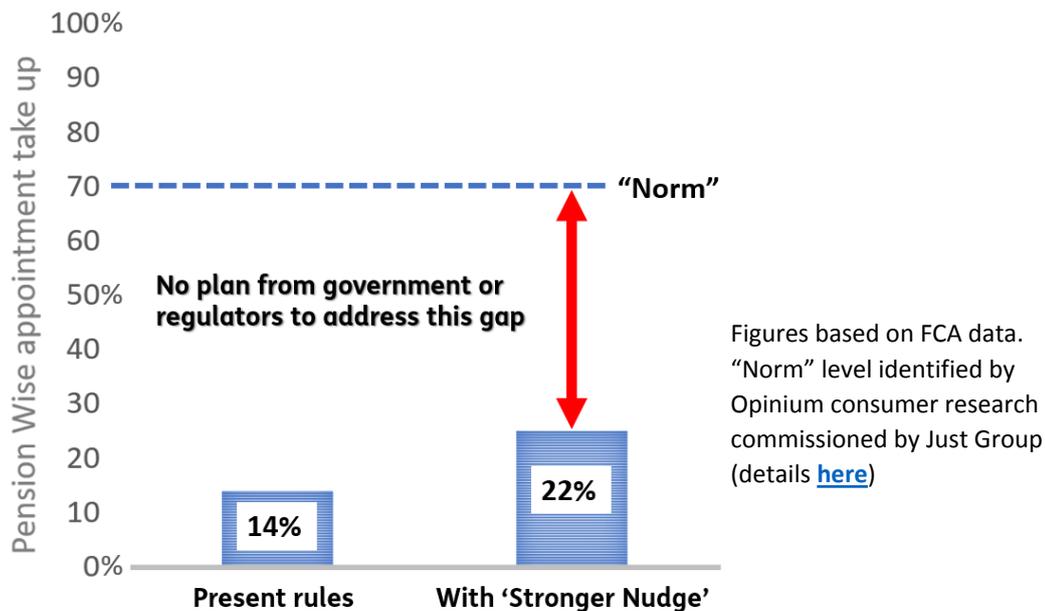
responsibilities that have been put on them in the last 10 years, through a variety of changes in government policy, is probably the one that I worry about most of all. The pensions dashboard, I think, is some way off, but it will be really important that the safeguards that help to slow down decision-making in these areas and to signpost people to the best sources of guidance they can get are as strong as they humanly can be, because it is heart breaking. I am sure your postbag is the same as mine, with people who write with absolutely heartrending stories of decisions they have made that have resulted in the loss of their life savings. One cannot ignore that. It has to be the centre of one's worry list."

11. We offer details on specific policy measures that could help address the problem of impartial pensions guidance underusage in answer to the next question.

Q15. Can you suggest one policy recommendation that the Committee should make to the Government?

12. Millions of pension savers will access their pension benefits in the next five years with many of these people likely to be actively targeted by pension scammers. Some will be aware enough to safely navigate this risk but many will not. The risk is exacerbated by the underusage of free, impartial guidance on pensions access.
13. In response to these concerns the Government and FCA are introducing new rules requiring pension schemes and providers to apply a 'Stronger Nudge' to guidance when savers seek to access their pension benefits. There are two problems with this approach:
 - First, it comes too late in the customer journey to have greatest effect and may be perceived as unwelcome by savers who have already decided how to access their pension benefits;
 - Second, the 'Stronger Nudge' was found to have a limited impact when trialled in 2019/20 increasing appointment usage from 3.1 per cent to 11.1 per cent.⁴
14. With the 'Stronger Nudge' trials achieving an 8 percentage point increase in Pension Wise appointment take up, more ambition and impact will be required to achieve a new "norm" of Pension Wise appointment usage, as illustrated below.

⁴ [The Stronger Nudge Evaluation Report](#), Money & Pensions Service, July 2020



15. The Work & Pensions Committee reached a similar conclusion following its recent inquiry on pensions access, providing its view that:

"The "stronger nudges" towards guidance being proposed by the Department for Work and Pensions and the Financial Conduct Authority will not be enough to make receiving pensions guidance the norm. The Money and Pensions Service told us that it would support a trial of automatic Pension Wise appointments and we can see no clear barrier to doing this. The Minister for Pensions and Financial Inclusion has expressed reservations about introducing automatic appointments—but those could be tested by a trial. We recommend that automatic Pension Wise appointments are trialled. The Government should initiate two trials: one with an appointment when a person accesses their pension for the first time and another at the age of 50, before they can access their pension savings."

16. As shown by the user evaluation data cited in this submission, Pension Wise provides real value to savers by flagging the risk posed by pension scams. We believe the proactive nature of this warning – delivered by impartial guidance professionals in face-to-face and telephone appointments – is likely to have a greater impact for people than anti-scam efforts based on generic information prompts, media activity or promotional campaigns targeted at savers en masse. These latter approaches may get through to a fraction of the intended audience but are no substitutes for personalised efforts to forewarn people and check individual savers' decision-making before they access their pensions.
17. **We urge the Committee to review the evidence of Pension Wise's impact, consider the present level of risk posed to savers by pension scams, and endorse the Work & Pension Committee recommendation of an evaluation trial to test the impact of an auto-appointment booking approach.**

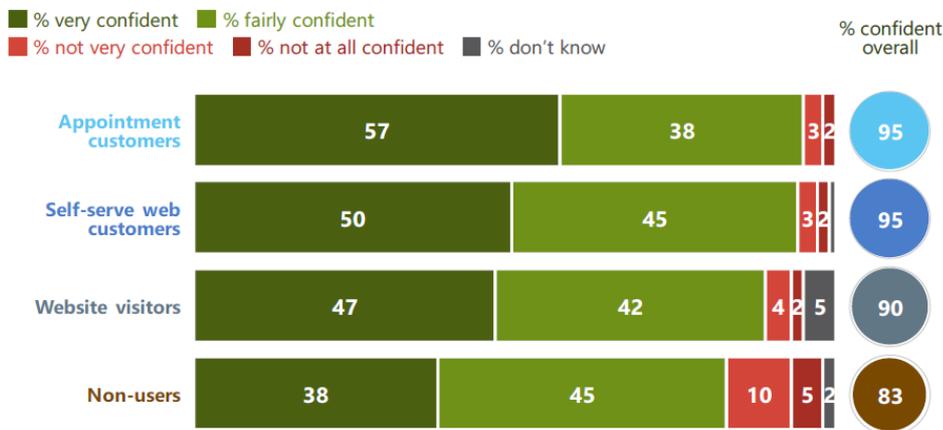
About Just

Just Group plc ("Just") is a leading provider of retirement income solutions, care plans, Defined Benefit pension de-risking solutions and lifetime mortgages. At the core of our business is a social purpose to help people achieve a better later life, which we achieve through our approach to our market, our communities, and active contribution to key pensions, retirement and regulatory policy debates.

Annex: Pension Wise user evaluation reports – impact re pension scams

2018-19 report ([here](#))

Q. How confident, if at all, do you feel about being able to avoid any pension scams?



Bases: 681 appointment customers; 291 self-serve web customers; 213 website visitors; 760 non-users
Unlabelled bar ("don't know") is 1%.

2017-18 report ([here](#))

Q. How confident, if at all, do you feel about being able to avoid any pension scams?



Bases: 856 appointment customers; 152 website users; 784 non-users
 A circle (●) next to a non-user finding shows that this is statistically significantly different from appointment customers.

2016-17 report ([here](#))

Q. How confident, if at all, do you feel about being able to avoid any pension scams?



Bases: 3,208 customers who completed an appointment from Feb 2016 to Jan 2017; 267 website customers; 1,573 non-users

26 April 2022