

Treasury Committee

Oral evidence: Finfluencers, HC 863

Wednesday 30 April 2025

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Bobby Dean; John Glen; John Grady; Lola McEvoy; Yuan Yang.

Questions 1-55

Witnesses

I: Lucy Castledine, Director of Consumer Investments, Financial Conduct Authority, and Steve Smart, Joint Executive Director for Enforcement and Market Oversight, Financial Conduct Authority.

Examination of witnesses

Witnesses: Lucy Castledine, Director of Consumer Investments, Financial Conduct Authority, and Steve Smart, Joint Executive Director for Enforcement and Market Oversight, Financial Conduct Authority.

Q1 **Chair:** Welcome to the Treasury Committee on Wednesday 30 April 2025. Today, we are looking at the work of finfluencers—people who provide financial guidance, advice or education online, some of which strays over the lines that are legal.

We are delighted to have with us today, from the Financial Conduct Authority, Steve Smart, the joint executive director for enforcement and market oversight, and Lucy Castledine, the director of consumer investments. Just to give a flavour of what we are talking about, we will watch a short video to kick off the session.

[A video was played to the Committee.]

For the record, and for anyone who just tuned in to the Treasury Committee, this is not something that the Committee is endorsing—we did try to anonymise that information—but we are here today to look at the impact of such adverts or content on consumers. To kick off, what harms are being caused by such content?

Lucy Castledine: The content that you have just seen is a very typical sponsored advertisement that we would see on social media. You will probably have seen that it is trying to sell the lifestyle through luxury goods, there is reference to fake trading gurus, and it promotes how little knowledge or time it takes. What then happens in terms of the customer journey? You will have seen from the video that it says, “Click on this link”. From there, the customer will be signed up, and that will take them through to an unauthorised broker where they will get advice.

Fundamentally, this content is illegal. It is drawing people into parting with money. This is very much a recurring theme that we are seeing—it is a growing trend—and we need people to sit up and take action.

One important thing that I want to point out from the outset is that individual consumers do not need to be following that individual account to see that content. An individual may have been searching for luxury cars or looking at photos of beaches and holidays—that luxury lifestyle. We find that the very complex algorithms that sit behind the social media platforms will notice that an individual has spent slightly longer than usual maybe looking at a Ferrari or whatever it may be, and then push this content to try to get them to part with their hard-earned money.

Q2 **Chair:** Do you have examples of actual harm that has been done? Some people might see that and think that it is not something you would take seriously, but clearly you are worried that some people are. Can you give examples of harm that has been done to people who have bought into that model?

Lucy Castledine: Over the course of 2024, we received 25,000 reports of unauthorised business. That is down from an all-time high—

Q3 **Chair:** Are those reports of unauthorised business from people who have tried to use it and have been a victim, or from other people?

Lucy Castledine: We get a lot of reports through our consumer hub. About 98% of the 25,000 reports that we received last year would have come in through our consumer hub, and some of the videos that you have seen could well have been through that particular reporting channel.

Q4 **Chair:** Is that the consumer hub in the FCA?

Lucy Castledine: Yes.

Q5 **Chair:** So that is drawing in information from consumers of such material.

Lucy Castledine: Correct.

Q6 **Chair:** Can you give examples of the human harm that this has done?

Lucy Castledine: Could you expand on the question?

Q7 **Chair:** If somebody has invested in a trader who is not legitimate and may have given bad advice, there is a risk that it could be a Ponzi scheme and they lose money—it was never really set up to be legitimate. Or, if it was someone ostensibly actually trading, they may not have any regulation around them, and therefore they are pushing people into harmful behaviours. Do you have any examples—or can you point us to where we could find them—of the impact of that on individuals who have got hooked into this?

Steve Smart: There are a number of instances where what has been promoted turns out to be a fraud or scam, and people lose a significant proportion, if not all, of their money. We had a recent case in which we were able to stop an elderly gentleman who was in the process of sending across his last several thousand pounds to an individual in what was clearly a fraud. We can probably write to you and give you some examples of the successful fraud prosecutions we have done off the back of this.

Chair: It would be good if you could. I will go briefly to Ms McEvoy, and then I will go to Ms Yang.

Q8 **Lola McEvoy:** I want to probe a little deeper into the difference between the models. There is the subscriber model, which is for courses—people part with a certain amount of money every month to get advice, which, as you said, is often not legitimate advice—and then there is the “copy my trades for free” model. From your work, can you tell us a bit about the breakdown in the UK of which of those two models is more prevalent?

Lucy Castledine: I think we will need to come back to you with the specifics on the breakdown, but the two that you have described are typically the two that we see. There will be a model where an individual effectively places their money and the trade is done for them. That is highly likely to be a breach of our perimeter, because they are conducting



HOUSE OF COMMONS

a regulated activity by giving investment advice. The second model that you describe is very much about “copy my trades”, where the individual would actually undertake the trades themselves. That is highly likely to be financial advice that the individual consumer is then acting on. But we would need to come back to you with the actual breakdown.

- Q9 **Yuan Yang:** Mr Smart, I want to come back on your previous point that lots of instances that you see are straightforward frauds or scams. To what extent is this a problem of people posing as giving financial advice when they are actually selling something completely different—they are not transacting or advocating any trades—and therefore getting the money in through courses and so on, in a kind of fake financial influencing, if you like? And how much of it is the problem of people giving bad, risky or unregulated advice that is irresponsible?

Steve Smart: I am sure you will not be surprised if I say that I think it is both. We see examples of both. Fraud remains a real issue for us here in the UK. It is a real issue for the FCA, as well as for a number of other organisations. It is one of those threats that is on an upward trajectory at the moment. It costs the UK billions, and it impacts our industries, investors and consumers.

Interestingly, although technology has increased the cost of fraud to most of us, it has brought down the cost of fraud to criminals. Some of the people who are pushing frauds are not based here; they are based overseas. It is now very easy to commit a crime in the UK from overseas. We tend to identify the frauds at the end of the business where the enforcement people get involved. But as Lucy says, even the people who are not pushing the fraud are acting illegally, because they are offering advice and should be regulated, but they are not.

- Q10 **Yuan Yang:** Do you have a sense from the 25,000 reports from 2024 of the average size of loss? Is that something that people tend to report when they report unauthorised business?

Steve Smart: I could not tell you off the top of my head, but we can probably write to you with the number of successful fraud prosecutions that have happened and the size of the fraud and the losses.

- Q11 **Yuan Yang:** I accept that this is a growing and fast-moving issue, so there might be a number of points where you want to write with the data. I will just outline a few questions, and if they all fall under the writing back category, that is fine. Ms Castledine, you mentioned that this is a growing trend. To what extent have you seen an acceleration over a certain time period? Could you describe the trend itself?

Lucy Castledine: The expansion of social media, not just in the financial services sector, is a global phenomenon. It is very much a growing trend. In terms of finfluencers and some of the activity we have seen, typically the old fraud scam would be a boiler room—you would see telephone calls and cold calling—but the scammers keep pace with regulations, rules and laws as and when they come in. We have had a cold calling ban on pensions for a number of years, so that morphs into a new bit. The

scammers will always try to be one step ahead. We have definitely been seeing more in the online space over the last two to three years, but that is just scammers changing their tactics in response to additional safety measures that are put in place.

Yuan Yang: Do you see a growing category not of old scams transitioning online but of entirely new scams from videos such as the one we have just seen?

Lucy Castledine: Sorry, I am not sure if I understand the question fully.

- Q12 **Yuan Yang:** To what extent is the growing trend in online scams driven by the people who used to do phone calls and offer unregulated advice offline moving online, and to what extent is this growing as a whole category of its own?

Lucy Castledine: Yes, it definitely has grown as a whole category of its own. We have been working with the major tech platforms since 2019-20. Getting the tech platforms to move has been a huge focus of our time and resource, so we have definitely tried to keep on top of the growing trend. In terms of the specific breakdown of cold calls versus online, we will be able to get some of those statistics, but I don't have them to hand, I am afraid. We can definitely come back to you.

Steve Smart: We can be clear that online fraud is growing. The percentage of fraud that has some element of online impact is growing all the time. Criminals are the most agile people you will come across, so if there is an opportunity to make money, particularly off technology, they will do that.

- Q13 **Yuan Yang:** Finally, I was wondering about the demographics of the victims. What do you tend to see in the data?

Lucy Castledine: In the past, it would typically have been a slightly older generation who would have been the most susceptible to scams and fraud, but we now see a growing trend in a younger demographic. A particular focus of a lot of our work in the InvestSmart space has been 19 to 40-year-olds—very much a younger demographic. It is people who are looking for a quick way of making money. The younger demographic typically want things at their fingertips, and for things to happen quite quickly. We definitely have seen a move to the younger generation, rather than the older, in the calls that we get to our supervision hub.

- Q14 **Yuan Yang:** Do you see any targeting of vulnerable groups, in particular?

Lucy Castledine: We have seen some examples of the targeting of vulnerable groups, yes.

Yuan Yang: It would be great to get any more information and any future research you are planning to do through correspondence to the Committee.

- Q15 **John Glen:** I think it is generally understood in the UK that there is a problem with a lack of financial awareness and financial education. It is



not for this Committee today to go into why that has happened and how it can be remedied, but obviously there is a live curriculum review. That means that people need better financial education. To what extent do you think there is a risk that, if you go after everyone online, it will scare off those who are trying to provide genuine helpful coaching and financial education, given that there is such a gap at the moment? Does that feature in your thinking as an organisation?

Lucy Castledine: We recognise that there is a place for people helping others to navigate complex financial decisions. We recognise that financial literacy is relatively low and that people seek out help and support. The problem comes when that strays into recommending a particular product or straying into the regulated advice space. As I say, there is definitely a space for this type of activity.

Through the advice guidance boundary review, which is seeking to target the mass market with the targeted support propositions that are being put forward, we want legitimate providers of financial services to be in this space when they do it in the right and appropriate way in line with the rules and requirements that are, with very good reason, in place to protect consumers, to crowd out those who we have to take action on. Fundamentally, it is a space in which we need to see more people and it must be done in the right way. The way I like think to about it is that we should open it up at one end and squeeze it out on the other.

Steve Smart: We should be clear: we tend to talk about those who are causing harm in the finfluencer space, but we are not trying to demonise finfluencers in general. We work with the trade body for finfluencers. We need to think about how we get our message across and use some finfluencers in that. If people are providing the right advice, that is a good thing. It is those who are breaking the law and providing harmful advice who we have focused on.

Q16 **John Glen:** It does potentially seem quite bewildering—there are difficult boundaries to navigate. The FCA’s handbook on the definitions of advice versus information centres on investment information. For example, if you had information on which debts to pay down first, would that be considered advice? There are some factual truths about different products. If you explain them plainly, there are clear and obvious consequences, which I recognise then drifts into advice. Do you recognise the difficulties here? If we are not going to see a massive increase in financial literacy overnight—as seems improbable—we have to be careful, as Mr Smart said, about disabling good actors in this space.

Steve Smart: We mentioned the advice guidance boundary review, which is looking at exactly that issue: how do we find a way for good actors to be able to provide that kind of advice in a way that is accessible to the people who need to see it? We have talked about the younger age group being focused on at the moment. We have to provide that advice and help the industry provide that advice through methods and modes that people will pick up on and do.



HOUSE OF COMMONS

John Glen: The Committee is increasingly aware of the enormous responsibilities of the FCA, and the range of activities that we, collectively, in different iterations of Government, have asked you to take on.

Chair: There were more announced last night.

Q17 **John Glen:** Yes, in the crypto space. Is there, perhaps, any merit in having a list of verified influencers who could be cited by yourselves as people who can be safely looked at for useful information?

Steve Smart: You mean the opposite of a warning list?

John Glen: I recognise that you have 50,000 or more entities, but in this space it seems to me that has some merit.

Steve Smart: As I said, we work with one or two finfluencers, and with the trade body. I do not think we have a list of approved finfluencers, but we do have a list of people who are approved to provide financial advice. It is on our register. That is one of the things that we advise people to do.

John Glen: But not a list of finfluencers?

Steve Smart: Not that I am aware of, no.

Chair: Mr Grady wanted to come in very briefly, but I should just warn everyone in the room that we are expecting votes shortly.

Q18 **John Grady:** These videos are very different from your standard financial services advert. You can go on and check that people are authorised, regulated and all the rest of it, but following on from Mr Glen's question, is the way that we are regulating this, in a rules and legal sense, really up to date with what we need to meet the modern world?

Lucy Castledine: We have a reasonable suite of powers, but the takedown requests that we issue for the underlying content is on a voluntary basis. Realistically, we know that the online platforms themselves and the algorithms are driving the content to consumers. We are talking about some of the biggest tech platforms in the world. We have the Online Safety Act live now, with financial fraud coming further down the line. What we would like to see is them using that tech to actually prevent and learn from the material that we are feeding them to identify such content.

Q19 **John Grady:** I suspect my question was not very good. What I was really getting at is whether there is a need for a regulated category of "activity of finfluencers", or something like that, and specific regulation around it. I do not know the answer, but is that something we are considering?

Lucy Castledine: Regulating individual finfluencers?

John Grady: Yes.

Lucy Castledine: If they are offering financial advice or investment, they would need to be approved by us. There would be a gateway through for them, but they would need to be on the right side of the law.



HOUSE OF COMMONS

Steve Smart: On your wider point, we do need to. We are looking at how we engage, and enable consumers to engage, with investors in the right way. We need to use social media actually, because that is where people are picking this stuff up from.

Chair: There is so much, and we could keep digging into everything, but I am going to bring in Bobby Dean.

Q20 **Bobby Dean:** To come back to the tech platforms, you said something earlier about trying to get them to move since around 2019. They have a responsibility not to host illegal content, so how responsive have they been to date?

Lucy Castledine: Through the engagement—we have spoken about this at length—all the major tech platforms have introduced what I like to refer to as their financial promotions policies. That means that their paid-for financial services advertisements have to be placed by an FCA-authorised firm. As we all know, when you squeeze in one area, content will move elsewhere. We have found that we are seeing an increase in organic content—not paid for—which will not be caught by those particular services. Where we have issued warnings and takedown requests, pretty much all the platforms will act on that, but the level of responsiveness and how quickly they act will vary platform by platform.

Q21 **Bobby Dean:** Do you see differences between platform types or particular organisations? You have more traditional social media networks like Meta, which includes Facebook and Instagram, and X. You then have the search engines like Google and Bing. You also have what are more like forums, including Reddit and maybe Telegram to an extent, which is more instant messaging. Is there different responsiveness across the categories or companies?

Lucy Castledine: In terms of responsiveness in actioning the request, pretty much 100% will be actioned, but the amount of time it takes to action them can be significant. Let me draw you to the week of action that we took in October last year, when we issued a number of alerts on individual influencers. As an example, it took Meta up to six weeks to act on those requests from the date that a warning was issued and the takedown request was submitted.

Q22 **Bobby Dean:** What about other platforms?

Lucy Castledine: Other platforms are more responsive.

Q23 **Bobby Dean:** They are more responsive than Meta. Why do you think it takes Meta six weeks?

Lucy Castledine: I don't think I can answer that for Meta.

Q24 **Bobby Dean:** But you don't think it is good enough is what I am sensing.

Lucy Castledine: *indicated assent.*

Q25 **Bobby Dean:** Are any of the platforms being proactive? Are any of them starting to develop technologies to monitor and track this, or are they all

just responding to your requests?

Lucy Castledine: At the moment, we are finding them very reactive. Actually, there is a big call to action, and we are feeding them with content and these videos. As I said earlier, these are the big tech platforms; they should be able to learn from the content that is being fed to them and proactively identify it on an ongoing basis. That is the big call to action that we would like to see.

Q26 **Bobby Dean:** Finally, you said, “since 2019”. Have you noticed any differences in how they respond to your requests? I say that because they have publicly talked about reining in their moderation attempts on harmful content more broadly. After Trump’s election, Meta talked about how it will be stepping back. Elon Musk famously said on X that he had withdrawn most of his moderation team. Have you seen a negative change recently?

Lucy Castledine: We are continuing to engage with all the major online platforms. We had Meta in the building a few weeks ago. I have been at an event in the last few days where we have had Google and Snap. We are continuing with that engagement. To date, we have not necessarily seen a step back.

Q27 **Bobby Dean:** You are not seeing a decline in their efforts.

Lucy Castledine: No. They are still responding to the requests for takedowns as we submit them.

Steve Smart: To your earlier question, they are responding in a reactive way. What we really need is for them to be proactive.

Chair: Indeed. There are some parallels in other public policy spheres.

Q28 **Lola McEvoy:** I am interested in how well you think that Ofcom’s reading of the Online Safety Act will serve the problem that you are describing. In the Act, fraud is highlighted as one of the illegal harms that platforms must mitigate against. There is a difference between some of the things that we are describing and the narrow description of fraud, so I am interested in your reading of that. Ofcom’s guidance is heavily focused on mitigating against fraud and scams, and I wanted to know a bit more about the models that you are talking about that are a danger to consumers on the platforms but that would not be mitigated against by that.

Steve Smart: You will not be surprised to hear that we work very closely with Ofcom and are very supportive of the Online Safety Act. We were involved in the discussions that took place as it was pulled together. Having fraud as an identified harm is a real positive, actually, and I am very pleased that it is in there.

I understand that the initial focus of Ofcom is going to be on the child sexual abuse side, and I absolutely get that. As the year goes through and they focus more effort on fraud, I think we will be doing more jointly with them. We do a lot of work to identify issues of harm, not all of which are fraud, which I think is your point.



HOUSE OF COMMONS

Through the relationships with the big tech firms, where we are spotting potential harm and things that we think they can do better, we will be feeding all that into Ofcom. We have very positive discussions with them about what they may be able to do with some of that. It may not be in the enforcement space, but it feeds into their intelligence picture of the organisations and their supervision of those organisations.

- Q29 **Lola McEvoy:** My experience so far of Ofcom's relationship with the Online Safety Act, and with how the companies and platforms are reading it, is that it has to be included in the Ofcom guidance. Ofcom are there to interpret the law as guidance for these platforms, so we need to build out Ofcom's interpretation of the Act to include some of the things that we are talking about that are clearly damaging our constituents, such as the subscription model and the fact that it should be regulated but isn't. Is that also your understanding? It would not be classed straightforwardly as fraud, but the subscription model is a dangerous model if it is not regulated properly.

Steve Smart: Yes, and it is still illegal, of course. The things that we are focused on are criminal behaviour and contravention of the section 19 general prohibition. If you are operating a business that should be regulated and it isn't, you are breaking the law. Similarly, if you are promoting an investment opportunity and you are not authorised, you are breaking the law. Ofcom are there to focus on illegality, so we are sharing that material.

- Q30 **Lola McEvoy:** Just to be clear then, we have established that those two things that you have explained are breaking the law. On the category of fraud and the action that Ofcom are taking to prevent fraud online, do you think the fraud category is broad enough to incorporate the two things that you described?

Steve Smart: Yes, we are having conversations with them about that. Ofcom are at the start of some of this, and it will grow and build. The key thing for us is that we are in partnership with them, and we are learning from each other, sharing between us and helping in that space.

- Q31 **Lola McEvoy:** On the online platforms, there is obviously the illegal harm of posing as something and taking money from somebody when you have absolutely no intention of doing what you are saying that you are doing, which is fraud. There is that side of the problem. When you are reporting things to them and they are taking six weeks or longer, do you think that the majority of the reports are bogus or unregulated advice, or people pretending to be something they are not?

Chair: Will you clarify the question further?

Lola McEvoy: I am trying to get an understanding of the scale of the problem.

Steve Smart: Of our requests for takedowns, how much of that is fraud and how much is—

Lola McEvoy: Yes. What is the largest category of issue in this space,

which you are describing.

Lucy Castledine: For every single alert that we issue, we have to have credible evidence of a breach of our rules. Typically, they will fall into three buckets: section 19, which is the general prohibition, which is offering a regulated activity without being approved; breaches of section 21, which is the financial promotions; and individuals or firms that purport to be FCA authorised when they are not, so a section 24 breach. Those are the thresholds, and the credible evidence test will be met for those three buckets. I do not have the specific breakdown, but of course we could go back and look at the last few years to see which particular buckets they have been falling into, if that would be helpful.

Lola McEvoy: Okay. Thank you.

Q32 **Rachel Blake:** We have just seen how international this finfluencer phenomenon is. Someone could be a so-called finfluencer in another jurisdiction influencing behaviour in the UK, where FCA guidelines and rules are a factor. What powers do you have to take action on somebody who is operating from a jurisdiction outside the UK?

Steve Smart: It will depend on what they have done and what offences they have committed. It will depend on the relationship with the jurisdiction where they are based—if it is somewhere where we have an extradition agreement—and on whether what they have done is also breaking the law in that country. There has to be equivalence for an extradition. If we say they have broken the law here, if it is not breaking the law there, we are not going to get extradition. For the offences that we are looking at—Lucy referenced section 19 and section 21—the maximum penalty is two years, so they do not tend to be the sort of offences for which we will get extradition.

That does not mean we cannot do things with partners. Our international partnerships are core in this area. We are a very active member of IOSCO, the international regulators association. We have led a lot of the work, particularly on finfluencers, and on investment and fraud in general. A number of international regulators will come over to us and will want to talk to Lucy and her team to learn some of the lessons of what we have done with big tech and where we have got to. The UK is seen as ahead of the game in a lot of this, but it is an issue for us.

As Lucy mentioned, we ran a week of action against finfluencers back in October, when we interviewed 19 people under caution, and we put out 40 alerts, of which about 60% were for people who were based overseas. We will do more of those, and when we next do one, we will look to make it an international week of action, as opposed to just a domestic week of action, because if we are going to make an impact on this, we have to work as one. Lucy was just in meetings over in Dublin with a series of international regulators. I was out in Canada with the Ontario regulator last week and, again, this was a central topic of conversation, because everybody is seeing the same issue with it.

Q33 Rachel Blake: Are you noticing any particular patterns of behaviour among influencers about where they might want to be when they are perpetrating, potentially, a crime? Are you able to bring that into some of your work with the jurisdictions?

Steve Smart: Obviously, we target jurisdictions where we think a lot of this happens. You will have seen from the videos that, if you are trying to attract people through a lifestyle, you want people to see the flash buildings, the flash cars, the beaches and the sun, so you are probably more likely to be in somewhere like Dubai than Derby—I speak as an East Midlander. That is probably where you will be. Those are the sort of jurisdictions that we have to focus on.

Q34 Rachel Blake: And you are doing that. You are focusing on the jurisdictions where you observe the pattern.

Steve Smart: Yes, we are, and we are looking to develop the right relationships there.

Q35 Lola McEvoy: On that point, my understanding of the new regulations for the platforms is that they have to block them in this country if what they are doing is illegal in this country. Even if the prosecutions are more complicated because they are based elsewhere, the platforms still have to block them to protect UK citizens because of UK legislation. Is that your understanding as well?

Steve Smart: Yes. This is where we get into the proactivity bit. Again, Lucy and her team will be able to show this. You identify somebody, put something up and ask them to be blocked, and literally overnight they can be back up again with an email address very similar to the one they had before. We have a thing called “lifeboating” now, where people set up several email addresses with a very similar name. They might have them set up for 12 months or so, with a couple of them not being used. The minute they get blocked on one, because we have asked for it to be taken down, the next one will come up and they start using it. We are in a continual race with people to try to keep on top of this.

Q36 Lola McEvoy: May I probe a bit further on that? If somebody starts a new account, they do not have any followers, so surely there is a way for the online platforms or somebody to track how they are getting overnight followers. It could be through the ad regime—Meta’s ad regime—or the ad libraries that you described, or through whoever is promoting that account. If I have to delete my social media account and start again, I might say to a friend, “Can you share it and say that I’ve got a new account?” Surely there is a way to track this.

Lucy Castledine: Again, I think that would come down to the specific type of content being posted and whether it is organic or paid-for content. Typically, what we have seen is that followers do move over with the accounts. I would like to just check that and come back to you with specific detail on that.

Lola McEvoy: I am interested because I would like to know how, so I can raise that with the companies.



HOUSE OF COMMONS

Chair: Our sister Committee, the Science, Innovation and Technology Committee, has also been investigating some of the work that the company does. There is a lot of interest across Parliament in online harm in different forms.

Q37 **Lola McEvoy:** It could also be bot followers. That is what I am getting at.

Steve Smart: The companies will be able to do that, because we can do it; we spot it when it comes back up. They should be able to spot it when it comes back up and they should see it before we do.

Chair: I would hope their algorithms would do it a bit quicker.

Steve Smart: Exactly.

Q38 **Rachel Blake:** If there is an instance of harm, and you recognise that there is harm to a particular consumer in this country, but the perpetrator of the harm from that posting is in a jurisdiction that we cannot access, what recourse does that individual consumer have?

Lucy Castledine: If they are not dealing with an authorised firm, then FOS/FSCS will not be there because they are not dealing with an FCA-authorised firm. We are in a very sad position: if it is based overseas, there is very little recourse for individual victims and consumers.

Q39 **Rachel Blake:** I understand the scale is quite significant, although I have not seen much of it myself. How can we possibly track these individuals in jurisdictions overseas if we do not have the resource to pursue them?

Lucy Castledine: In the week of action, we focused on a small-ish number of influencers. That is manageable for us to keep on top of, but we cannot go much beyond that with our finite resource. That is where we need the online platforms to be more proactive with the content that we are feeding to them, rather than allowing the exact content that you have just seen pop up on another account. When the individual account has been taken down we cannot have that content popping up 12 hours later. At the moment, we have to submit individual account takedowns. We will ask the platforms to do something more proactive. That is the big call to action. The big tech platforms have got the technology to identify this. They need to be proactive about it, otherwise we will be in a continual whack-a-mole approach.

Q40 **Rachel Blake:** In terms of the potential scale of harm, do you think that the platforms are taking proportionate action? If you think about that possible consumer who has experienced harm and has no current resource, do you think the platforms are taking proportionate action at the moment?

Lucy Castledine: I think they could do a lot more.

Q41 **John Grady:** I think you would agree that these are serious crimes—on the more egregious side—with serious consequences for people. As a bit of context, in my career I saw people getting, for first offences, six years in jail for a robbery involving very little money being stolen. How many



prosecutions have there been of finfluencers?

Steve Smart: To date, there have been none that have come to a conclusion. It is public knowledge that we have charged nine finfluencers, but those cases—it is a split case—will not come to court until 2027. In the FCA we do a lot of work fighting crime, and we do a lot in the prosecution and pursuit space. I think we have charged five individuals in the last three months with fraud, but none of those cases will come to court before 2027. The time that the UK judicial system is taking at the moment is an issue for us.

Q42 **John Grady:** If I were in my seat in Glasgow East and I said to people that there are 25,000 or so people breaking the law every year, with very serious consequences for old people, vulnerable people and all the rest of it, and there have been five prosecutions, they would say that that is an absolute scandal.

Steve Smart: We are not a volume fraud prosecutor—a number of other organisations do that. In the finfluencer space, I don't think it is something that we can prosecute our way out of. We have to have some prosecutions, because we need that deterrent effect, but to come back to what Lucy said, the biggest step forward for us is to get a more proactive response from the technology companies.

Q43 **John Grady:** On prosecution and deterrence, I think people would say, at least in my former profession, that one reason for increasing the tariff of sentences is that it acts as a deterrent.

Steve Smart: Yes.

Q44 **John Grady:** They increased sentences for knife crime in Glasgow back in the '90s. Are the sentences high enough?

Steve Smart: For the sort of offences we are talking about here, if we can't prove fraud alongside the section 19 or section 21 offences, under section 24 the maximum sentence is two years. If you want to achieve deterrence, you could have a higher maximum sentence.

Lucy Castledine: We have been exploring whether the sentence could be upped from two years to five years in the financial promotion area—section 21—to act as a more credible deterrent.

Q45 **Chair:** Would that require primary legislation, or is it just the sentencing guidelines?

Steve Smart: I think it would require legislation. We are engaged with Treasury and Home Office colleagues at the moment.

John Grady: I think it would be helpful, Dame Meg, to follow up after this with some further questions about law reform and the regulatory framework, but I think we should leave that and proceed—

Chair: Yes, we have a lot to get through. I should say to anyone watching that this is our first foray into this subject. We were very keen to delve into it, and it has been quite jaw-dropping at times.



Q46 Dame Harriett Baldwin: In your last Financial Lives survey, I think you said that 7 million people across the UK had bought some form of cryptocurrency. The Committee found that quite a startling number. We heard yesterday that the FCA is now going to be given responsibility for bringing a lot of the cryptocurrency firms into the regulatory perimeter. Obviously, we will be asking the chief executive about that next month. How do you see the difference between promotions for cryptoassets and promotions for more traditional assets? Will there be any real difference in the way your department looks at them?

Steve Smart: Currently, we have powers around promotions for cryptoassets. I think it was in 2023 that that came in. In the first year of that, we issued 1,700 alerts and took down 900 websites, so that is something that we are currently doing.

We welcomed the announcement yesterday about crypto. We have been engaged with Government colleagues, other regulators and industry to think through how we can develop a regulatory regime for crypto that both keeps consumers and investors safe and pushes innovation and growth for the country. Again, that is good for all of us. I welcome yesterday's announcement: what it will do is to bring some of the crypto firms into our regulatory orbit, which means that we have a much larger group of powers that we can use.

Currently, with crypto, we can use the financial promotion, or we have AML—the anti-money laundering legislation—because companies need to be registered for that, but they are the only two areas where we can impact on crypto. With the work with Government and with them coming into regulation, we can use the full set of our tools.

Q47 Dame Harriett Baldwin: In the last Parliament, we reported on crypto. We were concerned that potentially bringing firms into the regulatory perimeter might create a halo effect for some of the cryptocurrencies. Do you share that concern, Mr Smart?

Steve Smart: On the two areas I have just spoken about, we have already authorised 50 out of 350 applicants for money-laundering crypto. I don't think it has necessarily created a halo effect there. Again, as long as we have the right rules and regulations and are working with the right partners to do it, it is a step in the right direction for us, not a problem.

Q48 Dame Harriett Baldwin: A lot of your guidance speaks about cryptoassets being an asset class. Do you see them as an asset class, or more of a means of exchange?

Steve Smart: I am not the greatest expert on crypto. My engagement has been on the financial crime side, where they are certainly an asset in terms of the money laundering that goes on. They are part of our investment picture now, I think—they are with us.

Q49 Dame Harriett Baldwin: I take it you don't own any, Mr Smart. Do you own any, Ms Castledine?

Lucy Castledine: No.



HOUSE OF COMMONS

Q50 Dame Harriett Baldwin: On meme coins, there has been a huge amount of use of finfluencing for purchasing meme coins. Do you see that kind of behaviour as being outside your rules and therefore non-compliant and something that should be tackled by the social media platforms?

Steve Smart: Where it contravenes the areas where we take action—so, going back to section 21 and section 19—absolutely, yes.

Q51 Dame Harriett Baldwin: If someone in this country were to issue a meme coin and pump it heavily across social media, would you try to go after them and enforce that?

Steve Smart: We would have to understand what the criminality was and what they had broken, but if it was criminal, yes.

Q52 Dame Harriett Baldwin: You say, “If it was criminal”, so it is not the fact that it is a meme coin that would be criminal. How would you see it?

Steve Smart: As I say, I am not the biggest expert on crypto. I would have to understand whether it was—if it was being promoted in a way that broke section 21, then yes, it is criminal, and we would go after it. But I would need to understand the facts behind it.

Q53 Dame Harriett Baldwin: On the day he was inaugurated, Donald Trump issued something called \$Trump, a meme coin, on Truth Social, that led to a market cap in multibillions, and there have subsequently been quite a lot of losses off the back of that. The First Lady issued a meme coin—\$Melania. That was, again, heavily promoted on Truth Social. When they come to the UK, is this something that you intend to discuss with them? The disclaimer said it is “not intended to be, or the subject of” an investment opportunity. Is that going to cover them, hypothetically?

Chair: I think this might be more of a question for the chief executive of the FCA. I think Mr Smart and Ms Castledine are perhaps not the right witnesses for this—I think that would be a matter for the chief executive. Am I right?

Steve Smart: Yes, absolutely.

Chair: Not to let you off the hook unnecessarily, but you have already said you are not an expert.

Q54 Dame Harriett Baldwin: If I may, Chair, is the disclaimer “not intended to be, or the subject of” an investment opportunity—would that be enough in your view to exonerate someone in the UK if they issued such a meme coin?

Lucy Castledine: Without speaking about the specifics of this particular case, anything that is capable of having an effect in the UK, irrespective of the disclaimer, could well be something that is in breach of our FCA perimeter.

Q55 Lola McEvoy: In your current guidelines around giving financial advice, there is a “know your client” section. Is there a possibility that finfluencers, who are broadcasting to a mass audience who they absolutely

do not know, would all be in breach of that? How would a finfluencer who is mass-marketing their product be able to satisfy that “know your client” section of your advice for being a regulated financial adviser?

Lucy Castledine: That is a very specific part of the investment pathway journey, for want of a better phrase, which we would expect regulated advisers to go through with their customers when they are providing full investment advice. I think it is better to just take a step back and say, “Are they providing advice, irrespective of the pathway that they have gone through?” It is more a breach of the general prohibition, rather than a breach of the individual rule, which is part of that journey to the provision of advice.

Chair: I thank our witnesses, Lucy Castledine and Steve Smart of the Financial Conduct Authority.

It sounds like whack-a-mole is only the beginning of it. Jaws dropped in the room when we heard that no one has yet been prosecuted for this. We recognise that there is an awful lot of work to do, and that the online platforms clearly have a responsibility here too.

We will be picking up with the chief executive, who is due in front of us in June, on some areas that we have touched on, particularly some of the points that Dame Harriett raised. Last night we discovered that the FCA is going to be responsible for overseeing and regulating bitcoin, which will be an interesting change and another addition to its many responsibilities.

The transcript of this session will be available on the website uncorrected in the next couple of days. Thank you very much for your time.