

Dealing with Transfer Requests

Overview

When dealing with transfer requests, trustees and scheme managers are generally required to carry out due diligence to determine whether a transfer is sufficiently low-risk to proceed. Whilst most transfer requests are straightforward, some require thorough investigation to ensure compliance with regulations and protect members' interests. This usually involves specific checks to determine if the transfer meets either of the following conditions:

1. **First Condition:** The receiving scheme must be one of the following:
 - a public service pension scheme;
 - an authorised master trust; or
 - a collective money purchase scheme.
2. **Second Condition:** If the receiving scheme doesn't meet the First Condition, trustees/scheme managers must ensure the transfer does not involve any:
 - 2.1 red flags – which, if identified would prohibit the transfer; or
 - 2.2 amber flags – which indicate a potential risk to members, requiring members to seek guidance from [MoneyHelper](#). If members fail to do so, this escalates the amber flag to a red flag.

Understanding what information and due diligence need to be undertaken to identify flags is crucial for both financial advisers and pension trustees and managers to ensure compliance with regulatory requirements, the [Pensions Regulator's guidance](#), and to avoid penalties. Examples of red and amber flags are included in the table below.

It is worth noting that these requirements strictly apply to statutory transfer requests. However, in line with regulatory guidance and industry best practices, they are often applied in respect of all transfer requests.

The transferring trustees or managers must conclude, on a balance of probabilities, that they have reason to believe that no flags are present before permitting a transfer. This is a subjective test.

Examples: Red and Amber Flags

Red Flags	Description
Failure to provide required information	Member refuses or fails to respond or provides insufficient information to determine employment link or overseas residency where they are transferring to an occupational pension scheme or overseas scheme, respectively.
No evidence of MoneyHelper guidance	Member has not shown proof of MoneyHelper guidance after a reasonable period after they have been directed to

	MoneyHelper by the transferring trustees on the identification of an amber flag.
UK regulated activity undertaken without proper permissions	Someone without the appropriate FCA regulatory approvals has carried out FCA regulated activity in respect of the transfer.
Unsolicited contact	The member's request to transfer has been made further to unsolicited contact for the purposes of direct marketing of the transfer.
Incentive to transfer	Member was incentivised to make the transfer. In this context, an incentive could include: the offer of free pension reviews, early access to pension savings or cash back from the scheme.
The member has been pressured to make the transfer	Member felt pressured to transfer, either directly or indirectly.
Amber Flags	Description
No employment link or overseas residency	Where the transfer is to an overseas scheme or an occupation pension scheme, it is necessary to demonstrate a jurisdiction or employment link. Where a member's response lacks sufficient evidence of employment link or overseas residency, it will initially constitute an amber flag. However, if the information is not subsequently provided, it could become a red flag.
High-risk or unregulated investments	Investments in the scheme are beyond the normal range of investment risk.
Unclear or high scheme charges	Charges are not in line with norms for comparable products.
The scheme's investment structure is unclear, complex or unorthodox	The investment structure is unusual, complex or unclear or there are concerns over its legality.
Overseas investments are included in the scheme	Investments which are wholly or partly outside the UK.
Unusual rise in transfers involving the same scheme or adviser	Significant increase in transfer requests to a particular scheme or adviser.

In addition, FCA authorised firms, such as SIPP providers, also need to comply with the Consumer Duty as well as other applicable FCA rules.

How can we help?

Our team has extensive experience advising on the complexities of transfer requests. If you have any matters that you require our assistance with, please do not hesitate to contact any of our team members listed below.



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