

Mark Taber – Written evidence (FDF0056)

I have researched, investigated and campaigned on the issue of fraud (particularly investment fraud) in the UK for the past 3 years. This has involved extensive investigation, reporting and working with key stakeholders in policing, regulation, campaigning and government.

Fraud Landscape

1. What fraud risks are UK a) individuals, b) the Government and c) businesses particularly vulnerable to today, and what are the reasons for this?

Individuals are particularly vulnerable to savings & investment fraud (both from fraudulent companies and impersonation), pension scams, online shopping & ticket scams, dating scams, advance fee scams (eg delivery fee scams), rental & holiday scams, computer repair scams, investment fraud recovery scams, payment diversion fraud (eg payment to solicitors for house purchases), ghost insurance scams.

There has been a massive increase in recent years primarily driven by Organised Crime Groups (OCG's) engaging in fraud. OCG's have been attracted by then opportunities arising from many aspects of life (including banking, investments, shopping, dating) moving online. This has enabled OCG's to easily and convincingly impersonate the firms individuals engage with and offer fake products and services online. Online advertising, bulk email and bulk text messages have enabled OCG's to target huge numbers of potential victims quickly at low cost.

The problem has been exacerbated by lack of legislation and regulation over keys areas such as online advertising, company formation / filings and telecoms combined with a lack of funding / resources (about 1% of police resources compared to fraud accounting for close to 40% of crime) and fit for purpose organisation of law enforcement to disrupt and prosecute fraud. This has made fraud a virtually risk free, high return crime for OCG's. It is no coincidence that bank robbery is no longer a thing.

2. What future economic and technological developments are likely to impact how fraudsters seek to commit crime over the next five to ten years, and how might these be prepared for and mitigated? What role can technology and tech companies play in combatting fraud across this timescale?

Increased usage and acceptance of cryptocurrency as a means of payment poses a massive risk and it has already become the weapon of choice of investment fraudsters. There is currently little regulation of cryptocurrency and its use bypasses traditional banks and the anti-fraud and consumer protection measures they have in place.

3. Is fraud and its victims treated as a priority? If not, what are the reasons for this. The Committee is particularly interested in responses that can explain any barriers preventing effective counter-fraud cooperation within Government, law enforcement, the public sector and the private sector.

Despite fraud being the fastest growing crime in the UK in recent years it has not been treated as a priority. The level of funding and resources for policing fraud is minuscule compared to the level of fraud. Likewise bringing forward necessary legislation and regulation such as the online advertising review and Companies House reform has not been treated as a priority by Government. As a result much needed changes have been delayed by years.

4. What is the role of international actors in the UK's fraud landscape? What are the barriers to tackling borderless fraud?

A large proportion of fraud is carried out by sophisticated OCG's. These are often international in nature - both in their operations, members and targeting of victims. Boiler room call centres are often located overseas (eg Bulgaria, Ukraine, Thailand, Vietnam, Cambodia) and OCG leaders often reside in countries such as Dubai in order to minimise risk of extradition to the UK.

Lack of resources and established international co-operation appear to hamper investigation and prosecution by UK authorities. By contrast the US is much more effective and UK investment fraudsters are much more likely to be investigated and prosecuted when US citizens are targeted. Recent examples of US prosecutions involving alleged fraud by UK nationals:

10 Foreign Nationals Charged In Years-Long, Multimillion-Dollar Investment And Impersonation Scheme - <https://www.justice.gov/usao-sdny/pr/10-foreign-nationals-charged-years-long-multimillion-dollar-investment-and>

Ten Members Of International Stock Manipulation Ring Charged In Manhattan Federal Court - <https://www.justice.gov/usao-sdny/pr/ten-members-international-stock-manipulation-ring-charged-manhattan-federal-court>

Former London And Miami Art Dealer Pleads Guilty To Defrauding Art Buyers And Financers Of More Than \$86 Million - <https://www.justice.gov/usao-sdny/pr/former-london-and-miami-art-dealer-pleads-guilty-defrauding-art-buyers-and-financers>

United Kingdom Citizens Indicted in Brooklyn Federal Court for Multi-Million Dollar Loan Scheme - <https://www.justice.gov/usao-edny/pr/united-kingdom-citizens-indicted-brooklyn-federal-court-multi-million-dollar-loan>

U.S. Attorney Announces Extradition Of United Kingdom Citizen For His Role In An International Carbon Credit Fraud Scheme - <https://www.justice.gov/usao-sdny/pr/us-attorney-announces-extradition-united-kingdom-citizen-his-role-international-carbon>

Action to Tackle Fraud

5. How effective is the current structure for policing fraud? How successful are the City of London Police, including Action Fraud and the National Fraud Intelligence Bureau, at executing their role as the lead police force for fraud?

The current structure for policing fraud in the UK is very inefficient and ineffective. The alphabet soup of different LEA's (eg CoLP, NFIB, local forces, SFO, NCA / NECC, DCPCU, FCA, TPR, HMRC), Government committees & industry bodies involved in tackling fraud creates an inefficient responsibility vacuum as well as issues with co-operation, data sharing and buck passing.

The current system where victim reports to the Action Fraud call centre are triaged by the NFIB and (rarely) passed to a local force is not fit for purpose. Not only are reports from many victims of the same fraud gang not joined up at any stage (and so the true scale and evidence available never realised) but also local forces are not equipped to investigate frauds which have hundreds of victims all over the UK and where the OCG's are located both in the UK and overseas.

6. Are sufficient resources available to Government organisations (such as the Serious Fraud Office and Crown Prosecution Service) and wider police forces to tackle fraud and support victims, and how should this be addressed if not? Answers need not be limited to financial resources.

Existing funding and resources could be much more efficiently employed by replacing the current mass of LEA's with a single LEA for all fraud. With this there could be industry funded divisions (such as the current DCPCU) for handling specific areas of fraud.

7. What are the responsibilities of the private sector in protecting the public against digital fraud? How can a balance be achieved between the need to tackle digital fraud whilst supporting the growth of these sectors? To what extent is work done to combat fraud across the private sectors undermined by siloed or independent working practices?

The private sector (eg online platforms and banks) must be made legally responsible for policing the gateways to online fraud. The primary gateways are online advertising (used by fraudsters to reach victims) and payment services (used by fraudsters to receive funds from victims.) Online fraud would be massively reduced if fraudsters were:

- i. Stopped from advertising through platforms properly verifying their advertising clients and ensuring ads for regulated products and services comply with regulations
- ii. Denied access to payment services by regulated banks, PSPs and MTBs.

8. What are the legislative or regulatory impediments to sharing fraud risk data across and between the private and public sectors? For example, to what extent does General Data Protection Regulation (GDPR) limit data sharing?

The mass of different LEA's etc involved in fraud creates unnecessary legal problems and inefficiencies with data sharing. A single LEA would largely alleviate this issue.

9. What is the role of the individual in relation to fraud? Are consumers well informed about the risks of fraud and how to prevent them? If not, which bodies or organisations should do more to ensure this? What are the most effective methods of educating the public about fraud crime and prevention?

Much is done but OCG's particularly target vulnerable consumers (using sophisticated social engineering techniques. This cohort is unlikely to be reached or helped by education.

Legislative Remedies

10. What is your assessment of the Fraud Act 2006? What has been the impact of the Act and is it having any unintended consequences; if so, what are these?

And

11. Is existing legislation effective in tackling the increase in modern forms of fraud? If not, is there a legislative remedy, or should fraud be addressed primarily through implementation of existing provisions? Answers may refer to existing mechanisms such as increasing the scope and powers of regulators. You may refer to any legislation and are not limited to the Fraud Act 2006

And

12. Is the current system in place for prosecuting fraud cases working effectively? If not, what are the key barriers to prosecution?

On lay reading the Fraud Act should enable investigators and prosecutors to act on fraud. However this is not happening in practice so there must be legal and interpretation / application issues which need to be addressed. For example, despite the huge volume of savings and investment frauds in the UK there are

very few prosecutions and when there are they take many years (often 10 years from the fraud) to reach court. By contrast the application of Wire Fraud and RICO laws in the US enables many more prosecutions and also for prosecutions to be brought much quicker than in the UK.

13. Are sanctions and penalties for criminals who commit fraud an effective deterrent against future criminal activity, and if not, what might be more successful? Respondents may choose to refer to penalties imposed by the judicial system or by specific sectors.

The sanctions used in practice in the UK are completely insufficient to create a credible deterrent. In the rare cases where any action is taken the only sanction is disqualification from acting as a director. For example in this case of a £7 million property investment fraud: <https://www.gov.uk/government/news/11-year-disqualification-for-rental-property-investment-con-director>

Even where a criminal trial takes place sentences are light. For example the case of Anglo Wealth where suspended sentences were given to those behind a multi-million investment fraud targeting vulnerable victims: <https://www.2harecourt.com/2018/12/20/two-city-businessmen-sentenced-for-operating-a-clever-and-sophisticated-fraud-on-investors-angus-bunyan-prosecutes/>

By contrast US regularly gives 10-20 year custodial sentences for similar offences - including to UK citizens. See: <https://www.justice.gov/usao-sdny/pr/british-citizen-sentenced-over-11-years-prison-helping-design-and-operate-fraudulent>

Best Practice

14. What lessons can be learned from effective policy interventions and schemes both in the UK and overseas?

Single LEA for fraud, efficient fraud offences (such as US Wire Fraud) backed up by meaningful custodial tariffs and disgorgement processes to recover funds.

15. Can you suggest one policy recommendation that the Committee should make to the Government?

Create a single ministerial post responsible for tackling all fraud and economic crime.

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