



Department
for Work &
Pensions



HM Treasury

Protecting pensions against scams: priorities for the Financial Guidance and Claims Bill

**Government response to the Work and Pensions
Select Committee's third report of session 2017-19**

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1 Introduction

- 1.1 The Government welcomes the Work and Pensions Select Committee's third report of Session 2017-19, which the Committee produced following its inquiry into whether pension reforms are achieving their objectives. In its report, the Committee recommended amendments to the Financial Guidance and Claims Bill to enable a ban on pensions cold calling to be brought in, and to require people to receive or expressly refuse guidance before they can access their pension pot. This document sets out the Government's response to the two recommendations made by the Committee.
- 1.2 The Government agrees with the Committee about the need to address the threat posed by pension scams by cutting off scamming activity at the source in order to disrupt criminals and protect savers.
- 1.3 The Government also agrees with the Committee about the need to ensure more people can benefit from pensions guidance to help them to understand their options and make decisions that are right for them. We believe that as well as guidance, people need to access high quality information about their pension savings. We are working closely with industry and regulators on the development of a pensions dashboard, which will present a clear picture of all an individual's pension entitlements in one secure, online location. We want to ensure that people are in a position to make more informed decisions about their pensions that will help lead them to greater security and independence in retirement. We welcome the Committee's recommendation that the Financial Guidance and Claims Bill 2017 be amended to ensure that people either take or expressly refuse guidance before they can access their pension savings.

2 Banning pensions cold calling

Background

- 2.1 The Government agrees with the Work and Pensions Select Committee that tackling pensions cold calling is an extremely important issue. Pension scams can cost people their life savings and leave them facing retirement with limited income and little or no opportunity to build their pension savings back up. The Government has repeatedly stated its strong commitment to a ban on pensions cold calling and welcomes the Work and Pensions Select Committee's proposals in this area.
- 2.2 Because of the unique risk of consumer detriment that pensions cold calling presents, the Government committed to ban such cold calling in its August 2017 response to a consultation on measures to prevent pension scams. The proposed ban covered live calls, texts and emails, but also included some important exemptions for legitimate business contact.
- 2.3 Since the Government published its consultation response, officials have been working closely with stakeholders to ensure that the ban on pensions cold calling is workable and effective. This has included ensuring that consumers who had existing relationships with relevant businesses would not be adversely affected by the ban, as well as ensuring that the ban could not be circumvented by fraudsters. Officials held a roundtable with key stakeholders in October 2017 to support this work. The Government is now focussed on developing the regulations to implement a ban as quickly as possible.
- 2.4 More broadly, the Government has also taken significant action to tackle fraudsters. HM Revenue and Customs acted through the Finance (No 2) Bill to make it harder for people to open fraudulent schemes. HMRC can now refuse to register new pension schemes – and de-register existing ones – that use a dormant company as a sponsoring employer. This action will support the Government's efforts to tackle abuse across the tax system.

- 2.5 DWP intends to legislate to limit people's statutory right to transfer to certain occupational pension schemes, including master trusts, once the master trust authorisation regime is rolled out. This measure will help reduce the number of transfers to fraudulent schemes.
- 2.6 Project Bloom, the dedicated, cross-government anti-scams taskforce run by the Pensions Regulator, continues to monitor trends, share intelligence on emerging threats and co-ordinate action to tackle pension scams.

Clause 4 of the Financial Guidance and Claims Bill

- 2.7 The Government has restated its commitment to delivering a ban on pensions cold calling quickly and effectively through the passage of the Financial Guidance and Claims Bill.
- 2.8 Although the introduction of Clause 4 in the Bill in the House of Lords presents an opportunity to ban pensions cold calling, we agree with the Committee's assessment that Clause 4 as drafted is flawed. This is for two main reasons:
- The Government wishes to ban pensions cold calling more quickly than Clause 4 allows. As the previous Economic Secretary to the Treasury noted in his appearance in front of the Work and Pensions Select Committee, the Government intends to act as quickly as possible to ban pensions cold calling because of the serious issues that often result from such cold calls.
 - Clause 4 does not provide details about the kind of issues that regulations laid to ban pensions cold calling would cover. In particular, there is no information provided on how any regulations laid would be enforced or, indeed, whether they would be enforceable.

Banning pensions cold calling

2.9 In light of the issues with Clause 4 as drafted, we agree with the Committee's aim of finding an alternative, quicker way to ban pensions cold calling, and recognise the benefits of the proposal that the Committee put forward.

2.10 The Government agrees with the intent and principles of the Committee's proposed amendment, and will shortly bring forward its own amendment, which will build on this further. It is important to address the risk of scammers attempting to challenge or circumvent a ban and to ensure that the ban is workable, robust and less liable to legal challenge in the future.

Next steps

2.11 The Government will continue to work swiftly to implement a cold calling ban by tabling a workable amendment to the Financial Guidance and Claims Bill, and then making regulations to introduce the ban.

3 Increasing take-up of guidance

Background

- 3.1 It is important that people who have worked hard and saved responsibly all their lives have the freedom to access their pension savings how and when they choose. Free impartial guidance should be accessible to anyone who wants it, and the Government remains committed to finding ways to reach more people.
- 3.2 The number of Pension Wise website visits and appointments has grown significantly from a standing start when the service launched in April 2015, and is still rising. Pension Wise delivered **61,000** appointments in 2015/16, **66,000** in 2016/17 and is on track to deliver more than **80,000** appointments in 2017/18; an increase of 21% on the previous year.
- 3.3 November 2017 saw the second highest number of appointments in any month since the service started (8,171). December 2017 was the busiest December yet by 72% with 5,585 appointments delivered. Forecasts for next financial year indicate that demand for appointments will continue to grow.

Clause 5 of the Financial Guidance and Claims Bill

- 3.4 Whilst acknowledging the improvement in appointment numbers the Government agrees with the Committee on the need to increase take-up of free, impartial guidance and is committed to finding ways to reach more people and continue to deliver an effective service. We welcome the Committee's suggested amendment to the Financial Guidance and Claims Bill, which seeks to strengthen the nudge towards pensions guidance.
- 3.5 Having considered the merits of both Clause 5(2) and the Committee's recommendations and draft amendment, the Government amendments to the Financial Guidance and Claims Bill closely align with the recommendations of the Committee, and we believe improve upon the Work and Pensions Select

Committee's draft. The Government is continuing to work with members of both Houses to ensure that this amendment meets our shared objectives.

High-quality, multi-channel guidance

- 3.6 In addition to making an amendment to the Financial Guidance and Claims Bill, Government is taking a range of actions to improve guidance take up. The Pension Wise service evaluation research,¹ conducted by Ipsos Mori, demonstrates that people who had a Pension Wise appointment, or had used the Pension Wise website, were significantly more likely to answer questions about their pension options correctly. They were also much more likely to have calculated how much income they would need in retirement, shopped around for quotes, and considered how much tax or charges they would pay based on their chosen options.
- 3.7 There were more than 2.3 million visits to the Pension Wise website in 2017. According to FCA figures, that is three or four times the number of people who are accessing a defined contribution pension each year.
- 3.8 The Pension Wise service evaluation report showed that those who accessed Pension Wise information and guidance through the website saw almost as much benefit as appointment customers. The area where these small differences were most pronounced, was in how customers felt. For example, in their report the Committee highlight that 50% of customers who had completed an appointment felt "very well informed" about their options, compared to 32% of website users who felt "very well informed" about their options.

¹ Pension Wise service evaluation: full year findings of customer experiences and outcomes of using the Pension Wise service, October 2017

- 3.9 However, when it came to actual knowledge of the pension options, the difference between appointment customers and website users was shown by the service evaluation report to be minimal.
- 3.10 Customers and non-users were asked a series of questions to assess their factual knowledge of their pensions options. Appointment customers had a knowledge score average of 70%; just fractionally more than website customers who had a knowledge score average of 68%. Both cohorts compare favourably to non-users of the service, where the knowledge score average was 47%.²

Digital Appointments

- 3.11 The Pension Wise website is an integral part of the multi-channel Pension Wise guidance service, providing high quality guidance and information to millions of website visitors each year. Pension Wise have recently developed a digital appointment, accessible via the Pension Wise website, to enhance the online offering even further.
- 3.12 A digital appointment guides users through their pension options, scams and tax implications online, mirroring the content provided in a face to face or telephone appointment. Early data indicates that around 3,600 people are completing a digital appointment each month. Pension Wise are considering further enhancements to the digital appointment in the coming year. Research will be conducted to compare the outcomes of a digital appointment with other guidance channels.

Raising awareness of the Pension Wise service

- 3.13 Pension Wise are learning from each round of advertising to improve how they target and coordinate campaigns to get maximum awareness and

² Pension Wise service evaluation: full year findings of customer experiences and outcomes of using the Pension Wise service, October 2017, p30

engagement amongst the eligible audience. The Committee highlights that life events are a key trigger for people to seek guidance; indeed Pension Wise advertising does target people around the time that they are likely to be thinking about retiring or accessing their pension(s).

3.14 Alongside a coordinated TV, radio, online and print advertising strategy, Pension Wise use both search engine optimisation and paid search advertising to ensure that Pension Wise is at, or near, the top of the search engine list when people search online for help with their pension. The growth in the number of people using the Pension Wise service shows that this approach is working. The Pension Wise communications team won a silver award at the Government Communication Service Excellence Awards for the new “Get to know your options” campaign.

3.15 Pension Wise are also planning to work with pension providers on several pilots this year to test innovative ways for referring pension holders to the Pension Wise service.

Pension Freedoms

3.16 The Government remains fully committed to the pension freedoms. Everyone that wants it should have access to free impartial guidance, but people should still be free to decide what to do with their money, including putting their money into a savings account if that is their choice.

3.17 While the pension freedoms are still relatively new, some people will have concerns that the freedoms may be reversed, and that they will no longer be able to make their own choice about what to do with their pension money. This will likely be a factor when some people decide to withdraw some or all of their pension money only to put it in a less efficient vehicle.

3.18 The Government recognises that the current position - with defined benefit pensions a majority and defined contribution pensions a minority - will reverse in the coming years. More people will be in a position where their defined contribution pension(s) is their only or largest source of income. The decisions that people make about their defined contribution pension savings will reflect these changing circumstances. The Government remains committed to ensuring that people have access to guidance so that they make well informed decisions.