

Tackling Fraud – Event Summaryⁱ

On Tuesday, 14th of June the APPG on Anti-Corruption & Responsible Tax hosted a discussion on how we can start to strengthen our defences against fraud.

Our panellists gave opening remarks on what our strategy to tackle fraud should include. **Simon Fell MP** highlighted four main action points for tackling the fraud epidemic, including better support for victims, and better communication between the agencies responsible for our economic crime response. **Rob Jones**, the Director of National Economic Crime Centre, presented what his agency is doing to push back against the fraud threat. Mr Jones emphasised the importance of simplifying the economic crime fighting landscape, and of developing a proactive response. Finally, **Paul Monaghan** the CEO of the Fair Tax Foundation, highlighted the need to seize the opportunity offered by the Ukraine tragedy to push reform of our defences against economic crime.

After these brief presentations, a lively discussion ensued, ranging from protection of those who blow the whistle on fraud, to the role Companies House reform can play in improving our response. Thank you to our expert panellists and to all who joined this engaging debate on how to strengthen our response to the fraud epidemic.

Panellist remarks

Simon Fell MP, Member of Parliament for Barrow and Furness

- Shared his experience of a decade in fraud and financial crime, where he worked with over 500 organisations, mainly on consumer fraud.
- Highlighted four main strategies for action against fraud:
 - We need to educate the public on the notion of peril. Banks and customer-facing organisations have spent time coming up with models to reimburse victims of fraud. We need to be better at explaining why things are bad and why certain decisions consumers make lead to poor outcomes. The discourse centring purely around compensation discourages learning from mistakes. These are uncomfortable conversations for MPs with constituents.
 - Secondly, we need to improve the support offered to victims. Simon Fell raised the example of a telephone scam during which a woman lost her life savings. Her lifeline was her phone, and she stopped using it after this incident. No support was available to her outside of compensation.
 - Support for law enforcement is also critical. This is tricky work; fraud is the first crime in terms of volume. When crimes cross borders (national or police and crime), it becomes very difficult to follow. We need reform of how agencies talk to each other.
 - Finally, he raised the issue of ‘suckers list’, which compile vulnerable people to be targeted with scams. These lists are shared freely online. Some banks are doing interesting work around neurodivergent/repeat victims, could help. We need safeguards in order to avoid ‘risking out of the system’ and ‘debanking’ those susceptible to fraud.

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- Ended by highlighting that we have a lot of data already. Fraud reports are already used, but reoffending rates are very high for fraud. We should be doing more with the data that we have by looking at trends, we can't arrest our way out of problem. We could be slapping on wrists, with more 'economic ASBOs', by restricting access to products and services.

Rob Jones, Director-General, National Economic Crime Centre - National Crime Agency

- Presented what the NCA is doing to push back against the fraud threat:
- Crucially, the NCA is trying to simplify the economic crime fighting landscape. They are trying to bring everyone together across the regulatory environment.
- The NCA is trying to create resilience and go after the biggest adversaries, the highest harming individuals.
- They base their approach on a pyramid model, at the base of which are the day-in-day out people being exploited. This high volume needs to be tackled using data to disrupt without overburdening the justice response. There are too many adversaries – we must reserve the criminal justice response for the top of the pyramid, including enablers, which has a bigger impact on re-victimisations.
- Online harms legislation is crucial for digital fraud, we need a better response to fraud from tech companies.
- All 43 police forces now have to tackle fraud as one of their priorities. Getting this threat into strategic policing requirements allows for the forces to task coherently against worse targets and make the biggest difference to the public.
- These are green shoots for future, the NECC is 3 years old. They have already had 300 interviews under caution, and 340 'cease and desist' orders.
- One of the things counter-fraud strategy has lacked over the years is proactiveness. The intelligence picture isn't what it should be, especially on high value targets. The NCA is working to get better picture of individuals. The objective is to deal with fraud as a crime in action. We need to be on the front foot versus just reacting to crime reports.
- Lessons were learnt from the Covid pandemic, notably that the internet is the frontline for fraud. Online vulnerability is the biggest amplifier of risk.
- Covid has also made individuals much more online-reliant. The ability to deliver targeted communications to the most vulnerable is key. Slowing victims down for certain transactions can avoid many cases of online fraud.
- Looking forward the NECC's strategy involves:
 - o Creating a system of intelligence-led proactive response
 - o Driving hard at volume response in coordination with regional units
 - o Prioritising prevention, in the tech industry, through the online fraud steering group, and by working with actors in the telecommunications sector to prevent issues around fraud SMSs.

Paul Monaghan, CEO - Fair Tax Foundation

- Opened his remarks by highlighting the similarities between tax justice and anti-corruption issues.
- Observed that the invasion of Ukraine has changed the bravery levels of businesses, to an extent he would never have contemplated.
- Highlighted four main areas of focus to tackle fraud:

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- The Fair Tax Mark requires full disclosure of financial accounts, no matter the size. Companies House is currently a recipe for fraud, but sunlight is the best disinfectant. Paul recounted anecdotal evidence about tax dodging via 'Spongebob' companies, that are created and dissolved before HMRC can record them.
- On procurement reform, responsible tax should be a factor in procurement. This was wrongly prohibited by EU, and Brexit is an opportunity to act. There is currently a Bill in the Lords, but it does not seize this opportunity.
- Business is engaged on the issue and wants a level playing field. So does the public. In the recent IBE survey, it is the first time that the public's number one concern is tax dodging.
- Country-by-country reporting is key. £17bn is lost annually from profit shifting worldwide.

Interventions from the audience

Mary Robinson MP – Chair of the APPG on Whistleblowers

Highlighted that this is a growing issue of concern. Whistleblowing has a strategic position, 40% of all detected occupational fraud cases are identified by whistleblowers. Are we capitalising on whistleblowers?

Rob Jones, Director-General, National Economic Crime Centre - National Crime Agency

Yes, but the quality of intelligence from these sources is not sufficient. Their information is used as strands of intelligence that can then be turned into intelligence packet. The current whistleblowing infrastructure doesn't lend itself to leading to law enforcement. More needs to be done for that information to come through and for information sharing more broadly. There are provisions in the US that make it easier to come forward to law enforcement.

A **representative from CIPFA** joined Mary Robinson in raising the issue of Whistleblowers. The Public Interest Disclosure Act is not well known. Within the business community, there is recognition that it is simply an appendage to employment law, there is little sanction outside of employment tribunals. Large organisations see this as a 'cost of doing business', there are no criminal or punitive fines.

Richard Emery, Independent Bank Fraud Investigator

Highlighted the importance of reimbursement but noted that prevention is better than cure. Within the contingent reimbursement model, the first objective is not reimbursement, but rather prevention. Banks have done nothing on this priority and have even actively opposed it.

Richard Emery put forward three action points to tackle fraud:

- Introducing confirmation of payee.
- Slowing down payments, there should be a delay of 24hrs for first major payment to a new payee.
- Second party notifications should be introduced in certain cases.

Rob Jones, Director-General, National Economic Crime Centre - National Crime Agency

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The payment regulator has a huge role to play in this respect and the position of UK Finance is important for moving forward. UK Finance are supportive, but there is concern in industry around ability to slow payments down without legislative changes.

Simon Fell MP, Member of Parliament for Barrow and Furness

Some banks are already slowing down payments for those deemed vulnerable, there is no need for special legislation. Data sharing and getting one bank to talk to another is where the trick is.

Helena Wood, RUSI

Remarked that deterrence is a key factor: if we're saying that we need to increase scale in law enforcement – what figure should we increase to? If we take the budget allocated to counterterrorism, the scale is of £900 million.

Rob Jones, Director-General, National Economic Crime Centre - National Crime Agency

We could use the budget of the entire force for any one threat, so we have to prioritise. Fraud should be treated as a national security threat, similar to cyber and counterterrorism. The resources allocated to fighting fraud should be comparable to counterterrorism. The people we need are data scientists.

A **representative from the City of London** noted that they would love to see a national economic crime team spread across the country. For example, Thames Valley took on HBOS Reading, led by the NECC, with the City of London. Building this cross-border process is key.

Juliette Garside, The Guardian

Asked what more we could do on Companies House reform?

Paul Monaghan, CEO - Fair Tax Foundation

Replied that the obsession that we have to have quickest and cheapest Companies House is where the problem starts. Paul Monaghan suggested that setting up a company should cost £100, and that the additional funds should go to boosting scrutiny. Also, it is impossible to carry out due diligence tests within 24 hours. Business can fragment its activities into micro companies, and bypass many of the reforms considered in the Companies House White Paper.

Simon Fell MP, Member of Parliament for Barrow and Furness

Remarked that Companies House data drives invoice fraud, it is a menu for fraudsters.

Rob Jones, Director-General, National Economic Crime Centre - National Crime Agency

Beneficial ownership and transparency is very important. We need to have a fighting chance for due diligence. Rob Jones welcomes the reforms from Economic Crime Bill II.

Paul Monaghan, CEO - Fair Tax Foundation

There are still cultural issues at HMRC, some bigger clients are treated with kid gloves because of the desire to attract higher level investment, which has become more pressing since Covid because of resourcing pressures.

Nic Ryder, Professor in Financial Crime at UWE Bristol

Fraud is a national security threat: when are we getting a national strategy on fraud?

Rob Jones, Director-General, National Economic Crime Centre - National Crime Agency

Recognised that a system change is needed to move this on, but there is an appetite for change. Ukraine has been a signal event; it is important that we leverage the positivity it has generated in the regulatory sector. Rob Jones remarked that he had been knocked out by the level of cooperation around the new Kleptocracy Cell.

Simon Fell MP, Member of Parliament for Barrow and Furness

Responded that there is a fraud strategy, but it doesn't go far enough. We need to do a better job of deciding where to apply pressure along the chains of criminality. Damian Hinds understands this, and there are opportunities to make changes in the second Economic Crime Bill, and in the Online Harms Bill. Much of these changes will pay for themselves, as they make the UK a better place to do business.

ⁱ This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of Members of both Houses with a common interest in particular issues. The views expressed in this report are those of the group.