

Home Affairs Committee call for evidence: Fraud

Response to be submitted online by the 20 October 2023.

This response is being sent on behalf of The Chartered Trading Standards Institute and has been compiled by the expertise of CTSI members.

ABOUT CTSI

Founded in 1881 (as the 'Incorporated Society of Inspectors of Weights and Measures'), today's Chartered Trading Standards Institute (CTSI) is one of the world's longest-established organisations dedicated to the field of Trading Standards and Consumer Protection. And, after more than 140 years of progress, we remain immensely proud of our close association with the Trading Standards profession and the vital work it continues to do – promoting fair business practices, tackling rogue traders and, ultimately, protecting UK consumers.

At CTSI and through the trading standards profession we aim to promote good trading practices and to protect consumers. We strive to foster a strong vibrant economy by safeguarding the health, safety and wellbeing of citizens through empowering consumers, encouraging honest business, and targeting rogue practices.

We provide information, guidance and evidence-based policy advice to support local and national stakeholders including central and devolved governments. CTSI is responsible for business advice and education in the area of trading standards and consumer protection legislation, including running the Business Companion service to provide clear guidance to businesses on how to meet their legal and regulatory obligations. CTSI is also responsible for the Consumer Codes Approval Scheme which facilitates high principles of assisted self-regulation through strict codes of trading practice. This ensures consumers can have confidence when they buy from members of an approved scheme and also raises the standards of trading of all businesses that operate under the relevant sector's approved code.

We run training and development events for both the trading standards profession and a growing number of external organisations. We also provide accredited courses on regulations and enforcement.

CONSULTATION RESPONSE

The prevalence of fraud

Q. How offenders are committing fraud and the impact of this fraud on victims.

Consumer fraud is hugely varied, as is the response to it and the public awareness of it.

The main areas of fraud seen and dealt with by Trading Standards are as follows: -

- Rogue trading/doorstep crime
- Investment frauds (using various investments including wine, whisky, art, precious metals, gems and many others)
- White goods insurance frauds

- Advanced fee frauds (using various methods from event tickets, vehicles for sale, pets, jobs and recruitment, holiday lets, property lets etc.)
- Energy efficiency and Retro fit frauds

The difficulty with examining fraud as a whole is it inevitably leads to a broad-brush approach to fraud generally, whereas different fraud types require a different approach in practice across public education, prevention, protection and enforcement.

For instance, most phishing/vishing and 'pig butchering' frauds are perpetrated by offenders based abroad, making effective enforcement difficult. As such fraud protection is understandably the focus. This is not the case with rogue trading/doorstep crime which is as traditional a fraud type as there is, and there are many opportunities for detection and enforcement. However, prosecution rates remain low (with both police and Trading Standards), due to a mix of a lack of resources, inadequate training and a lack of understanding by police of the crime type, wrongly categorising it as a 'civil issue' and often refusing to attend incidents alongside Trading Standards officers, who don't have powers of arrest and can find it impossible to verify identity of the suspects on-scene.

Prevalence estimates for fraud are difficult due to low reporting rates. This is due to a combination of factors, from victims not recognising their victimisation, being too ashamed or embarrassed to report, believing that reporting is futile etc.

Of the incidents that are reported, these are particularised amongst multiple reporting routes – from financial institutions, to local police, Action Fraud, Citizen's Advice National Consumer Helpline etc. and not all those reported are accurately recorded as crimes, meaning official statistics are not a reliable indicator of levels of fraud.

The impact of fraud on its victims is also variable depending on the fraud type, the level of financial loss experienced, the personal circumstances and resilience of the individual victim. Nonetheless, fraud victimisation has been shown to result in suicidal thoughts, has been said by victims to be a violation akin to rape and older adults have been found to be at significantly higher risk of dying or requiring residential care following fraud victimisation than their non-victim peers.

Again, due to levels of under reporting and under recording, figures for financial loss are not wholly accurate and vary widely depending upon the fraud type. Notwithstanding this, the average financial loss for instances of rogue trading is in the region of £4800 per incident. Beyond the immediate financial loss, victims are often left with further costs to rectify poor quality work and/or criminal damage caused by the offenders.

There are wider costs and impact too, with loss of independence and increased care and support needs for older victims of fraud common. This additional care is often fulfilled by family members reducing working hours or leaving the labour market altogether.

A true National Figure is also not reflected with different legal systems, reporting practices and reporting codes across the 4 Nations.

Q. How the emergence of new types of technology, such as artificial intelligence, is being used to commit fraud.

The adoption of technology such as AI is inevitable, and with voice cloning and deepfake technology being so good, it will be incredibly difficult for 'average consumers' to protect against. So called Mum & Dad text messages and celebrity/expert endorsements such as Martin Lewis will be

performed using AI. The potential impact of this is huge and extends beyond fraud to deliberate disinformation and fake news.

As it stands, however, these types of technology haven't yet become mainstream, mostly due to the fact they've not yet needed to because there is so little risk of detection and sanction, and the rewards for criminals perpetrating fraud are so high using established means.

Q. The role of internet providers and social media providers in enabling or preventing fraud and actions they could take.

These platforms are exploited by fraudsters routinely and not enough resource or interest is afforded the matter. Better cooperation with law enforcement and more proactive removal of fraudulent adverts and content is essential.

Q. The cross-cutting nature of fraud, e.g how it may start as one type of fraud and progress into another.

These frauds have become mainstream, with Facebook adverts, fake Tik Tok endorsements and an increased in Trademark issues in relation to the music industry.

More work needs to be done working with enablers to screen and react to these as they occur. We must encourage the consumer to exercise precautions and view everything with a scepticism, consumers need to take a bit of responsibility.

Reporting, investigating and prosecuting fraud

Q. The effectiveness of the current system for reporting investigating and prosecuting fraud, including work with international partners in tackling fraud.

The current system is not effective. All agencies involved are too limited in their resources to be able to provide a deterrent or properly investigate, detect and prosecute offenders reliably.

Investigations are often complex and require expert forensic analysis of vast swathes of digital material, creating considerable disclosure burdens. They often require costly expert evidence (such as experts able to assess the value of a product relative to its cost in order to evidence an overcharge – for instance of home improvement works or of any given 'investment opportunity').

Due to their complexity, fraud investigations can be hugely time consuming and, when coupled with delays in the Court system, can take many years to get to Court. I've been involved in numerous cases where victims have died long before a suspect has been brought before the Courts.

Action Fraud has rightly received considerable criticism, for the way it treats victims (in some instances causing a secondary victimisation), the failure to capture and record key information, and the failure to refer cases to law enforcement (including refusing to share information with Trading Standards). Even where cases are allocated for investigation, this can take months resulting in evidence being lost prior to the case even being assigned to a local police force for investigation.

Partnership work locally is problematic, with agencies reluctant to take on cases they perceive as difficult, complex or time-consuming and this often results in agencies trying to abrogate responsibility or refer to another agency or force areas. These issues are only amplified where it's international borders, rather than force-area borders involved.

There is no consistency, it is postcode lottery. Civil procedures such as Enterprise Act can be effective, but too costly and time consuming in many of the cases and does not provide an effective deterrent.

Q. The response of the criminal justice system to rising fraud, including in sentences and other outcomes.

There are few other outcomes, outside of prosecution (resulting in strict custodial sentences and the recovery of assets) that are effective or properly appropriate for fraud investigations. Many so-called disruption tactics (for instance the taking down of websites) utilised are merely a cheaper alternative in light of prohibitive costs/resources and an inability to fully investigate to prosecution. Many 'disruption' tactics aren't really disruptive to the criminals at all and are an attempt to be 'seen to be doing something' rather than for any positive or effective outcome.

Q. Given that it is estimated 70% of fraud either originates aboard or has an international element, what is being done to prevent fraud arising through those international channels?

Most strategies focus on public awareness raising campaigns and fraud protection advice. The effectiveness of these is highly questionable as currently they are carried almost entirely without reference to research or evidence. Some campaigns are actively harmful, for instance by perpetuating negative stereotypes around fraud victims ("don't fall for..." etc), leading to a further reluctance to report. Similarly, over-simplifying protection advice can result in potential victims being more, rather than less at risk as they are attuned to the wrong 'warning signs' etc.

The language too needs to be examined – Rogue Traders, Cowboys, scammers etc.

Q. What other countries are achieving in terms of detection, prevention and prosecution of fraud.

CTSI does not have evidence to provide here.

Q. How better to collect and use data on the scale, cost and nature of fraud.

CTSI does not have evidence to provide here.

Government's response to fraud

Q. The Home Office's progress to date on tackling fraud

CTSI does not have evidence to provide here.

Q. Whether its recently published Fraud Strategy does enough to combat fraud.

CTSI does not have evidence to provide here.

Q. Whether the current machinery of Government is sufficient in tackling fraud.

Care should be given in powers sitting directly with Ministers as the learnings from the PPE scandal showed lots of non-compliant products entering the marketplace costing the UK economy £9bn.

FOR FURTHER INFORMATION

CTSI is happy to work with the Home Affairs Committee and other agencies and contribute to work in this area in order to protect consumers and protect reputable businesses.

Please contact Kerry Nicol, Policy Executive at CTSI for further information (kerryn@tsi.org.uk or 07496 254 934)