

## Written evidence submitted by the Investment Association

### Investment Association response to the Digital, Culture, Media and Sport Sub-Committee on Online Harms and Disinformation Inquiry on online safety and online harms.

#### About the Investment Association

1. The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 270 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.5trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond.

#### Summary

2. In its current form, the Online Safety Bill does not meet its stated objective to 'make the UK the safest place in the world to be online'. As the draft bill stands, crime facilitated through fraudulent online advertising remains excluded, and the platforms which profit from the facilitation of criminal activity face no ramifications.
3. The Online Safety Bill must be broadened in scope to tackle the growing problem of scam advertising, and include paid for adverts in all forms, not just user-to-user content. Currently, the draft Bill explicitly excludes paid for advertising from the scope of 'regulated content' in relation to a regulated user to user service in s39(2).
4. Applicability of the Bill could be achieved easily. S39(2) can remove the exclusion for paid for advertisements. S39(7) can also be updated to include identity verification, as this is already setting the scope of paid for advertisements.
5. By updating s39 to include paid for advertisements across all platforms, the Online Safety Bill will help to significantly reduce the financial and emotional harm caused by online scams in the UK. In 2020, 9,000 people lost £135m to investment scams, and the Financial Conduct Authority estimates that 86% of fraud is committed online<sup>1</sup>. Over £63m was lost to victims who referenced social media in their reports to law enforcement.<sup>2</sup>
6. Search engines and social media companies should be legally required to conduct a sufficient level of due diligence on the advertisers using their platforms to ensure they are who they claim to be. When they fail there should be robust legal sanctions in place to incentivise a high level of due diligence. A broad coalition of regulators, consumer groups, law enforcement and the financial services industry feel the natural place for such requirements to become law is through the Online Safety Bill.
7. As we go on to explain in more detail, paid-for scam advertising is facilitating financial, emotional and life altering trauma for thousands of people every year. Moreover, social media platforms and search engines profit financially from hosting scam adverts. The Online Safety Bill provides a timely and appropriate home to legislate for change, and should ensure all websites within scope of the Bill are legally bound to roll out robust advert verification.

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<sup>1</sup> FCA Letter to Rt Hon Stephen Timms MP: [Financial Promotions Online](#)

<sup>2</sup> Action Fraud: [Investment Fraud Figures](#)

**What are the key omissions to the draft Bill, such as a general safety duty or powers to deal with urgent security threats, and (how) could they be practically included without compromising rights such as freedom of expression?**

8. The Online Safety Bill must be broadened in scope to tackle the growing problem of scam advertising and include paid for adverts in all forms, not just user-to-user content. Currently, the draft bill explicitly excludes paid for advertising from the scope of 'regulated content' in relation to a regulated user to user service in s39(2).
9. Whilst it is welcome that the draft Bill includes some online scams and introduces a 'duty of care' toward platform users, it specifically excludes fraudulent adverts because paid for content is not classed as 'user generated'.
10. This situation can be rectified by small updates to the Bill in s39(2 &7), S41(4) and in ss(9)&(21).
11. Currently s39(2) excludes paid-for-advertising from the Bills' definition of 'regulated content' and should be amended to ensure advertisements fall within scope of the Bill. To strengthen this further, an additional clause should be added which requires websites which host paid-for-advertising capabilities to roll out advert verification with identity checks – this could be achieved in S41(4).
12. To make the most of the opportunity the Bill presents there should be a specific section on safety duties (ss9 & 21) on how to identify and prevent fraudulent adverts. This could also be extended in s30.
13. This does not harm freedom of expression, as the content of the adverts will not be scrutinised. The aim of this change is to ensure that the people placing adverts are who they claim to be.

**Are there any contested inclusions, tensions or contradictions in the draft Bill that need to be more carefully considered before the final Bill is put to Parliament?**

14. In its current form the Draft Online Safety Bill will continue to enable organised criminals to reach thousands of people through paid for advertising, and this directly contradicts the Bill's policy aim to make the UK the safest place to be online
15. There is a large – and growing - problem of organised criminal groups cloning the websites and branding of legitimate financial services firms, falsely claiming to offer high rates of return, and then paying to prominently advertise these sites on social media websites and search engines.
16. Members of the public using the internet to find investment products are then drawn in by these adverts and are then coerced by fraudsters posing as real firms into sending their money to criminals rather than investing it legitimately.
17. As the legislation stands, due to the exclusion of paid-for content in s39(2) of the Draft Online Safety Bill, platforms are not required to verify the identity of companies or individuals placing online advertisements. As a result, the Bill will not address the increasing

financial and emotional harm caused by online scams, and as such the legislation cannot deliver on its policy aim.

18. Moreover, the current scope of the Bill fails to protect the most vulnerable members of society, which is exactly who the Bill is designed to protect. The current scope places onus on the individual to spot fraudulent advertisements on globally recognised platforms.
19. Action Fraud figures show that brand cloning scams amount to an average loss of £45,242 per victim<sup>3</sup>. This is a life changing amount of money for any individual, however for someone at the end of their career, these sums would likely impact on their ability to retire.
20. Financial harm is only part of the trauma caused. Victims also suffer significant, long-lasting, and traumatic emotional impacts. These include strains on personal relationships, feelings of shame and embarrassment, as well as a deep-rooted and long-term fear of contact from strangers and the financial system. Four in ten (42%) Money and Mental Health Research Community respondents who had fallen victim to an online scam experienced a major negative impact on their mental health.
21. The Money and Mental Health Institute has found that people who have experienced mental health problems are three times more likely than the rest of the population (23% versus 8%) to have been a victim of an online scam.<sup>4</sup> Requiring individuals to spot fraudulent sponsored adverts is placing the most vulnerable members of society in harm's way.
22. Brand cloning investment scams are also increasingly skewed to target older people with more savings, or those hoping to increase returns on their pensions. Action Fraud statistics show that the average age of a brand cloning scam victim is 60<sup>5</sup>, moreover AgeUK analysis of the 2017-18 Crime Survey for England and Wales found that 800,000 older people a year have an experience of fraud<sup>6</sup>.
23. Consumer group Which? published research which shows fraud reporting agency Action Fraud identifies 300 to 350 reports a week where victims show signs of severe emotional stress. This represents around two people every hour<sup>7</sup>.
24. The Daily Mail also recently set up a decoy fake investment website advertised through Google, demonstrating the ease with which such scams can be created. Over 3,500 potential victims viewed their advert in less than a week.<sup>8</sup>

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<sup>3</sup> Action Fraud: [Over £78m stolen in clone firm investment scam](#)

<sup>4</sup> The Money & Mental Health Institute: [Government must add scams to Online Harms Bill](#)

<sup>5</sup> Action Fraud: [Investment Fraud Figures](#)

<sup>6</sup> AgeUK: [Older person becomes victim of fraud every 40 seconds](#)

<sup>7</sup> Which?: [Devastating emotional impact of online scams](#)

<sup>8</sup> Daily Mail: [For just £96 we set up an online investment con](#)