PPF response: Protecting Pension Savers - Proposals to Amend the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021

About the PPF

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the sponsoring employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. Since inception, we have consolidated over 1,000 DB schemes into the Fund, and now have around 285,000 members, to whom we paid £1.2 billion in 2025/26. We protect a further 8.6 million members of DB schemes. The PPF is a statutory fund run by the Board of the PPF, a statutory corporation established under the provisions of the Pensions Act 2004. The PPF became operational on 6 April 2005.

In 2009 the Board of the PPF was also given the responsibility of being the scheme manager for the tax-payer funded Financial Assistance Scheme (FAS). FAS provides assistance to around 135,000 members of around 1,000 eligible underfunded defined benefit schemes that started to wind-up between 1 January 1997 and 5 April 2005, or between 6 April 2005 and 27 March 2014 where an employer insolvency event occurred before 6 April 2005.

The Board of the PPF has also held, managed and applied the – wholly separate – Fraud Compensation Fund (FCF) since 2005. The FCF was set up as a result of the Pensions Act 2004. The FCF funds compensation for members of eligible work-based pension schemes where the employer is insolvent and whose schemes have lost out financially as a result of dishonesty. Pension schemes fund the FCF via a per member levy.

Introduction

1. The PPF is pleased to respond to the consultation on *amending the Pension Transfer Regulations* and offer our insights to support the Department for Work and Pensions (DWP) in this important policy area. We have focused our response on the questions relating to the proposals for Small Self-Administered Schemes (SSAS) reflecting our experience operating the FCF.

2. In November 2020, the High Court confirmed that 'pension liberation' or 'scam schemes' could potentially be eligible to make a claim on the FCF. These are cases where individuals were enticed to transfer their pension into a scheme operating as part of a scam from which fraudsters extracted funds and pensions were liberated[1]. We

[1] PPF, submission to Defined Benefit Pension Inquiry by Work and Pensions Committee, June 2023 https://committees.parliament.uk/writtenevidence/120650/pdf/

completed 37 FCF cases in 2025/26, paying out more than £100m to over 2,700 pension fraud victims.

3. The FCF Regulations[2] contain a specific definition of a SSAS – and schemes that meet that definition are ineligible for compensation through the FCF. We understand this is on the basis that all members of SSAS schemes must be trustees, involved in all the decisions that affect the scheme and, therefore, there is no need for additional protections or compensation arrangements.

4. However, as the consultation sets out, SSAS schemes are a growing area of fraud and dishonesty. We have been approached by members of SSAS schemes and TPR that appear to have operated as part of a scam. In these cases, members had transferred their pension savings to a SSAS. Although the criteria for the scheme to be a SSAS may have been met on paper, it appears the members may not have been operating as trustees in practice – perhaps because paperwork had been falsified or the members had been duped. The schemes were controlled by 'shadow trustees', who may then dishonestly deprive the scheme of funds.

5. We also note there are other risks relating to transfers to a SSAS. The Pension Ombudsman has noted that they have seen a number of complaints from individuals who have transferred their pensions in order to invest in unregulated investments, such as fractional ownership schemes. For the most part, these have been made via transfers into SSASs where the member is the sole trustee and thus solely responsible for investment decisions, leading to a high risk of inappropriate investment allocation and indeed loss of funds due to fraud. The route to any redress or compensation is uncertain depending on how each scheme was set up and the investments they contained.[3]

6. We therefore welcome Government's consideration of further action to prevent inappropriate transfers to such schemes – particularly as once in such structures, members do not benefit from FCF protection. We believe the proposals represent an important strengthening of protections.

7. We have some concerns that scammers could try to side-step the proposed regulatory protections in relation to the employment link through sophisticated documentation. Members can also be incentivised by a belief in the supposed benefits of the scam structure. However, we have been reassured by our engagement with MaPs that the existing Amber flag approach should still provide an avenue to identify possible SSAS transfers, where there is a risk of dishonesty, even if the SSAS employment link appears genuine on paper.

8. If there are early indications that the new proposals might not achieve the expected outcomes, we believe that further consideration could usefully be given to protections against SSASs being set up as part of a scam. This includes looking beyond the

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[2] See Regulation 2(1)(f) and (g) of the Occupational Pension Schemes (Fraud Compensation Payments and Miscellaneous Amendments) Regulations 2005.

[3] [The Pensions Ombudsman, Rowanmoor SSAS scheme Determination, February 2024]

documentation provided to ascertain whether the member will genuinely be acting as a trustee, which is the critical aspect of what constitutes a 'true' SSAS. We think there may be two ways to address this:

- requiring all SSAS transfers to trigger an amber flag, with members subsequently being required to take pension scam guidance from MaPS; or
- strengthening due diligence expectations, so schemes look beyond the employment link and consider the member's actual role, powers and understanding within the SSAS.

9. The existing code of best practice by the Pension Scams Industry Group (PSIG) on Combating Pension Scams[4] is a helpful guide for schemes undertaking additional due diligence, particularly in the accompanying resource document. For example, it suggests requesting three months of payslips and investigating whether a company is active or dormant. We can see the benefits of DWP working with PSIG and industry to update the code of best practice to include some additional SSAS-related questions, such as:

    - What decisions does the member expect to make in relation to their pension within the SSAS?;
    - Do you know who your fellow trustees are?
    - Who has the power to appoint and remove trustees?

10. On balance, given the challenges for transferring schemes in looking beyond the employment link, we think requiring guidance from MaPS may be the more effective approach. This would seek to ensure the member is fully aware of the nature of SSAS schemes and is supported in considering whether the scheme is part of a scam. We recognise this will need to be considered against the impact on MaPS of such a requirement.

Question 1: Do you foresee any issues with the planned wording of the flag in regulation 8 of Annex A?

11. We support the proposal to introduce a red flag where there is not enough evidence to show an employment link with the receiving scheme. This is a sensible safeguard. However, based on our experience, checking the employment link alone will not identify all SSAS scam risks. In some cases, the paperwork may look valid, including the employment link, trustee appointments and scheme documents, but in practice the member may not have real control over the scheme or be making trustee decisions themselves. To identify if there is a scam risk, the transferring scheme may need to undertake a range of due diligence approaches recommended by the PSIG Pensions Scams Code of Practice, this includes, Step 2 analysis, and if required contacting the member. We wonder if this would be a relatively high burden on trustees of the transferring scheme to undertake and could mean that the aim of the regulations might not be achieved. However, we have been reassured by our engagement with MaPs, that the existing Amber flag approach should still provide an avenue to pick-up possible SSAS

[4] Pension Scams Industry Group, Combating Pension Scams: A Code of Best Practice

transfers where there is a risk of dishonesty even if the SSAS employment link looks genuine on paper.

12. If there are early indications that the new proposals might not achieve the expected outcomes we believe DWP should consider further policy and proposed changes to the regulations to protect savers from SSAS scam risks. One option is for all SSAS schemes to be carved out so that that trustees need to consider the second condition due to the risk that SSAS scheme can appear reputable but still be used as vehicles for dishonesty.

13. We also recognise the need for the approach to be proportionate. And it may be more proportionate to require all SSAS transfers to be identified as an amber flag and ensure there is evidence that the member has completed a "Pension Safeguarding Guidance" appointment rather than individual schemes trying to look behind documents that look legitimate.

Question 3: Do you consider the focus on the employment link to be an appropriate and effective measure for addressing the concerns relating to SSAS transfers?

14. If there is no clear employment link, or the evidence for it is weak, this should be treated as a strong warning sign and support the use of a red flag. It is a practical safeguard that can help transferring schemes spot arrangements that are unlikely to be genuine SSASs.

15. We suggest there may be merit in reviewing the matters schemes should consider under the link regulations to ensure they cover particular aspects relevant to SSAS. For example, if it legitimate SSAS schemes they will usually be used for company directors or senior employees in case of a family owned business.

16. From our FCF casework and discussions with other organisations, the main risk of scam arrangements is that paper evidence can be provided to satisfy the employment link when in reality this is not the case. In addition members can be trustees only on paper. For example, we have seen cases where members say they cannot access the scheme bank account, do not receive meeting papers or reports, are not involved in decisions, and are not given financial information. Therefore, requiring the employment link to be satisfied may not be sufficient to head off the risk of an inappropriate transfers to scam schemes. We are reassured from our engagement with MaPs which highlights that other Amber flags should still be able to pick-up other indications there could be a risk of an inappropriate transfers to scam schemes and require a safeguarding call with MaPs. These additional questions may be helpful in assessing scam risk in relation to SSAS:

    - Does the member understand that they are trustees?
    - What decisions does the member expect to make in relation to their pension in a SSAS?
    - Do you know who your fellow trustees are?
    - Who has the power to appoint and remove trustees?

Question 4: Do you agree with this proposed approach, including the use of a non-exhaustive list of factors?

17. Yes. We support using a list of factors that is not fixed or limited. Scam methods evolve over time, so trustees and managers need some flexibility to consider all the facts of a transfer. This kind of list should help schemes take a consistent approach, without making the rules too rigid.

18. The factors rely on timely regulatory concerns or warnings. Therefore, if this route is adopted, transferring schemes need timely access to information on whether any adviser, administrator, trustee company, introducer or other connected party has been linked to regulatory concerns, enforcement action, complaints, criminal investigations, adverse decisions or other relevant intelligence.

Question 5: Do you foresee any issues in the practical implementation of the amended regulations?

19. The main practical problem is likely to be obtaining reliable evidence. In suspected scam cases, the documents provided may be misleading or forged. This means transferring schemes may find it hard to tell whether the employment link, trustee appointments and governance arrangements are genuine. Therefore, we have some concerns that the regulations may not be as effective as they could be at preventing people from being scammed.

20. If there are early indications that the new proposals might not achieve the expected outcomes, we believe it may be more appropriate to ensure that all transfers to a SSAS have a safeguarding call with MaPS. This could be achieved by applying an amber flag where a transfer to a SSAS is proposed. This would require the member to go to MaPS, and the transfer would not proceed until the member has evidenced that the member has completed a "Pension Safeguarding Guidance" appointment.

21. While we recognise that other aspects of the regulations aim to reduce unnecessary delays and MaPS referrals, SSAS transfers are an area where MaPS involvement could have a meaningful impact and reduce the likelihood of inappropriate transfers occurring. This is especially important given the potential lack of access to compensation where dishonesty occurs.