

Pensions Cold Calling Ban Further Delayed

The vast majority of the pensions industry strongly support Government proposals to ban cold calling in relation to pensions.

First mooted in the Autumn Statement 2016, the cold calling ban is necessary in the fight against pension scammers. Yet, two years on, it is still not law and the Government is consulting for a second time on the issue.

Citizens Advice research, published in March 2016, found that 9 out of 10 people would miss the warning signs of a scam. Cold calling is a favourite tactic of pension scammers.

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Background

Unsolicited phone calls, texts or emails about pensions are nearly always scams. Scammers will often claim they're from Pension Wise or other government-backed bodies. These organisations would never phone or text to offer a pension review. The Pensions Regulator advises everyone who receives an unsolicited call about their pensions to hang up. Scammers will also often offer a "free pensions review". Cold calls and offers of free pension reviews are warning signs of a scam.

At the Autumn Statement 2016 the Government committed to consulting on a ban on pensions cold calling, and subsequently launched a consultation in December 2016. It took until August 2017 to respond to the consultation, despite an overwhelming support for a cold calling ban.

Draft regulations have now been drafted, and the Government is now consulting again on the adequacy of the proposed regulations. The consultation runs until 17 August 2018 and the Government hopes to implement the ban in the Autumn.

The Government Proposals

The Government will prohibit cold calling, in relation to pensions, unless the caller is regulated by the Financial Conduct Authority or the trustees or managers of an occupational pension scheme regulated by the Pensions Regulator and:

- the customer consents to such calls being made by, or at the instigation of, the caller; or
- the recipient of the call has an existing client relationship with the caller or instigator of the call and the relationship is such that the recipient envisages receiving unsolicited calls for the purpose of direct marketing in relation to the pension scheme.

The second exemption is intended to address the concern that fraudsters might approach members on topics unrelated to pensions and then treat that interaction as constituting an existing client relationship, allowing them to cold call the client on pensions.

The Information Commissioners' Office will act as the enforcement agency for the ban and can fine offenders up to half a million pounds.

Will the ban be effective?

The Information Commissioners' Office is unable to take action against firms located overseas, so one easy workaround for scammer will be to make cold calls from abroad. We are unlikely to see many fines.

What will be important is to publicise the message that cold calling on pensions is illegal. If that message can be got across to the nine out of ten people, who up until now have not been able to spot the warning signs of a scam, and they then end the call, as the Pensions Regulator advises, then the ban will be effective.

Success in dealing with the fraudster is all about educating the public. Scammers are likely to stay one step ahead of any legislation. Pensions are a lucrative source of income to fraudsters and they are unlikely to stop targeting them any time soon.

Comment

The fact that we are unlikely to see effective enforcement of the cold calling ban, makes it even more frustrating that the Government have further delayed its implementation.

The success, or otherwise, of this important change in the law will depend on educating the public. Every day that passes sees someone fall for a promise of guaranteed returns in an exotic investment or, the promise of an immediate loan for a transfer. Implementing a cold calling ban is a mere skirmish in an ongoing war against fraudsters who are after individuals' pensions.

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