

New rules to combat pension fraud

The government is helping to shut the door on social media scammers trying to plunder people's pensions under new scam prevention measures due this autumn.

Under the plans, suspicious requests could be stopped if pensions savers have been approached to access or transfer their savings uninvited via social media. Such unsolicited contact would trigger a "red flag" which would mean pension trustees or scheme managers can block it.

Many scammers are using social media and other online channels to offer people "too good to be true" incentives such as free pension reviews, early access to their money, or time limited offers. Lured by these attractive offers, people are coerced into transferring their savings into a scam scheme designed to swindle them of their savings.

Most pension transfers are legitimate and can proceed with minimum intervention. However, the Pension Scams Industry Group estimates five percent of all transfer requests give trustees and scheme managers cause for concern.

The pension transfer regulations will introduce a new red and amber flag system. The "red flags" and "amber flags" are triggered when one, or a combination, of a specific set of circumstances are present and indicate fraudulent activity.

A red flag will give the trustee the power to block the transfer, while an amber flag allows them to block the transfer until the

member provides the evidence that they have taken specific transfer fraud guidance.

The presence of these flags could be determined based on the individual's response to a range of standardised questions, including:

- Did someone advise or recommend that you consider a pension transfer?
- Were you initially approached by e-mail, text, phone call, letter or through social media?
- Who contacted you and how do you know them?
- Was it someone offering independent advice or someone representing a firm that contacted you?
- Are you aware of how your money will be used/invested?
- Are any of your investments subject to an exit penalty if you wish to access or transfer the investments within an agreed period (for example within 5 or 10 years)?
- Do you know what the costs and charges are for your new arrangement?
- Are you working with an adviser or firm based outside the UK?



This is a welcome response to curb the rise of these online scammers and protect hard-earned pension savings. Consultations on the proposed legislation are open for responses until 9 June 2021.

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