

THE
NATIONAL LAW REVIEW

Hanging On The Telephone : UK Government's Consultation Response on Pension Scams

Thursday, August 31, 2017

It's time to hang up on cold callers! The loss of pension savings can have a devastating impact on an individual's plans for retirement but this is an unfortunate reality for those who have fallen victim to pension scammers. The UK Government's consultation response on pension scams shows its clear intention to ban cold calling in relation to pensions.



Article By
[Sarah Limbert](#)
[Squire Patton Boggs \(US\) LLP](#)
[Compensation and Benefits: Global Insights](#)
[Communications, Media & Internet](#)
[Financial Institutions & Banking](#)
[Global](#)
[Labor & Employment](#)
[United Kingdom](#)

A few thoughts

- Although the ban should help to limit the number of pension scams, individuals and trustees will still need to be vigilant.
- The Government intends to future proof the legislation but consideration will be needed as scammers become more sophisticated and find ways to overcome obstacles.
- The Information Commissioner's Office will have no powers outside of the UK's jurisdiction so scammers may seek to manipulate this.

The legislation should be useful in terms of highlighting a problem to the general public (depending on the extent of any public awareness campaign that may accompany the ban) but a tightening of the transfer legislation is paramount. We look forward to the promised Government consultation on this issue.

When?

The Government is working on "the final and complex details of the ban" this year so we are unlikely to see any new legislation until 2018 at the earliest.

How?

The fundamental message for consumers is that "no legitimate firm will cold call them about their pension". The ban will have a wide scope with offers of "free pension reviews", "inducements" and "promotions" being red flags. Transfers between pension plans will be included in the ban together with calls where individuals are encouraged to transfer pension funds to a bank account before investing. It will apply to all electronic communications as well as calls.

There will be exemptions. For example, where a consumer has expressly requested information from a firm and where an existing client relationship exists. The Government does not wish the ban to have unnecessary or disproportionate impact on legitimate activities.

It is proposed that the Information Commissioner's Office will have responsibility for enforcing the ban although there will be no new criminal sanctions on those in breach.

The consultation response also noted the Government's intention to:

- Limit the statutory right to transfer to some occupational pension plans.

- Introduce a new requirement (through the next Finance Bill) that all new pension plan registrations must be made through an active company (except in legitimate circumstances).

This is a definite step in the right direction but only time will tell in terms of the ban's effectiveness.

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