

Written evidence submitted by Innovate Finance (OSB0116)

I am writing in response to the call for evidence by the Joint Committee on the Draft Online Safety Bill.

Innovate Finance is the independent industry body that represents and advances the global FinTech community in the UK. Innovate Finance's mission is to accelerate the UK's leading role in the financial services sector by directly supporting the next generation of technology-led innovators. Innovate Finance has over 250 member companies, spanning seed-stage startups, fast growing scaleups, and established "unicorns".

I am writing on behalf of Innovate Finance and its community of members with specific reference to the aspects of this Draft Bill that relate to **online financial fraud**.

Innovate Finance welcomes the inclusion in the Bill of fraud carried out through user generated content and fake profiles on social media websites. However, we think that the failure to include online advertising in the Bill leaves too much room for criminals to exploit online systems.

This view is jointly held by a coalition of consumer groups, charities and industry bodies, with whom Innovate Finance is working, together with the FCA, Bank of England, City of London Police, Work and Pensions Committee and Treasury Committee, who have all commented that the scope of the Online Safety Bill should be expanded to include fraud carried out via online advertising.

Innovate Finance and its members completely agree with the Government that the impact of these frauds is often devastating, not just financially but also emotionally. There is a further concern for FinTech companies specifically, which relates to the costs these companies face for reimbursing customers who have been defrauded by such scams. These costs can impact disproportionately on smaller innovative FinTech companies, many of whom are mission-led businesses seeking to increase competition and choice, improve service, widen access to finance and increase financial wellbeing.

A particularly pernicious issue is **authorised push payment (APP) scams on social media**. Social media is a significant source of APP scams, which as a rule impact the customers of FinTech banks and EMIs (such as Monzo, Revolut and Starling) more than other financial services providers, since FinTech customers are typically of a younger demographic. FinTech banks and electronic money institutions (EMIs) have developed sophisticated technology to identify the vast majority of attempted APP frauds, alert customers with full-screen warnings and transaction blocks. However, it has proved difficult to get customers to heed these warnings or interventions, and to stop their payment pathway. Early in 2021, the Payment Systems Regulator (PSR) proposed new reimbursement rules which will likely increase the costs of handling APP scams - costs which smaller startup banks and EMIs will find hard to manage.

FinTech companies therefore want to see a concerted effort to reduce the likelihood of customers being exposed to APP scams. Since the source of APP scams is overwhelmingly from social media websites, FinTech companies argue that social media platforms need to take significant steps to prevent the creation of APP scams happening on their website. Unless and until there is sufficient incentivisation for global social media companies to remove content that leads to scam payments, many UK FinTech companies will be left to foot the bill for fraud.

This Bill presents the opportunity to address this very issue and tackle the root cause of many financial scams, which are costing consumers huge sums every year. We now see an additional complexity of smaller FinTech players - among the most promising UK tech startups - facing the risk of paying for these scams too, which is unfair and disproportionate.

Expanding the scope of the Bill to include fraudulent online advertising will be a significant step in protecting consumers and innovative companies from scams. I urge the Committee to consider this issue in detail.

Sincerely,

A handwritten signature in black ink, appearing to read 'Janine Hirt', with a long horizontal flourish extending to the right.

Janine Hirt
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