

# THE INVESTMENT ASSOCIATION



## Online Safety Bill – Bill Committee Submission

### About the Investment Association (IA)

The IA represents 270 UK-based investment management firms who collectively manage £9.4 trillion and provide their services to three quarters of UK households. The industry is a key part of the UK's financial ecosystem, with savers relying on our members to provide for their financial wellbeing and economic prosperity, especially in later life.

### Scams and the Online Safety Bill

The IA welcomed the expansion of the Online Safety Bill to include paid-for advertising, following the recommendation of the joint committee as part of the pre-legislative scrutiny of the draft bill.

The IA has been campaigning for the government to holistically include scams — and paid-for scam adverts in particular — within the scope of the Online Safety Bill: but gaps still remain.

This IA would be extremely happy to provide any further information to the Committee, or to give evidence in person.

### The scale of online scams

- There is a substantial problem of criminal gangs cloning the websites and branding of legitimate financial services firms, falsely claiming to offer high rates of return, and then paying to advertise these sites prominently on social media websites and search engines.
- The FCA estimates that fraud costs the UK up to £190bn per year, with 86% of this committed online. It also more than doubled the number of scam warnings it issued between 2019 and 2020.
- In 2021 there were 26,275 total reported victims of investment fraud, and £755.3m in total reported losses. Action Fraud figures show that brand cloning scams amount to an average loss of £45,242 per victim. This is a life changing amount of money for any individual, however for someone at the end of their career, these sums affect their ability to retire and put undue stress on our pension and care system.
- Online scams can cause serious psychological harm: research by the Money and Mental Health Policy Institute suggests that four in ten (40%) online scam victims have felt stressed and three in ten (28%) have felt depressed as a result of being scammed.
- In aggregate, the impact of this is huge. Which? research found that the total cost to wellbeing of consumers who've fallen victim to an online scam equates to £7.2bn per year.



### The gaps remaining in the Online Safety Bill measures to tackle scams

Whilst the additional action taken by government to tackle online scams is welcome, we have concerns about gaps in the Bill's provisions as currently drafted which criminals could take advantage of:

1. **The legal requirement for search engines to tackle scam adverts is weaker and less onerous than for social media platforms.** The Bill stipulates that firms defined as 'Category 1' — which are large user-to-user sites such as Twitter and Facebook — will have a duty to prevent people from encountering scam content on their sites; to minimise the length such content is present; and to swiftly take down this content. However, 'Category 2a' firms — search engines such as Google — will have a less stringent legal duty, and will only be required to "minimise the risk" of individuals encountering scam content on their site. This raises concerns about whether the legal duty for search engines is stringent enough and would create a loophole in protections that scammers could exploit. Victims of scams suffer regardless of the categorisation of a platform.
2. **The Bill's measures will not apply to all online advertising providers.** Firms defined by the government as 'Category 2b' — which are smaller, 'user-to-user' websites that host adverts — have not been included in the scope of the Bill. It remains undefined which specific websites will be categorised as '2b'. But by leaving them outside of the scope of the Bill, scammers will still be able to target consumers through paid-for content on these sites, without any protection from the platform provider who profits from the advertising fees.

**IA recommendation:** simplify Chapter 5 (Duties about fraudulent advertising) so all social media platforms and search engines have the same robust legal obligation to prevent the hosting of online scam advertisements.

Working with a coalition of consumer and business groups, the IA support the following amendment to address this issue:

*Clause 35 Page 34, line 3, after "to" leave out to end of line 5 and insert— (a) prevent individuals from encountering content consisting of fraudulent advertisements in or via search results of the service; (b) minimise the length of time for which any such content consisting of fraudulent advertisements is accessible in or via search results of the service; (c) where the provider is alerted by a person to the presence of such content, or becomes aware of it in any other way, swiftly take down such content."*  
*Page 34, line 31, after "has" insert "or may reasonably be expected to have"*