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Daily Telegraph 17 August 2018 – Major loopholes in the cold calling ban

The Telegraph

Money | Consumer affairs

Major loopholes in the cold calling ban could put your pension at risk

Cold calling is by far the most common tactic used by scammers to try and get their hands on your pension, according to the financial watchdog. CREDIT: ANADOLU AGENCY

By **Laura Miller**
17 AUGUST 2018 • 11:20AM

Pensioners will be lulled into a dangerous false sense of security by the Government's planned ban on cold calling unless it closes loopholes ripe for exploitation by fraudsters, pension experts have warned.

The Government's final consultation on banning companies from bombarding people with unsolicited calls about their retirement savings closes today. First announced in 2016, its introduction is already behind schedule.

In submissions to the consultation, seen by *Telegraph Money*, pension companies and campaigners have issued stark warnings to the Government about deficiencies in its plans. All of them pressed it not to delay stricter rules any further.

One criticism is that the Government has shunned new legislation in favour of co-opting current privacy rules, such as those that state all callers must display a phone number, as a way for people to keep track of who is calling them.

Former pension minister Baroness Ros Altmann said in her submission: "Just displaying a number does not allow the callers to be traced and, indeed, may even make people more comfortable to speak to the cold caller, thinking they are disclosing their phone details so they aren't likely to be criminals."

Cold calling is by far the most common tactic used by scammers to try and get their hands on your pension, according to the financial watchdog, most often by offering a "free pension review" that requires you to release sensitive financial information.

Research by Aviva earlier this year found that there have been 2.7m more pensions-related nuisance calls since 2015, when reforms were introduced to allow pensioners to withdraw their whole pot in one go.

But retirement experts have told the Government its pension cold calling ban is too limited as it fails to include modern communication methods such as mass emails, text messages, junk letters or social media.

Steve Webb, director of policy at Royal London and a former pension minister, said: "Scammers won't see any change in their ability to use targeted social media to trap people. These forms of communication can reach many more vulnerable customers than the traditional cold call."

The Government is also under pressure to give legitimate pension companies more powers to stop suspicious activity.

Jamie Jenkins, head of pension strategy at Standard Life Aberdeen, said: "It would be helpful if we could say to customers, 'we are going to block this pension transfer because it originated from a cold call because cold calls are illegal'.

"At the moment the cold calling ban is more of a warning."

The amount of money pensioners have lost through scams has more than doubled in a year, with the average victim handing £91,000 to fraudsters, according to data from Action Fraud. The true figure could be much more as only a minority of victims report being scammed.

In its submission, the Pensions and Lifetime Savings Association told the Government it needs to "go further". It wants an authorisation regime for pension schemes to stop rogue firms that benefit from cold calling entering the market in the first place.

"The [Government's] approach does not address the central problem which is that being a registered pension scheme is no proof of being a legitimate pension scheme," it said.

To benefit from tax relief, pension schemes must register with HMRC. The Government's consultation admits that consumers falsely equate registration with being "approved" and that its investments are regulated, meaning they are more likely to hand the firm their pension money.

Many scams prominently display they are "HMRC registered" to give them an air of legitimacy.

Small self-administered (Ssas) pensions, which enjoy lighter touch regulation, have become a "vehicle of choice" for such scams, The Pension Regulator has said. It wants pension transfers into Ssas banned.

Also not addressed in the proposed legislation is applying the illegality of cold calling to the wider regulated financial services industry, by making those who profit from it guilty by association.

Baroness Altmann said if the FCA banned the use of leads – lists of contact details of potential customers, often obtained by or used to carry out cold calling – it would strip unregulated lead generators of their revenue stream. Such a ban is already in place for mortgages.

She told the Government: "Unregulated lead generators compiling lists of people who have said they are worried about pensions, or would like to find out more information about pensions, who try to pass on names to regulated firms, would cause the purchaser or user of that information to be in contravention of FCA rules.

"The FCA could then revoke the regulated firm's FCA registration. This would be far more effective in stopping cold calls, because those making the calls could no longer easily sell the leads. By stopping regulated firms from buying these leads, customers would be much more effectively protected."

Keith Richards, chief executive of the Personal Finance Society, the UK's largest trade body for regulated financial advisers, in his submission told the Government that its planned rules must be more explicit to prevent scammers finding a way around them.

He said the Government, regulators, and financial services must hammer home to the public "the reason for the ban, who is banned, what is banned and what is excluded."

He added: "We believe such an approach is more likely to avoid workarounds [by the scammers] than less specific, principal-based legislation.

"It is imperative that consumers ultimately know that no legitimate firm will cold call them about their pension for the purposes of selling a product or service unless they have given express consent or have an existing client relationship with the caller."

A spokesperson for the Treasury, which is running the Government consultation into the cold calling ban, said: "We want to bring the pensions cold calling ban into force as soon as possible. Having already consulted on the ban, the purpose of this consultation was to seek views on the draft legislation. We intend to lay the final regulations in Parliament this Autumn and introduce the ban as soon as possible thereafter."

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