Greater Manchester Pension Fund response to the Department for Work and Pensions and HM Treasury Pensions scams consultation

1. Introduction

I respond on behalf of Greater Manchester Pension Fund (GMPF) to this consultation.

GMPF is submitting this response from an administering authority perspective and on behalf of our members, recognising the duty of care we have to them and their pension interests as a fund. To respond to the consultation we have used our members transfer experience as well as our own in dealing with transfer requests on the three different areas of pensions scams:

- a ban on cold calling
- limiting pension scheme members' statutory right to transfer
- making it a requirement that only active companies can register a pension scheme, to discourage inappropriate use of single-member occupational pension schemes.

2. About GMPF

Tameside MBC is the administering authority of GMPF. GMPF is the largest Local Government Pension Fund (LGPS) in England and Wales with approximately 350,000 members, 470 contributing employers and assets with a value of approximately £18 billion.

3. GMPF response to the consultation

GMPF supports in the main government's attempts to tackle pension scams and its proposals. Where we do have concerns or wish to provide details of our experience (including our member's), we do so in our response to some of the consultation questions below.

Banning cold calling in relation to pensions

Question 3.1
In your experience, how are consumers affected by cold calling about pensions? Do any consumers benefit from cold calling about pensions?

GMPF has found that members experience hard sell tactics and are given incorrect information. In our experience members do not benefit from cold calling. To give an example, members often get couriers coming to their house with consent forms to sign. The members often do not know what they are signing, think they are receiving a free pension review and are not aware they have signed papers about transferring out their LGPS benefits.

Question 3.6

How else can the government best ensure consumers are aware of the ban?

Through clear communication materials that can be shared throughout the industry to make it easier to inform members of the risk of pensions scams.

Question 3.7
Do you have any views on enforcement mechanism set out in paragraph 3.10 above?

Whilst GMPF supports the proposed enforcement mechanism, we do think that a stronger enforcement framework is needed to combat cold calling companies/Independent Financial Advisors (IFAs) who have been exposed as scammers/received bad publicity to this effect from just rebranding and changing the name of their companies, allowing them to continue with their pensions scams activity under a new guise without any personal consequences for the directors. We have experienced many cases where this has happened.

Limiting the statutory right to transfer

Whilst GMPF supports the tightening of regulations around transfers to certain pension schemes, we do have some concerns and these are reflected in our comments below.

Question 4.4
What would be the impact and cost to trustees / managers / firms?

GMPF believes there will be more administration involved and therefore an increase in the cost of administration.

Question 4.7
How could it be ensured that a statutory discharge of responsibility did not reduce the requirement on firms and trustees to undertake due diligence?

HM Revenue & Customs (HMRC) and The Pensions Regulator (TPR) have advised pension schemes as part of due diligence to check with HMRC the scheme is approved and not under investigation. This can sometimes take weeks to receive a reply. This delay causes members, IFA, schemes to complain of long delays. If pension schemes are to continue to follow this guidance, we would welcome an online list provided by HMRC (similar to the Qualifying Recognised Overseas Pension Scheme (QROPS) list). It would also be useful if the requirement to do this HMRC check was published in the public domain so schemes can refer members/other parties to it.

As mentioned in our response to Question 3.6, we also need clear communication materials that we can refer members and IFA's to.

Question 4.8
What are your views on a 'cooling-off period' for pension transfers? Do you have any evidence of how this could help to combat pension scams?

Cooling off periods will cause more delays that members will not be happy about (if the member is over age 55). It is our experience that this category of member tends to want their money straight away. Members will not realise in two weeks they have made a mistake. It is six months – two years later that they realise their error.

Question 4.9
What additional measures or safeguards could be put in place to ensure that trustees or managers appropriately handle transfers that do not meet the new proposed statutory requirements?

Please see our response to Question 4.7 above. In addition to this, there needs to be clear guidelines on the Financial Conduct Authority (FCA) register. In our experience of dealing with Freedom and Choice requests, some IFA's are not registered for transfer purposes and when we refuse the 'Advice confirmation form – Confirmation that appropriate independent advice has been obtained from an authorised independent adviser or an appointed representative' we can't confirm it with the FCA register. Even the IFA's do not understand this and are not happy when we refuse.

Pension schemes may also need to introduce additional security checks to combat the likely increase in 'fake member' calls to us from third parties/loan sharks if cold calling is banned.

Question 4.10
Are there other potential risks that this proposal might present? Do you have any suggestions as to how these risks might be mitigated?

The potential risks are that sending schemes could start fraud and could stop transfers when they shouldn't. There could be long delays to members. We could see an increase in complaints due to long delays, lack of information or understanding by schemes.

Making it harder to open fraudulent schemes

Question 5.2
Are there any further actions that the government should consider to prevent SSASs being used as vehicles for pension scams?

Please see our response to Question 4.7 above. In addition to this, it would be useful if all schemes were required to do HMRC checks. We have found that some schemes do not do this due diligence check with HMRC at present.

4. Further information

For further information please contact Euan Miller – Assistant Executive Director Pensions Funding and Business Development. (General fund contact details on GMPFs member website at www.gmpf.org.uk).

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