



Treasury Committee

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Written evidence submitted by Rt. Hon. Mel Stride MP, Chair of the House of Commons Treasury Select Committee (OSB0209)

Damian Collins MP
Chair, Draft Online Safety Bill (Joint Committee)
Via email

26 October 2021

Dear Damian

I very much welcome the Joint Committee's scrutiny of the draft Online Safety Bill, and I am writing on behalf of the Treasury Committee to invite the Joint Committee to take into account recommendations which my Committee has made about the draft Bill, and relevant statements which witnesses have made in evidence to us.

The Treasury Committee considered the issue of online financial harms in its Fourth Report of this Session, *The Financial Conduct Authority's Regulation of London Capital & Finance plc*, published on 24 June.

Dame Elizabeth Gloster, who led an independent investigation into the Financial Conduct Authority's (FCA) regulation of London Capital & Finance (LCF)¹, recommended to the Treasury that:

Serious consideration should be given to the coverage of financial harm in the proposed Online Harms Bill².

The Committee noted that, in addition to Dame Elizabeth, a number of institutions had called for the Government to include in the Bill provisions to prevent online fake and fraudulent content that leads to scams. Those representations included a signed petition from a coalition of 17 organisations (such as the City of London Police and UK Finance), a week before the Government's draft Bill was published. The Committee concluded that:

It is very disappointing to see that despite the numerous representations made to the Government, measures to address fraud via online advertising have not been included in the draft Online Safety Bill. This is a missed opportunity to act

¹ LCF was an FCA authorised firm which issued mini-bonds to investors. On 30 January 2019, LCF entered administration following regulatory intervention by the FCA. In December 2018, the FCA had directed LCF to withdraw its promotional material immediately on the basis that the way the firm was marketing its bonds was misleading, not fair and unclear. At the time of its collapse, LCF had issued mini-bonds to 11,625 investors with a value of c. £237m.

² Now the Online Safety Bill.

and potentially help prevent another LCF-type event. The increasing frequency of fraudulent activity online that leads to scams and financial harm is alarming, and the Government must intervene as a matter of urgency.

The Committee recommended that the Government should include measures to address fraud via online advertising in the Online Safety Bill, in the interests of preventing further harm to customers being offered fraudulent financial products.

The Government has proposed legislating against certain types of user-generated fraud, but not against the same fraud committed through a paid-for advertisement. In a press release alongside the draft Bill, the Government said:

Fraud via advertising, emails or cloned websites will not be in scope because the Bill focuses on harm committed through user-generated content.

The Government is working closely with industry, regulators and consumer groups to consider additional legislative and non-legislative solutions. The Home Office will publish a Fraud Action Plan after the 2021 spending review and the Department for Digital, Culture, Media and Sport will consult on online advertising, including the role it can play in enabling online fraud, later this year.

The FCA told us in its [response](#) to our report that:

We continue to believe the best way to protect consumers from illegal online scams is for financial harm to be included as an online harm in the government's proposed Online Safety Bill. We believe these provisions should include online advertising (responsible for the majority of fraudulent activity) as well as user-generated content. We welcome the Committee's recommendation on this issue.

The Governor of the Bank of England, Andrew Bailey, [told us that](#):

The lesson here is that the online world is not subject to the same legal duties as the more traditional media. There is consequently no adequate shared responsibility with online service providers and consumers are at much greater risk. This could be tackled through the Online Harms Legislation, but the experience so far, and thus the lesson, is that there is strong resistance in other parts of the official sector to extending the legislation to financial services. This is a serious problem.

Since the publication of our report on LCF, the importance of the online advertising being captured in the Online Safety Bill has continued to be emphasised. In a recent oral evidence [session](#) on the Future of Financial Services, Chris Cummings, CEO at the Investment Association (the trade body which represents UK investment managers), told us that:

A very specific request would be to make sure that the Online Safety Bill includes financial services, and particularly financial services advertising, and that a requirement is placed on Google and others to run exactly the same checks as when a financial services company is going to put an advert in a newspaper. They have to have exactly the same standards.

We welcome the Prime Minister's comments to the [Liaison Committee](#) that "one of the key objectives of the Online Safety Bill is to tackle online fraud" and his commitment to look at the Bill if it was "in some way inadequate". We believe that legislating against fraud committed through paid-for advertisements has strong cross-party support and that not doing so would be a missed opportunity to bear down on fraudulent activity which results in significant financial losses to the public.

In July, following the Prime Minister's comments to the Liaison Committee, I wrote a [joint letter](#) with the Chair of the Work and Pensions Committee, seeking clarification of the Government's policy on addressing online fraud.

I hope that you find the above helpful.

With best wishes,

A handwritten signature in blue ink that reads "Mel Stride".

Rt Hon. Mel Stride MP
Chair of the Treasury Committee

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