Summary
• The threat of online scams has increased amid the pandemic, with fraudsters making away with more than £78 million of savers' money thanks to clone firm scams.
• Legislative action is needed, and some changes have been announced, such as the inclusion of user-generated fraud in the Online Safety Bill.
• More must be done to protect savers, but raising consumer awareness, so savers can also protect themselves, has a key role to play in the meantime.

One step ahead

Amid growing industry pressure, the government has confirmed that user-generated fraud will be included in the Online Safety Bill, but is this enough to protect savers and what more still needs to be done as scammers evolve to an online world? Sophie Smith reports

Scammers do not rest on their villainous laurels, they are constantly evolving, and despite industry and government action to fight these fraudsters, they often seem to remain just one step ahead.

Indeed, Pensions Minister, Guy Opperman, recently issued a warning for savers to be wary of unscrupulous scammers operating online, as the Department for Work and Pensions (DWP) acknowledged that, despite government action to combat pension scams, such as the cold calling ban and the transfer blocking powers introduced in the Pension Schemes Act (PSA) *[discussed in more detail on page 55]*, there is "no doubt" that pension and investment scams continue.

In particular, commenting after the passing of the PSA, Opperman noted that whilst the powers introduced by the act will go some way to help with pension scams, work is still ongoing to tackle the 95 per cent of the problem estimated to be stemming from clone sites and online issues.

Attack of the clones

Action Fraud joined forces with the City of London Police and the Financial Conduct Authority (FCA) earlier this year, to warn against the threat of 'clone firms', after fraudsters made away with more than £78 million using these scams in 2020. These 'clone firms' are set up using the name, address and 'Firm Reference Number' of real companies authorised by the FCA, often leaving victims unaware that they have been the victim of a crime until they fail to receive returns or investment reports.

"Clone firm investment scams are unbelievably convincing and pretending to be a well-known brand name is fundamental in persuading consumers to part with their cash and, sadly, their life savings," warns Aviva UK financial crime risk director, Paul Pisano.

Action is already being taken to prevent these fraudsters, as Pisano stresses that once Aviva is notified of a fake website dishonestly using its brand name, the group does "everything with its power" to have these taken down. "Where we identify unauthorised online content, we will first ask the respective platform to cease and desist by contacting the site registrar or by submitting a fraud complaint," he states. "If that's unsuccessful, we may proceed to take a legal route for the offender to cease and desist."

He clarifies, however, that despite working round-the-clock alongside authorities to fight these websites, new ones "inevitably" pop up, explaining: "The challenge we face is that these frauds take place outside of our controlled environment. We are dependent on the content providers, the online platforms and the authorities to remove the websites or get the offender to stop the activity."

Opperman also echoed this when speaking at a Work and Pensions Committee (WPC) hearing on pension scams, stating that individual firms such as Aviva are now going to the "next degree" and paying money to persuade sites such as Google to take down fraudulent sites. He said: "We as legislators need to take a very long hard look at how it is we are going to regulate online operators on an ongoing basis."

The pensions industry and financial sector have also been clear in their stance.

Quilter CEO, Paul Feeney, wrote to Prime Minister, Boris Johnson, and Minister for Digital and Culture, Caroline Dinenage, calling for the inclusion of financial scams in the Online Safety Bill, as did Phoenix Group.

In addition to this, a number of financial organisations, including the Association of British Insurers (ABI), MoneySavingExpert, UK Finance and B&CE, also wrote to the government to highlight the bill as the "perfect opportunity" for action.

Perhaps most notably, the report published following the WPC's pension scams inquiry, *Protecting pension savers – five years on from the pension freedoms: Pension scams*, also called for tech giants to be held responsible for their role as a key recommendation, urging the government to act "quickly and decisively" and to use the bill to legislate against investment fraud.

Speaking to *Pensions Age*, WPC chair, Stephen Timms, says that whilst consumer groups and public bodies have "long been calling for action to crackdown on the pernicious threat of online scams", the addition of the cross-party Work and Pensions Committee voice to the campaign gives some hope that the government will "finally act" and use the Online Safety Bill to introduce proper protection for savers from scammers and fraudsters.

"The Pensions Minister, Guy Opperman, has fired a warning to Google and others, that unless they start verifying advertisers, legislation will be on its way," he continues.

Consumers too are keen for action, with a recent survey from Phoenix Group revealing that 46 per cent of savers think online platforms and social media providers should take responsibility, whilst 51 per cent think the duty should lie with financial institutions, and 39 per cent view the government as accountable.

Pressure to act

Amid growing pressure, it was confirmed that user-generated financial fraud would be included in the Online Safety Bill. However, whilst many have praised the development, concerns, particularly around paid-for adverts, persist.

Quilter head of retirement policy, Jon Greer, warns that although it is great to see the government listening to calls for action on the growing threat of scams, investors shouldn't breathe a sigh of relief "just yet" as cloned websites, fraudulent adverts and scam emails will not be included in the bill, despite constituting "the bulk of the harm".

Pension Scams Industry Group chair, Margaret Snowdon, agrees that it is difficult to say what the impact of the bill will be on scams considering the scope of the bill, while AJ Bell senior analyst, Tom Selby, warns that the devil could well be in the detail.

"Any intervention that makes it harder for scammers to defraud people is a good thing, but the real prize here has to be ensuring big tech firms like Twitter, Facebook and Google take more responsibility for all of the content they facilitate – both paid and unpaid," he warns, arguing that not including paid advertisements would "feel like a missed opportunity and clearly limit the impact of the legislation".

Echoing this, Timms argues that the inclusion of user-generated online fraud should be "just be the first step in bearing down on financial harms online", stating that the government must use the opportunity to tackle what is an "existential threat to the UK economy".

"The bill would fail to live up to its name if it did not also include online advertising, which internet firms such as Google are making huge amounts of money from without being obliged in any way to check to see whether advertisers are genuine," he says. "If Google or other search engines are paid to publish, they need to be responsible as publishers. We hope the government will ensure that all financial harms are included as the bill makes its way through parliament."

Consumer groups have also echoed these concerns, as Which? director of policy and advocacy, Rocio Concha, explains that the government has now recognised that the major online platforms people interact with every day have a responsibility to protect their users from scams. "It is crucial that the Online Safety Bill gives them a legal responsibility to prevent, identify and remove fake and fraudulent content on their sites – including the vast number of adverts posted by criminals," she stresses.

Too long to wait?

Commenting in response to the concerns, a government spokesperson says: "We have brought user-generated fraud into the scope of our new online laws to increase people's protection from the devastating impact of scams.

"In addition, our Online Advertising Programme will consider further regulation relating to online advertising. We are recruiting more police with specialist skills as part of our commitment to recruit 20,000 new officers, and providing scam reporting and takedown services to remove malicious or fraudulent websites."

Indeed, the government previously announced plans to consult on the role online advertising can play in enabling online pension scams later in 2021. It also confirmed that the government would be considering how online advertising is regulated through the Online Advertising Programme, with this expected to focus on ensuring standards about the placement and content of online advertising are "effectively applied and enforced".

However, whilst Greer agrees that the programme could be a potential legislative solution, he points out that it is a long way off, with legislation potentially three or four years out, and likely to look much like the Online Safety Bill, only with the addition of scam adverts.

"So why wait?" he asks. "Why not just include adverts and cloned websites to the Online Safety Bill now and save a considerable amount of time and a significant amount of money for investors?"

Greer also stresses that the principle of any legislative action should be to shift the responsibility away from individuals, clarifying that whilst individual responsibility is needed to some degree, technology companies should have much greater responsibilities to stop fraudulent content appearing in the first place.

Protecting savers

Snowdon points out that regulation of adverts on mainstream media and broadcast media drives standards, with penalties for breach and power to remove, arguing that online should be no different. "Social media content is more prolific and therefore it is harder to spot scam material among the noise, but it not beyond the ability of tech companies to find and remove financial offerings placed by unauthorised people or entities, or that make untrue claims," she says.

Echoing this, Concha says: "Tech giants, such as Google and Microsoft, have some of the most sophisticated technology in the world, yet they are failing to use it to prevent scammers from abusing the platforms by using fake and fraudulent content on an industrial scale to target victims and devastate lives."

Action is already being taken, however, as Google recently announced plans to pledge $5 million in advertising credits to support public awarenesss campaigns to help protect people from financial fraud.

According to Google, it has also been working in consultation with the FCA to introduce new policy updates to prevent bad actors and fraudulent behaviour.

As part of this, Google has asked the FCA to notify them when they make aditions to their warning list, alongside

Raising awareness

Amid increasing concern about the damaging impact of financial scams on savers, campaigns that look to raise consumer awareness are even more crucial, particularly as the pandemic places even more people in at-risk situations.

In an effort to create a network of confident and alert consumers who know what to do when they spot a scam, Citizens Advice runs an annual Scams Awareness campaign, with this year's campaign running from 14 to 27 June. It's run in collaboration with the Consumer Protection Partnership, which includes organisations such as Trading Standards and the Department of Business, Energy and Industrial Strategy (BEIS).

Citizens Advice says that a huge part of tackling scams is making sure people know about them, and what they can do to protect themselves. The campaign therefore aims to give consumers the skills they need to recognise scams, including pension scams, and empower them to act if they've been targeted by one.

It also aims to encourage people to talk about their experiences with scams, with consumers encouraged to report any scams they do spot to Citizens Advice Scams Action to help others.

There are already a range of pension scams being reported to Citizens Advice Scams Action. Examples include an individual who was warned their pension firm was going into administration and they could instead release some cash now, rather than lose all of their money, and another person who was told they had committed fraud on their pension and must call a number immediately.

"Pension scams can come in many forms, such as someone calling out of the blue offering exceptional returns on investments or a land investment scheme with development opportunities which will give you high returns," explains Citizens Advice consumer expert, Jerry Houseago.

"The key thing to remember is, if it sounds too good to be true it probably is. Remember how long you've spent saving for your pension – deciding what to do with it should never be a rush job. Take your time, make an informed decision, and if you need help make sure you get it from an FCA-regulated firm."

introducing new requirements for certain advertisers who are engaged in the promotion of financial services, and making a recent update to its unreliable claims, which prohibits unrealistic promises of large financial return with minimal risk, effort or investment.

It will also be developing and rolling out further restrictions to financial services advertising in the UK over the next few months.

Commenting in response to the concerns, a Google spokesperson says: "Protecting consumers and legitimate businesses operating in the financial sector is a priority for us. We have been working in consultation with the FCA for over a year to implement new measures and we are developing further restrictions to financial services advertising to tackle the scale of this increasing issue. We are the first technology company to join Stop Scams UK to develop and share best practices with existing members from financial services and telecoms industries."

But more action is clearly needed, as figures released by City of London Police have shown over £63 million was lost nationally by victims of investment fraud who referred to a social media platform in their report to Action Fraud, with some approached directly by an investment fraudster, whilst others were attracted through adverts.

This fraudulent social media activity has in turn supported scams that utilise clone websites, with social media influencers used to add credibility to offerings, and some reports even mentioning seeing LinkedIn profiles for the broker who approached savers, which helped persuade them of its legitimacy.

"The public needs to be aware of the existence of fake ads and fake websites and how to spot them and media companies need to filter out fraudulent content," Snowdon stresses, warning that whilst people generally do know about fake ads, they always think it catches other people and not them.

However, the latest figures from City of London Police have suggested that the use of social media by criminals is starting to buck the trend for typical investment fraud victims, with 19-25 year olds representing 27.5 per cent of all investment fraud victims who mentioned social media in their report, while 61 per cent were men.

"Members do not trust the pensions industry as it is and the rise of online pension scamming just makes it worse," Snowdon warns. "Pension providers need to engage more personally with their customers, so that customers feel that they belong and that their interests are protected."

Consumers are seemingly ready to listen, as recent research from LV= revealed that whilst around 47 per cent of Brits, around 25 million people, viewed pension scams as hard to spot, 41 per cent of savers were also keen to improve their knowledge.

However, research from Phoenix Group has suggested that many UK adults are turning to the internet, rather than advisers, for support, with almost half (49 per cent) of 18-34 year olds looking online or to social media for financial information *[see page 72 for more information]*. And scammers have made the most of this opportunity, as 21 per cent also reported that they have received unsolicited financial advice through social media, whilst 20 per cent have through online search engines.

Action to support savers online is clearly needed sooner rather than later then, and whilst the latest figures around social media fraud have added to the pressure for legislative action, there are steps the industry can take to support savers in the meantime.

As B&CE, provider of The People's Pension, director of policy, Phil Brown, says: "Although legislation must always be at the heart of the fight against crime, pensions fraud takes many different forms and there are a number of things that the industry and authorities can do.

"Implementation of a training requirement for pension and finance professionals to ensure they can identify scam risks and are aware of the channels for reporting concerns would help combat fraud.

"One of the best ways to ensure that savers can access reliable, safe information and guidance is by encouraging them to use regulated platforms, including the websites of their own pension providers. Consumers are more likely to engage with such websites if the content provided is written in clear, concise, jargon-free language."

Industry campaigns such as the Citizens Advice Scams Awareness campaign also have a key role to play in raising awareness and helping members to protect themselves, as Snowdon warns that pension scammers will continue to evolve, with savers and the industry urged to keep on their toes.

Pisano agrees, stating that, sadly, fraud is like water, flowing through the cracks to find points of weakness and the path of least resistance. "If you tackle one type of fraud, another inevitably pops up to replace it," he continues.

And with lockdown measures easing, it seems inevitable that fraudsters' tactics will once again evolve and develop.

Considering this, Pisano stresses that it is more important than ever that people remain vigilant and report any suspicious communications, stating: "The best chance we have of catching these criminals is through better information sharing. The industry needs to work together with the authorities to support each other in protecting the public and our customers."

Written by Sophie Smith