[Written evidence from The Pensions Regulator PPS0064]

Protecting pension savers – five years on from pension freedoms: pension scams

Executive Summary

Pension scams ruin lives. More than £30 million has been lost since 2017 to pension scams according to complaints filed with Action Fraud, but the financial impact is likely to be much higher due to under-reporting. Victims may be too embarrassed to come forward or they may not even realise they have been scammed until years later. Some victims lose life-changing sums of money, with survey data from July this year showing reported losses ranging from under £1,000 to as much as £500,000.

We and our partners in the Project Bloom task-force strive to make it harder for scammers to operate and to prevent savers from being taken in by their tactics. We share information and intelligence across Project Bloom in order to coordinate activity to disrupt pension scams through education, prevention and enforcement. We will continue to put people behind bars for pensions fraud, pursue illegal gains and shut down scams where we find them.

Education will always be our most effective weapon against scammers. We make life far tougher for scammers if individuals can spot a scam and do not hand over their hard-earned retirement savings in the first place. That is why, for the past three years, we have jointly run with the FCA the high-profile ScamSmart advertising campaign across television, radio, online and digital media. The campaign helps savers to identify and avoid pension scams when receiving unexpected offers about their pension.

In 2019 the campaign drove more than 222,000 people to visit the ScamSmart website to get tips on avoiding scams and find out if they had been approached by an unregulated firm. We and our project Bloom Partners are acutely aware that fears over the impact of the coronavirus on markets and personal finances may make people more vulnerable to scams. For the foreseeable future, anyone looking to transfer their valuable defined benefit (DB) pension will receive a warning letter from regulators designed to make them stop and think. Our message is that there is no need to rush financial decisions. Now more than ever, people need to be ScamSmart, check who they are dealing with and get free impartial guidance from The Pensions Advisory Service before going any further.

In this submission, we detail TPR's approach to pension scams and how we work with our partners in Project Bloom. We outline further steps that could be taken to tackle pension scams in answer to the questions in the committee's call for evidence.

Since its inception in 2012, TPR has worked with the Project Bloom task-force to strengthen the relationships and coordination between organisations, who are encouraged to 'Think Bloom'. Project Bloom has made considerable progress through educational campaigns, improving intelligence-sharing and partnership working between agencies, disruption and enforcement, and influencing the development of Government policy and legislation.

However, is not a statutory body, and does not have its own dedicated funding or resources. We believe that Project Bloom could do even more to combat scammers if it was given financial backing through either statutory funding or from an industry levy. With its own funding, Bloom could improve the tasking and coordination of educational, prevention and enforcement activities between regulators, industry, police and criminal justice agencies. Project Bloom has

led to significant improvements in intelligence-sharing between organisations but this is much more straightforward where statutory ‘gateways’ exist between bodies or where there is evidence of criminality enabling the sharing of information under the Crime and Courts Act 2013, otherwise specific information-sharing agreements need to be established. We believe that a telling way to improve central leadership and coordination by Project Bloom would be to establish a pension scams ‘hub’, staffed by officials on attachment from different agencies working alongside law enforcement and covered by appropriate information-sharing arrangements. This would overcome some of the barriers to intelligence-sharing and improve the speed and effectiveness of joint action between organisations. Again, dedicated funding from the pensions sector could help to get this type of approach off the ground.

We also highlight that we believe that there is a greater role that could be played by pension industry bodies in dealing with the issues around pension scams, working in concert with Project Bloom. An obvious concern is that there are no definitive figures on the occurrences of scams and scale of losses incurred. Improvements in reporting and data could make a significant difference to the targeting and coordination of educational, prevention and enforcement work. The pensions industry is in the best position to report these details, but the reporting that occurs is inconsistent, and there is no obligation to do so. We are working with the Pensions Scams Industry Group (PSIG) and our Bloom partners to explore how we can drive up the level of reporting by the industry and to understand what barriers exist. We are working with Action Fraud (the channel for reporting pension scams), to assess how it would be possible to further enhance reporting methodologies and the granularity of data that is recorded.

PSIG, run on a voluntary basis with finite resources, is the industry voice on Bloom and represents best practice when it comes to due diligence by trustees, providers and administrators. We believe that it could do more with the aid of greater funding and resources from the industry, and we would like to see more vocal support from within the industry for the PSIG *Code of Good Practice in Combatting Pension Scams*.

TPR will also continue to work with the DWP and our Project Bloom partners to identify areas where changes in regulation could help to prevent scams. We believe a useful addition to our regulatory toolkit would be to give TPR the ability to grant trustees extensions to their transfer deadline where a scam is suspected. Under legislation, TPR can grant trustees extensions in certain circumstances but a suspected pension scam is not one of the criteria.

TPR plans a further wave of campaign activity in the autumn, working closely with PSIG, focused on encouraging pension trustees, providers and administrators to educate themselves on the latest tactics of scammers and to do more to combat scams and protect savers.

In the current economic climate, it is more important than ever that TPR stands up for the interests of savers. No agency can tackle pension scams alone, however, and we are fully committed to working with our Bloom partners to continue to raise awareness of the hallmarks of scams so people can protect themselves, dismantle scams through joined-up action and to hold perpetrators to account.

Introduction

The Pensions Regulator (TPR) is the regulator of work-based pension schemes in the UK. Our statutory objectives are: to protect members' benefits; to reduce the risk of calls on the Pension Protection Fund (PPF); to promote, and to improve understanding of, the good administration of work-based pension schemes; to maximise employer compliance with automatic enrolment duties; and to minimise any adverse impact on the sustainable growth of an employer (in relation to the exercise of the regulator's functions under Part 3 of the Pensions Act 2004 only).

TPR is a non-departmental public body established under the Pensions Act 2004. Our sponsoring body is the Department for Work and Pensions (DWP) and Parliament sets the legal framework within which we operate.

TPR chairs Project Bloom - a multi-agency task force set up to tackle pension scams. Project Bloom was established in 2012 following a pensions liberation fraud Threat Assessment authored by TPR and supported by the Serious Fraud Office (SFO). The National Crime Agency (NCA) led and coordinated Bloom from the end of 2012 to April 2016. In April 2016, TPR took that role. We work with our Project Bloom partners to coordinate and target our efforts to combat pension scams and fraud through education, prevention and enforcement.

Project Bloom is not established by statute; it receives no dedicated funding and does not have its own staff. It functions on the basis of organisations working in partnership out of a shared interest in tackling pension scams and fraud. Project Bloom partners share information and intelligence to facilitate coordination and target actions to disrupt pension scams. Significant improvements have been made over time in intelligence-sharing between Bloom partners and other agencies. Intelligence may be shared under statutory 'gateways' that existing between organisations and where there is evidence of criminality under the Crime and Courts Act 2013. Where these routes do not exist, for example where reports may be of concern but not necessarily criminal, it may be necessary to put in place specific intelligence-sharing agreements between organisations. This can be time-consuming but we continue to make progress in establishing these networks with our partners.

Project Bloom's members are: The Pensions Regulator (TPR); Department for Work and Pensions (DWP); Financial Conduct Authority (FCA); HM Treasury; Information Commissioner's Office (ICO); Insolvency Service (IS); Money and Pensions Service (MaPS), which incorporates the Money Advice Service, Pension Wise and The Pensions Advisory Service; National Economic Crime Centre (NECC); National Fraud Intelligence Bureau (NFIB); Pension Protection Fund (PPF); Pension Scams Industry Group (PSIG); Serious Fraud Office (SFO); and The Pensions Ombudsman (TPO).

Working on a voluntary basis with very limited resources, PSIG has played a leading role in the industry's response to pension scams and represents the industry on Project Bloom. PSIG, chaired by Margaret Snowdon, has produced a Code of Good Practice[1] and we urge more of the pensions industry to adopt it. The code, which is voluntary, serves to raise awareness of pension scams and encourages communication with scheme members before they take a transfer. We reference PSIG's work a number of times in this submission.

For the purposes of this part of the inquiry we've focused on pension scams as defined by Project Bloom, a definition agreed with both DWP and HM Treasury. Over time we have seen a shift from the 'liberation' of money from people's pension pots before the age of 55, through lump sums or 'loans', to investment scams and fraud where savers (pre- or post-55) are encouraged to transfer their pension pot into inappropriate or exotic investments, usually oversees, that are highly unlikely to deliver the promised returns and may be subject to high

[1] http://www.combatingpensionscams.org.uk/

costs and fees. However, as Charles Randell, Chair of the FCA has noted, unacceptable behaviour is on a spectrum and there can be a fine line between the activities of 'scammers and skimmers'.[2] If the committee chooses to focus on these issues later in its inquiry into the pension freedoms, we will pick up on this theme at that time.

Project Bloom - Definition of a pension scam

"The marketing of products and arrangements and successful or unsuccessful attempts by a party (the "scammer") to:

- *release funds from an HMRC-registered pension scheme, often resulting in a tax charge that is not anticipated by the member*
- *persuade individuals over the normal minimum pension age to flexibly access their pension savings in order to invest in inappropriate investments*
- *persuade individuals to transfer their pension savings in order to invest in inappropriate investments*

where the scammer has misled the individual about the nature of, or risks attached to, the purported investment(s), or their appropriateness for that individual investor."

The Committee's Questions

1. *What is the prevalence of pension scams?*

A key challenge in understanding the extent of the problem is the lack of comprehensive data. Over the last decade many hundreds of savers have reported losing their retirement to scammers, with £30m reported lost to Action Fraud over the last three years. The true extent is likely to be significantly higher due to under-reporting by both individuals and the pensions sector. Victims may not report for a number of reasons (e.g. failing to spot the signs and not knowing how much is in their pension; the unsuitable nature of a 'long-term' investment not coming to light for years; feeling embarrassed to report that they've been scammed; or simply not knowing where to report it.)

There is no requirement for the pensions industry to report suspected scams. A recent scams report from Police Foundation, based on data from before the COVID-19 crisis, estimates that £2.5tn of £6.1tn of pension wealth in the UK was *"accessible"* to scammers because the consumer could move their benefits. Using data supplied by pension companies, the Police Foundation found that, from a relatively small sample of 13 providers, £54m of pension wealth was suspected to have been targeted by scammers in 2019. Of that, potentially £31m was lost. Nearly two-thirds of customers, or 62 per cent, went on to transfer their pension even when warned of the risks, the report found.[3]

[2] https://www.fca.org.uk/news/speeches/fight-against-skimmers-and-scammers

[3] http://www.police-foundation.org.uk/2017/wp-content/uploads/2010/10/preventing-pension-scams-sep20.pdf

In order to more accurately judge the prevalence of scams in the future, we and our Project Bloom partners need the co-operation of the pensions industry to report their experiences of suspected scam activities so that more consistent and granular data is available to the authorities. A clearer picture of the nature and scale of pension scams could make a significant difference to the coordination of educational, prevention and enforcement work. Progress is being made. We are working closely with Action Fraud, NFIB and PSIG to try to increase the level of reporting from industry alongside work to improve the reporting mechanisms available to victims and industry professionals, along with how data is categorised and recorded.

We have not yet seen evidence of an increase in pension scams because of COVID-19 but we and our partners are acutely aware that scammers will seek to take advantage of the current economic climate and people's vulnerability. Opportunistic scammers can quickly switch between different models in order to prey upon consumers. That's why at the start of the COVID-19 lockdown we moved quickly to issue a joint warning with the FCA and MaPS on the risks of pension scams, urging savers not to make rash decisions. We issued a call to action to savers to visit The Pensions Advisory Service website for free plain English pensions guidance before making any decisions and to go to the ScamSmart website to learn how to protect themselves from pensions scams.[4]

2. *What are the current trends in pension scams?*

Scammers try to persuade pension savers to transfer their pension savings, or to release funds from it, by making attractive-sounding promises they have no intention of keeping. We are clear that anyone can become a victim of a pension scam, no matter how financially savvy they think they are. The pension money is often invested in unusual, high risk investments like overseas property and hotels, renewable energy bonds, forestry, parking or storage units. It may simply be stolen outright. Over time, we have seen pension scams models evolve. A number of years ago, common models involved the early release, prior to age 55, of pension cash by encouraging people to transfer from a bona fide pension scheme to a sham scheme. The transfer purported to be able to release funds through a lump sum or 'loan'. However, for a number of years the trend has been to lure savers into transfer their retirement funds into vehicles for investment fraud.

Scammers may cold-call people via phone, email or text – this is illegal, and a likely sign of a scam. They often advertise online and can have websites that look official or government-backed. Other common signs of pension scams are:

- An offer of a 'free pension review' to lure people in but other phrases like pension liberation, 'loan, loophole, savings advance, one-off investment, or cashback' are warning signs.
- The promise of guaranteed high returns - pension scammers tend to 'guarantee' above market rate returns, to persuade people to invest.
- Help to release cash from a pension before the age of 55, with no mention of the HMRC tax bill that can arise.
- High-pressure sales tactics - time limited offers to get the best deal; using couriers to send documents, who wait until they are signed.
- Unusual high-risk investments, which tend to be overseas, unregulated, with no consumer protections.
- Complicated investment structures.
- Long-term pension investments - people who transfer in may not realise something is wrong for a number of years.

[4] https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2020-press-releases/covid-19-savers-stay-calm-and-dont-rush-financial-decisions

We and the FCA remain vigilant in respect of transfers out of DB pensions as this involves individuals giving up a guaranteed income in retirement, and, by transferring, they may be exposed to the risk of scams. At the end of April, we issued guidance to help trustees with their communications to members requesting cash equivalent transfer values (CETVs) during the COVID-19 crisis. We expect trustees to send members looking to move their retirement funds a letter warning them of the risks during the pandemic and highlighting that it is unlikely to be in their best long-term interests.

The average DB transfer value has risen above £500,000 according to recent industry data.[5] We have not seen evidence that DB transfers are increasing to date, however we are monitoring the situation carefully and working closely with FCA, MaPS and DWP. Recent data from the Association of British Insurers (ABI) published in July showed that, *"throughout March and April there were big falls in the number of people enquiring about and accessing their pensions as savers resisted the urge to raid their pension pots in the face of financial uncertainty"*.[6]

3. *What are the common outcomes of pension scams for perpetrators and victims?*

Pension scams have a devastating impact upon their victims and in the vast majority of cases people do not recover their savings. The average loss is approximately £82,000, according to data from 2018. Sadly, it is very difficult to reclaim funds once they have been transferred out of the original scheme and members may lose a lifetime's pensions savings as a result of a decision that was probably made quickly without fully appreciating the risks.

Workplace pensions benefit from tax relief and if money was released before the age of 55, members may also face an unauthorised payment change from HMRC. While some members understand the risks being run, many have not previously been engaged with their pension savings and fall victim to the lure of cash lump sums or promises of high investment returns. That is why education and prevention are so important to help savers to recognise scams so that they can avoid them to start with.

The perpetrators of pension scams range from the organised criminal gangs that sit behind pension scams to people involved in apparently legitimate activities such as the promotion and marketing of scams and acting as pension trustees. Collaboration between different agencies is therefore vital to disrupt scams and hold perpetrators to account. We set out some of the enforcement tools and outcomes in answer to the next question, below.

4. *How are existing enforcement tools being used?*

Through the multi-agency project Bloom task-force, regulators, law enforcement and other agencies are able to work in tandem to disrupt the activity of scammers. TPR finds out about pension scams through a range of sources including whistle-blowers and intelligence-gathering.

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[5] https://www.lcp.uk.com/media-centre/2020/09/average-db-pension-transfer-breaks-through-half-million-pound-barrier/

[6] https://www.abi.org.uk/news/news-articles/2020/07/pensions-savers-press-pause-in-lockdown/

Pension scams have evolved over time. As part of our transformation into a clear, quick, and tough regulator TPR is making greater use of our existing powers and using them more innovatively to clamp down on scammers. In addition to using our regulatory powers to appoint independent trustees and to suspend and prohibit trustees, we are now seeking to bring criminal prosecutions ourselves against perpetrators of scams and fraud. Our approach today is to 'Protect, Pursue, Punish and Recover'. This involves:

- Protect - appointing an independent trustee to scam schemes to take over the administration of the scheme preventing more people from becoming victims.
- Pursue – investigating with a view to prosecute for fraud or other offences.
- Punish – prosecuting offenders through the courts.
- Recover – using the Proceeds of Crime Act 2002 to recover assets back to the schemes.

TPR is currently carrying out seven criminal investigations into scams and fraud. These cases cover 52 schemes, have 38 suspects, and have indicative losses to savers' pensions of around £55m over a number of years.

In the past 18 months we have successfully prosecuted two people for fraud (in unrelated cases) resulting in one perpetrator being jailed for five years and the other for more than three years. Earlier this month, we obtained a court order under the Proceeds of Crime Act 2002 that a fraudster must pay back more than £280,000 within three months to a charity pension scheme, or else face an additional three-years behind bars.[7] This is the first time we used this approach which sends a strong signal that we will take the firmest possible action against those who steal from pension savers. Additionally, we have also prosecuted people for offences including failing to provide TPR with information in relation to our investigations into suspected scam schemes.

Of course, TPR cannot tackle this threat to pension savers alone, and it will never be possible to stop every scam or prosecute every fraudster, which is why the collaborative approach of Project Bloom is so necessary. For example, the Insolvency Service can wind-up companies involved in pension abuse, as well as ban the directors to prevent them from managing companies. Between 2015 and 2019, it applied to the courts to have 24 companies wound-up, connected with schemes that elicited £202m worth of pension contributions, and secured directorship disqualifications against eight directors.

Authorised firms regulated by the FCA must adhere to its requirements regarding the provision of advice and the management of investments it regulates. Where the FCA suspects serious breaches, it will stop firms and individuals doing business, investigate and hold them accountable for misconduct through fines and bans from the industry. The FCA also investigates those providing advice without its authorisation, and who may be involved in pensions scams. The FCA reviews and assesses all reports received about unauthorised activities. The Information Commissioner's Office issued a fine earlier this month against a Swansea company that has made over 100,000 unauthorised direct marketing calls about pensions, in the most recent example of a successful enforcement action by a member of Bloom.[8]

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[7] https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2020-press-releases/tpr-forces-fraudster-to-repay-over-quarter-of-a-million-pounds-swindled-from-charitys-pension-scheme

[8] https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2020/09/ico-fines-company-130-000-for-unauthorised-pensions-cold-calls/

5. *What more can be done to prevent pension scammers operating?*

Secondary legislation is planned, subject to the Pension Schemes Bill receiving Royal Assent, which will make it harder to scammers to operate in the pensions space. We have worked closely with the DWP to develop the regulations and would support their introduction as soon as possible following passage of the Bill. The measures in the regulations would limit the statutory right to transfers to a much smaller group of schemes: master trusts authorised by us; schemes authorised by the FCA; and schemes where there is a demonstrable employment link to the sponsoring employer. Strengthening the requirement for an employment link, that can be supported by evidence, would make it more difficult for transfers to be arranged into small self-administered schemes, for example, which have been used as a vehicle for pension scams. Trustees would still be able to make discretionary transfers, where scheme rules permit, for example to obviously legitimate company or public service pension schemes, but such non-statutory transfers would carry greater risk for trustees if a destination scheme turned out to be a scam. Importantly, members would not be able to insist on such a transfer where trustees exercise their discretion against transferring into a suspected scam scheme.

We will also continue to work with the DWP and our Project Bloom partners to identify areas where changes in regulation could help to prevent scams. We believe a useful addition to our regulatory toolkit would be to give TPR the ability to grant trustees extensions to their transfer deadline where a scam is suspected. Under current legislation, TPR can grant trustees extensions in certain circumstances but a suspected pension scam is not one of the criteria. Such a measure could give TPR or other authorities a window to investigate while giving trustees comfort that they would not face action from TPR or the possibility of an adverse determination from TPO. At present, TPR has discretion not to take enforcement action against late transfers but this does not provide trustees with the same certainty.

Since its inception in 2012, TPR has worked with Project Bloom to strengthen the relationships and coordination between organisations, who are encouraged to 'Think Bloom'. However, it is not established on a statutory footing and the organisations involved devote their time and resources while having to deal with numerous other priorities in addition to pension scams. We believe that Project Bloom could do more to combat scammers if it was given financial backing through either statutory funding or from an industry levy. With its own funding, Bloom could improve the tasking and coordination of educational, prevention and enforcement activities between regulators, industry, police and criminal justice agencies.

6. *What more can be done to prevent individuals becoming victims of pension scams?*

Education is our biggest weapon against scammers which is TPR and the FCA have worked closely on the joint ScamSmart awareness campaign to prevent individuals becoming victims. It is also important that those working in the pensions sector stay vigilant on behalf of savers. Trustees and administrators are the first line of defence in protecting retirement funds and have a key role in spotting potential scams and ensuring members make informed choices. Therefore, educating trustees in how pension scams work and how to spot them is vital. Although we don't regulate administrators we can encourage trustees to request administrators to address the issue.

New ideas are always needed, and as part of our ongoing education work TPR will be launching a new scams module in the 'Trustee toolkit' (an online training package for pensions trustees). Working closely with PSIG, we plan to promote this module as part of a campaign to be launched later this year to encourage those working in the industry to continue to educate themselves on pension scams and evolving tactics. New trustees are asked to complete the toolkit within the first six months of starting their role. The new module is not just for trustees but recommended material for providers and administrators too.

Members face complex at-retirement choices. As a result of the introduction of the pension freedoms, they are able to access pension money from age 55. We continue to encourage trustees to actively promote the free, impartial pensions guidance from Pension Wise, including phone appointments and online information. This will help provide savers with greater understanding of their retirement options and question any potential scam activity.

Now is a good time to support industry innovation in this area. One potential approach is for pension trustees to appoint a panel of independent financial advisers (IFAs) to advise members expressing an interest in transferring their DB pension into a defined contribution (DC) scheme (we acknowledge this will depend upon the size and resources of the scheme). Members transferring pots of £30,000 or more are required to seek independent financial advice. Facilitating good quality financial advice can help protect members from the risk of being scammed, transferring into inappropriate or poor-value schemes, or making a decision that is not right for their personal circumstances. Tesco has taken an innovative approach in this area, featured as a case study in an industry discussion paper published in December 2019.[9]

7. *What role should the pensions industry have in preventing scams?*

The support of the pensions industry to date in fighting scams through carrying out due diligence and reporting scams to date has been vital. To make further progress, we believe that it will be equally vital for the industry to play a more active and visible role in combating this scourge, working in concert with TPR and Project Bloom. This is an area where the industry and regulators clearly have a shared interest; and we welcome the Work and Pensions Committee's focus on this question. Industry bodies such as the Pensions and Lifetime Savings Association (PLSA), the Association of British Insurers (ABI), PSIG, Pensions Management Institute (PMI), Association of Professional Pension Trustees (APPT) and Society of Pension Professionals (SPP) could achieve a great deal by marshalling their collective expertise, ideas and resources to engage their members.

The insurance industry has addressed the threat of scams within its sector by funding the Insurance Fraud Industry Department (IFED), hosted by City of London Police within the Economic Crime Directorate. We believe that the industry bodies representing trustees, administrators and providers could make a real difference by funding an anti-pension scams team set up along similar lines.

The industry could also be asked to provide ring-fenced funding specifically for education campaigns targeted at its own members. Although industry indirectly supports the consumer-facing ScamSmart campaign through the levies that fund the FCA and TPR, industry-led campaigns could reach out to a wider audience including trustees, administrators and other practitioners, driving awareness, good practice and innovation.

[9] https://www.eversheds-sutherland.com/documents/services/pensions/es-rl-policy-paper.pdf

TPR strongly supports the PSIG[10] *Code of Good Practice in Combatting Pension Scams* and we urge more of the pensions industry to adopt it. The code serves to raise awareness of pension scams and encourages communication with scheme members before they take a transfer, to ensure they are aware of the risks of investing pension monies in unsafe investment schemes. PSIG is doing important work, but it has limited resources. We believe that it would benefit from greater funding and support from the industry.

We plan to launch an industry-facing campaign later this year in partnership with PSIG to drive awareness of pension scams and what trustees and practitioners can do to help prevent them by following the PSIG code.

We would also support the PSIG code being placed on a statutory footing. This could also give comfort to trustees because actions to delay transfers to suspected scam schemes, carried out in accordance with the code, would be less likely to result in action by TPO.

The reporting of good quality data and intelligence about the scale and nature of pension scams is as a key concern. The pensions industry could learn from good practice in other areas of the finance sector. For example, Cifas (originally known as the Credit Industry Fraud Avoidance System)[11] is an established note-for-profit organisation that manages a fraud database and enables member organisations to share information and intelligence in order to defeat the activities of fraudsters.

Above all, we want the pensions industry to report suspected scams. We are currently working with PSIG and the industry to understand how the industry could be better mobilised to do so. There is no requirement for industry to report pension scams - we believe this is also worth considering. The intelligence picture is a crucial area which we cover in more detail in answer to Q9 on coordination by public bodies.

8. *Is HMRC's position on the tax treatment of pension scam victims correct?*

Tax treatment is outside of TPR's remit. The Government may wish to respond to the committee on this issue.

9. *Are public bodies co-ordinating the response to pension scams?*

Project Bloom was established in 2012 following a pensions liberation fraud Threat Assessment authored by TPR and supported by the SFO. The NCA led and coordinated Bloom from the end of 2012 to April 2016. In April 2016, TPR took that role. Around that time pension scams began impacting people of all ages, not just those accessing their pensions early before age 55.

Strategically, partners have worked together to develop a single Strategic Action Plan, agreed in March 2018 and updated in August of this year. The Strategic Action Plan sets out the coordinated effort across Bloom to address the scams risk through five key objectives:

- Improving public awareness of pension scams.

[10] http://www.combatingpensionscams.org.uk/

[11] https://www.cifas.org.uk/

- Understanding the problem – enhancing the strategic intelligence picture to support and inform effective policy-making and strategic and tactical responses.
- Enforcement and regulatory interventions – sharing intelligence leading to enforcement and disruption activity.
- Legislation and regulations - identifying what actions should be taken forward by government and others to prevent future pension scams
- Non-legislative interventions, including ‘good practice’ that can reduce the likelihood of pension scams without the need for legislation.

Project Bloom comprises a Strategy steering group, and two supporting working groups: Intelligence and Operations to share intelligence and support operations, and Communications to develop and deliver the communications strategy. A ‘Scams Summit’ of senior Bloom leaders was established March 2018 and meets twice a year to discuss our collective approach to addressing scams at a senior level.

Project Bloom has made significant progress in the battle against pension scams:

- The coordination and sharing of intelligence has led to a number of enforcement actions and cases, resulting in successful criminal prosecutions and convictions.
- Intervention by regulators including the prohibition of scheme trustees and action against unauthorised investment advice.
- Bloom provides regular expert support to police forces investigating scam cases.
- Work with industry on preventative approaches including the development of the PSIG code.
- The joint FCA/TPR ScamSmart campaign across TV, radio and digital media.
- Action Fraud is established as a single channel for the reporting of pension scams, providing a route for victims.

Project Bloom inputs to the development of government policy and new legislation. It was influential in the development of proposals to ban cold-calling in relation to pensions, tighter rules to prevent the opening of fraudulent pension schemes, and planned restrictions to prevent transfers into scam schemes. The cold-call ban came into force in January 2019, with the ICO responsible for the policing the ban.

A 2014 amendment to the Finance Act 2004 gave HMRC new powers to help prevent scam pension schemes being registered and make it easier for HMRC to de-register such schemes. These changes include a provision that HMRC may refuse to register a scheme, or de-register an existing scheme if, in HMRC’s opinion, the scheme administrator is not a fit and proper person. This has contributed to an 88% decrease overall in the number of applications to register pension schemes.

However, there is always more that can be done to strengthen Project Bloom’s work.
Pension scams are under-reported. We want both the pensions industry and individuals to report suspected scams. More granular data on the nature and scale of pension scams could make a significant difference to the coordination of educational, prevention and enforcement work. As set out in our responses to the committee’s Q1 and Q7 we are working closely with PSIG, Action Fraud and NFIB to increase the level of reporting by the pensions industry and to understand what further issues and barriers exist. We are working with Action Fraud (the channel for reporting pension scams), to see how we can further enhance reporting processes, add further questions and improve the amount of detail recorded at source. The benefit would be a clearer and more current picture of the scale of the pension scam problem in terms of financial loss and total volumes of reports relating to transfers, pension scams and investment fraud.

We believe that another way to improve central leadership and coordination by Project Bloom would be to establish a pension scams ‘hub’, staff by officials on attachment from different agencies working alongside law enforcement from the same headquarters. This would facilitate more effective collaboration and sharing of intelligence between partners using appropriate statutory information-sharing powers. The hub would also be well-placed to coordinate inter-agency action to so that the right organisation or organisations can intervene. Funding from the pensions industry specifically for the purpose of clamping down on scammers could help to get this type of approach off the ground.

Conclusion

TPR is committed putting the saver at the heart of what we do. We are taking effective action with our Project Bloom partners, with limited resources, to disrupt the activities of pension scammers through education, prevention and enforcement.

No organisation can tackle the threat of pension scams on its own and it will require an ongoing commitment from Government, regulators, police, criminal justice agencies and the pensions industry. We have sought in this submission to be upfront about the challenges and to provide constructive suggestions on what more could be done to prevent scams including:

- Greater industry reporting of its experiences of scams in order to improve the data and intelligence picture.
- Work with Action Fraud and Project Bloom to enhance reporting processes and improve the level of detail recorded.
- Dedicated funding for Project Bloom through statutory funding or an industry levy enabling it to do more.
- Improve joint-working between Bloom agencies through the establishment of a scams ‘hub’.
- Industry bodies assume a more high-profile role and work more closely in tackling pension scams, including providing additional funding/resourcing to PSIG and via industry-driven scams awareness campaigns.
- Consider placing the PSIG Code on a statutory footing.
- Introducing planned secondary legislation as soon as possible that would limit the statutory right to transfers.
- Allowing TPR to grant trustees extensions to the statutory transfer window on the basis of a suspected scam.
- More industry innovation to address the risks of scams. This paper gives the examples of greater sharing of information between industry organisations and trustees making independent advice available to help savers to make informed choices as areas with potential, but there may be many more.

We can never be comfortable that we are doing enough to fight pension scams. One person losing their pension is one person too many. We welcome the committee’s continued focus on this area and look forward to engaging with it in respect of pension scams, pension freedoms and other issues as the inquiry progresses.

The Pensions Regulator

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