

Protecting pension savers – five years on from the pension freedoms: Pension scams – Response from the Pensions Policy Institute

1. Response

- 1.1 This is the **Pensions Policy Institute's (PPI)** submission to the Work and Pension's Committee call for evidence *Protecting pension savers – five years on from the pension freedoms: Pension scams*.
- 1.2 The Pensions Policy Institute (PPI) promotes the study of pensions and other provision for retirement and old age. The PPI is unique as it is independent (no political bias or vested interest), focused and expert in the field, and takes a long-term perspective across all elements of the pension system. The PPI exists to contribute facts, analysis and commentary to help all commentators and decision-makers to take informed policy decisions on pensions and retirement provision.
- 1.3 This submission does not address all of the specific questions in the consultation, neither does it seek to make policy recommendations. Rather, the response points to the research that the PPI has conducted into scams and pension freedoms in recent years.
- 1.4 This submission is drawn primarily from PPI's 2020 Briefing Note *How have scams evolved since the introduction of pension freedoms?*, with additional material from PPI's 2019 report *Supporting later life*.

<https://www.pensionspolicyinstitute.org.uk/research/research-reports/2020/2020-05-19-briefing-note-121-how-have-scams-evolved-since-the-introduction-of-pension-freedoms/>

<https://www.pensionspolicyinstitute.org.uk/research/research-reports/2019/2019-10-22-supporting-later-life/>

2. Key points

- 2.1 Since the introduction of pension flexibilities, there has been a shift towards investment-focused scams, and with the introduction of the pensions cold calling ban in January 2019, scammers have also sought new channels for targeting victims.

2.2 Savers in a post-pension flexibilities landscape may face a greater risk of being scammed as they continue to make decisions about how to access their pension savings over the course of later life, not just at the point of retirement, the increasing risk of vulnerability as people age coupled with pension flexibilities has the potential to increase the risk of becoming a scam victim for people in later life.

2.3 While there is general agreement across Government and industry that pension scams are a serious threat to pension savings, finding an effective way to protect savers is challenging, largely as a result of the evolving nature of scam activity, as well as the lack of comprehensive data on the level and nature of scam activity that is occurring.

3. How have scams evolved since the introduction of pension freedoms? (2020)

3.1 Before 2015, most transfer scams focused on pension liberation (taking benefits or savings before normal minimum pension age). There is still ongoing activity aimed at getting savers to access their pension before the age of 55, which can leave victims with a large tax bill and no way to pay it after scammers have disappeared with their money. However, since the introduction of pension flexibilities, there has been a shift towards investment-focused scams, and with the introduction of the pensions cold calling ban in January 2019, scammers have also sought new channels for targeting victims.

3.2 Savers in a post-pension flexibilities landscape may face a greater risk of being scammed as they continue to make decisions about how to access their pension savings over the course of later life, not just at the point of retirement, the increasing risk of vulnerability as people age coupled with pension flexibilities has the potential to increase the risk of becoming a scam victim for people in later life.

3.3 While there is general agreement across Government and industry that pension scams are a serious threat to pension savings, finding an effective way to protect savers is challenging, largely as a result of the evolving nature of scam activity, as well as the lack of comprehensive data on the level and nature of scam activity that is occurring.

3.4 More than two-fifths (43%) of people aged over 65 (almost 5 million people in total) believe they have been targeted by scammers, although these are self-reported figures so not all are necessarily linked to a genuine instance of fraud and in cases that were, the scammers were not always successful in gaining access to their victim's savings.

3.5 It is estimated that the average amount lost in individual pension scams was £91,000 in 2017. 2018 estimates suggest an average loss of £82,000. However, some victims have lost significantly more, even in excess of £1 million in some cases.

3.6 The data available about the number of scams taking place, as well as the amount lost in each scam, does not offer a comprehensive view of the true scale of the issue. There are two factors that particularly impact scams data:

- It is believed that only a minority of pension scams are actually reported.
- Data is not collected in a comparable and easily aggregated way across the industry.

3.7 Low levels of reporting and limited available data on the scale of scams activity make it difficult to assess how the number of scams and amounts of pension savings involved may have been impacted by the introduction of pension flexibilities.

4. Supporting later life (2019)

4.1 Between the introduction of pension freedoms and 2017, around 130,000 people over 65 suffered financial abuse and more than £43 million of people's retirement savings were lost to fraud.

4.2 Three quarters (76%) of people feel confident at spotting pension scams. However, in 2016 Citizens Advice carried out an experiment in which participants were shown mock pension adverts. Almost nine in ten (88%) participants who took part selected a pension access offer containing pension scam warning signs.

4.3 Difficulty having regular direct contact with financial services, which becomes a greater challenge as people reach older ages and experience decreased mobility, may make it more difficult for older people to build up resilience and confidence in protecting themselves against fraud and scams.

For further information or if you have any additional questions please contact:

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