



tackling fraud together

to better protect
consumers



Acknowledgements and declarations

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TSB would like to thank the contributors for taking the time to share their unique insights on fraud.

Contributing to this report does not indicate that these organisations or individuals endorse or support TSB's recommendations for a new approach to fraud. Nor did TSB seek the endorsement for its recommendations from third parties.

Contributors were asked to share their insights on a specific aspect of fraud.

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Three years of leading the way for customers

Robin Bulloch | Chief Executive
TSB Bank



Ensuring victims are protected from the financial impact of fraud is important – and I strongly welcome moves to ensure banks refund more customers. But fraud has a psychological impact, too. While we can put money back in people's accounts, this harm is harder to put right. So much more needs to be done to prevent fraud in the first place.

By taking an industry-leading position on reimbursement, TSB has been on the front foot in working with crime agencies and shaping policy. We're the leading voice in urging other banks to improve their refund rates and to be more transparent with their customers – both now being taken forward by the Payment Systems Regulator.

More recently, we've been at the forefront of calls to strengthen the Online Safety Bill. I'm glad the Government has heeded those calls and amended the Bill so that social media firms cannot profit from fraudulent advertisements on their sites.

But there is always more we can do. This report details what we have learned from the first three years of TSB's Fraud Refund Guarantee. I hope it will inform the debate about how to protect victims and take the fight to the fraudsters.

I would like to thank those who have contributed chapters to this report for their unique and independent perspective.

No one organisation or sector can prevent fraud. We must tackle it together.

Fraud is now the number one crime in the UK and it's growing all the time. Consumers lose tens of thousands of pounds to fraud every hour of every day – more than £850 million in the two years to June 2021.¹

I'm proud that TSB saw this tsunami of fraud swelling on the horizon and took the bold decision to launch our Fraud Refund Guarantee in 2019. In the years since, that tidal wave has swept away the savings of millions of people. But in the case of TSB customers we have refunded 97% of claims compared to the banking sector average of just 42% of losses reimbursed.

There were plenty of armchair critics at the time. We were told that promising to reimburse innocent victims of fraud would create 'moral hazard' and that TSB would see a shocking rise in claims.

I'm delighted to say this contention has been comprehensively scotched: we've seen fraud claims increase, as has every other bank, but today TSB losses to fraud are less than the industry average – even though we pay out in a much higher proportion of cases.

¹ Fraud victims lose £28K to bank transfer scams every hour, Which? reveals – Which? Press Office

Now is the time to make promises on fraud a reality

Yvonne Fovargue | Member of Parliament for Makerfield
and Chair of the All-Party Parliamentary Group on Consumer Protection



Sellers often incentivise shoppers to write positive reviews, using free gifts or vouchers.

Then there are Authorised Push Payment (APP) scams. This is where someone is tricked into transferring money to someone they believe is legitimate – but is in fact a scammer. Such payments can be made over the phone, online, or in person, and most are completed instantly. I had a couple in my constituency who transferred all of the deposit for their house after receiving a fraudulent email impersonating their solicitor, and I am sure every other MP has similar stories.

The Contingent Reimbursement Model (CRM Code) aimed to give victims the confidence that, if they act appropriately, they would be reimbursed. But figures from the Payments Systems Regulator (PSR) show that only a minority of customers have ever got their money back.

Shortly before Christmas, the PSR recommended making it mandatory for APP scam victims to be reimbursed and for the banks to publish data on their performance. This is welcome, and HM Treasury has made broadly positive noises, but it remains to be seen what any future legislation may look like. People expect to be protected from scams – and so they should. We need a strong regulatory framework, with online platforms given a legal responsibility for preventing scam content from appearing and for taking quick action to remove harmful content when reported.

The Government has a perfect opportunity to deliver this in the Online Safety Bill. Ministers have said that they will include scam advertising within its scope. This is encouraging, if a little late in coming, but the proof of the pudding is in the eating.

The scammers deliberately prey on vulnerable and lonely people and those who are short of cash. The pandemic acted as a fillip to scammers, because it left people exposed, while the emerging cost-of-living crisis will only make matters worse. While the headlines emphasise losses of thousands in scams, it is wise to remember that vulnerable people can have their lives turned upside down through the loss of just a few pounds.

The Government has said its objective is for the UK to be the safest place in the world to go online. Now is the chance to make that promise a reality.

The growth of electronic payments and online shopping has been a boon to millions. But it has also brought problems, not least in providing greater opportunities for fraudsters in an area where there is too little protection or redress for consumers cheated out of their money.

The more time people spend online, accessing websites or social media platforms, the more susceptible they are to becoming the victim of a scam. Not because they are stupid, or even naïve, but because they often underestimate how difficult it is to spot online fakery and because they often overestimate the vetting processes used by online hosts.

To say that online scams are becoming ever more sophisticated is an understatement. The Association of British Insurers (ABI) say their own members often struggle to spot sites when they are fake or to pinpoint fraudulent activity. So, what chance do the rest of us have?

Scams come in many forms: investment scams, banking scams, insurance scams, pension scams, conveyancing scams, purchase scams (involving non-existent products), romance scams (involving fake partners) and even scams targeting those seeking debt help. They have one thing in common, though – they are all about duping people out of money.

Scammers use an array of trickery: fake websites or adverts are a favourite, particularly ones mimicking established brands or sites. Fake reviews are a big problem on many of the world's biggest websites, or fake endorsees.

Financial vulnerability and vulnerability to fraud – a two-way door that needs closing for good

Phil Andrew | Chief Executive
StepChange Debt Charity



People with low incomes or struggling with debt can be more vulnerable to fraud and related criminal activity. 10% of respondents to a survey of StepChange clients in receipt of working-age benefits told us that they had approached an unregistered lender. This can include local loan sharks and online scams such as credit advance fee fraud. We continue to see cases of misleading online promotions that impersonate debt advice charities like StepChange. These can lure financially vulnerable people looking for help with their debts into unsuitable debt solutions but also into scams that pile harm on top of hardship.

To conclude, here are two thoughts on how to help break the link between financial vulnerability and fraud.

Firstly, StepChange was one of many voices calling for paid advertising on search engines and social media sites to be included in the scope of the Online Safety Bill, and it is good news that the Government has accepted this point. Denying fraudsters the oxygen of online publicity is a vital and overdue measure to protect people from those seeking to exploit financial and other vulnerabilities.

Secondly, people in financial difficulty and people who have lost money to fraudsters need quick and effective help and support. Polling commissioned by StepChange in October 2021 found 53% of GB adults said they would be reluctant to ask their bank for help if they were to experience financial difficulties. StepChange clients told us that certainty about the help on offer and reassurance to counter their embarrassment about asking for help were important in encouraging engagement. A clear guarantee of help and a positive supportive attitude are likely to be just as important to people who have experienced fraud.

StepChange Debt Charity is the largest specialist not-for-profit debt advice provider working across the UK. In 2021 our website was visited nearly six million times and we supported 160,000 people with full debt advice.

We recently published our strategic priorities to 2025, reflecting on the changing needs of our clients and how we will adapt to best support them. The pandemic has left many households with little or no ability to cope with financial shocks and as cost-of-living increases start to bite we expect to see more people seeking help with increasingly complicated problems, additional vulnerabilities and negative budgets that make debt problems harder to treat.

In difficult times fraud and financial difficulty go hand in hand. TSB's research found 32% of respondents saying that just a £500 loss would see them struggle to afford food for their family. StepChange sees a small number of clients where a larger loss to fraud caused a serious debt problem. However, our research suggests that fraud frequently contributes to debt problems, including those experienced by victims of economic abuse: in a recent client survey, 3% of respondents reported credit had been taken out in their name without their permission.

Banks must support their customers

David Bale | TSB Customer



The different scams, tactics and technologies used in this practice change and become more and more sophisticated. It's impossible for an average person to keep up. As a result, just one mistake ruins many people's lives.

If I'd been mugged in the street, I'd have received nothing but sympathy. No one would blame me for not knowing judo! But because people are victims of a subtle theft, involving manipulation instead of force, they are seen as having foolishly brought it on themselves.

I didn't know that fraudsters could make it look like they were calling from my bank. Should I be held responsible for not being an expert in telephone technology? Should I have read up on this type of fraud – or the dozens of other common scams fraudsters use?

It's too easy for phone calls, messages, emails, online adverts and social media posts to be used to carry out these crimes. Surely, companies that run the channels bear some responsibility for preventing the scams? Surely in the 21st century, the technology exists to prevent them? Why should it be left to victims to tell the difference between something that's genuine and something that's a scam? And why are victims held to a higher standard than the perpetrators?

Millions of people across the UK have stories like mine. I think it's true to say that most don't speak out because they are ashamed and embarrassed. Many don't even tell their friends and those closest to them. They suffer in silence.

TSB's Fraud Refund Guarantee meant my story had a positive conclusion. The countless victims with other banks will still be living with the emotional impact of fraud – and can also be suffering devastating, life-changing financial losses. Please, let's treat fraud victims as victims and be supportive. Please, let's create a system that refunds them. Please, let's recognise that the Government and communication companies need to do much more to protect people who are in no position to defend themselves from this evil crime.

I am a TSB customer, and I was the victim of fraud.

Out of the blue I received a call, seemingly from my bank, telling me that my account had been compromised and I needed to transfer my money into a "safe account". Naturally, I was concerned that I was going to lose my money and relieved that my bank had called to help and protect me. But it wasn't my bank: I had become one of the millions of vulnerable people who fall victim to fraudsters each year.

Thankfully, because I am a TSB customer, I received a full refund – but it shocks and saddens me that other UK banks refund less than half of the money their customers lose to fraud.

I got my money back, but I still live with the mental and emotional effects. Like many fraud victims, I felt humiliated and foolish – and I blamed myself. TSB, from my first telephone call to them, have been supportive and have been consistently reassuring. They have always pointed out that it's not my fault; that I was the victim of a crime. But I've been taken aback by the casual way other fraud victims – at a time when they are most in need of sympathy and understanding – are all too often made to feel that it's their fault. It's scandalous that victims are made to feel that they are to blame and that the responsibility of the fraudsters in the crime seems to be side-lined.

Refunding customers works

Paul Davis | Director of Fraud
TSB Bank



I remember hearing about TSB's new Fraud Refund Guarantee (FRG) in 2019, before I worked for TSB. I was immediately sceptical. I shared the widely held concern that it would encourage consumers to take greater risks. I was also suspicious about the small print – and frankly doubted whether TSB could afford to refund all fraud victims.

At the time, I was working alongside several other banks and consumer groups to create a new way of refunding victims of fraud: the Contingent Reimbursement Model (CRM Code), intended to end debates on whether victims should or should not be reimbursed. We all had the best intentions – but this approach has clearly failed. The refund rate hasn't shifted. Even today, barely half of victims are refunded across the industry, and banks' wildly different interpretations of the code mean fraud victims face a sort-code lottery.

Meanwhile, TSB's Fraud Refund Guarantee is clear and simple and 97% of claims have been refunded since 2019.

I joined TSB last year and quickly realised that my earlier scepticism had been misplaced. Having seen the benefits of the FRG, I'm a convert and it's clear to me that banks can't afford not to refund victims.

Shouldering much of the cost of fraud gives us a single-minded focus on stopping it happening in the first place. My Chief Executive calls a fortnightly meeting to discuss fraud. Of course he does. Being on the hook for every penny our customers lose to scams is a big risk – he needs to hold me to account and challenge me to do even more to stop the fraudsters.

When a bank refuses to refund a fraud victim, the cost is not zero. The relationship with the customer is damaged: they're unlikely to remain loyal to the bank or recommend it to their family and friends. They're also more likely to complain, which imposes a heavy cost on banks. Cases that are escalated to MPs, the Financial Ombudsman or consumer groups become yet more expensive and time-consuming.

Banks deploy large teams of experienced, specialist staff solely to come up with justifications for not refunding certain victims. In fact, there are probably more people in the UK passing judgement on fraud victims than investigating fraudsters – still less prosecuting them. At TSB, our fraud prevention experts spend all their time stopping fraud, because that's the only way to reduce the cost of fraud to TSB.

Banks are undoubtedly best placed to refund victims, but that doesn't mean the final costs should always sit with us. Banks can only do so much to prevent fraud. Phone companies, messaging platforms, social media firms, shopping websites and search engines all play a key part in enabling fraud. By hosting fake adverts, some even profit from fraud. These firms need to do much more to stop fraud – but it's clear they'll need an incentive to do so. The best way would be to make them bear the cost of refunding victims.

I'm convinced that one day TSB's approach will be seen as the only way to tackle this problem. When that time comes, we'll need to stop running ads promoting our leading position on fraud. We'll need to think of new ways to differentiate ourselves from competitors. Now, that will be a nice problem to have.

Anyone can be the victim of fraud – but only TSB customers have our Fraud Refund Guarantee

Shannon Wolfe | Internet and Telephone Banking Fraud
TSB Bank

I'm one of the frontline team members supporting TSB customers if they become the victim of fraud.

Too often I hear customer stories that will stay with me for the rest of my life. I've talked to parents who have been defrauded at Christmas, just trying to buy their kids something online. I've spoken to people who received WhatsApp messages claiming to be from a loved one in trouble and needing money urgently. Elderly and vulnerable people who were tricked into thinking their bank was calling them and convinced to move their money into a fraudster's account. The list goes on.

For every fraud that happens, there is an innocent person at the end of it – the victim of a crime.

I recently called a customer after we spotted a suspicious payment. My heart sank when I talked to her and it became clear that she was being conned by a romance scammer pretending to be a soldier abroad. I spent 90 minutes on the phone with her explaining how romance scams operate until she broke down in tears as she realised what had happened. I wanted to cry too. I was so relieved that TSB's Fraud Refund Guarantee would mean she didn't suffer financially. But there was nothing I could do to help her deal with the pain and betrayal she felt. I don't know how fraudsters sleep at night – but I'm certain they don't care about the lives they destroy.

So many fraud victims that I speak to blame themselves. It's really sad that they feel this way. I know how fraudsters operate and how clever they can be. They use technology as well as different techniques and social engineering tactics to defraud people. Fraudsters will readily find a way to target anyone.

I'm glad that I work for a bank that doesn't blame customers and understands that anyone can be a victim. I think banks have a responsibility to protect their customers and to support them if they're the victim of fraud. I can't undo the hurt that comes with being defrauded, but I know how important TSB's Fraud Refund Guarantee is to fraud victims. It's not uncommon for people to cry over the phone when I explain it, as people often assume they won't get their money back. I can't imagine how it must feel for those who bank elsewhere and don't have the same protection.

It's time all banks stepped up and showed the kindness and understanding that victims of fraud deserve. The current reimbursement lottery is cruel. I'm proud to work for a bank that's leading the way on this – but consumers need other banks to step up too, so TSB's unique guarantee becomes the standard.

Protecting Britain's small businesses – the forgotten victims of fraud

**Kevin Hollinrake | Member of Parliament for Thirsk and Malton,
Member of the Treasury Select Committee and Chair of the All-Party
Parliamentary Group on Fair Business Banking**



It's a devastatingly well-known reality that every Member of Parliament is regularly contacted by constituents who are the victims of fraud. Many of them have been refused a refund by their bank. It's an issue regularly raised in the House of Commons. But what is less well recognised is the number of businesses and organisations who also become victim to scammers.

Covid saw an explosion of new opportunities for fraudsters to target businesses. UK Finance figures show that in the first half of 2021 alone, businesses lost £59.2 million to invoice/mandate scams and CEO scams – an increase of 35 per cent.

When you consider that small and medium-sized businesses account for 99.9% of the UK business population, three-fifths of employment, and around half of turnover in the UK private sector – the level of fraud takes on a new meaning.

For small businesses in particular, the impact can be huge – bringing damage to their client relationships, lost revenue, and time taken up dealing with the consequences. Not to mention the stress and anxiety it causes to those in the business. Further salt in the wound is that these burdens come in addition to the costs that businesses already outlay in attempt to protect themselves from scams – technology, software, training etc. – vital cash that is being diverted from investing in growth and productivity.

And after the challenges of the Covid-19 pandemic, losing essential cashflow to fraudsters could well tip a small business or charity over the edge. Perfectly viable businesses are being destroyed because it is simply too easy for fraudsters to operate and too hard for SMEs to get a refund from their bank.

As I have raised in Parliament, fraud undermines the very system that underpins our economy if people do not feel that the game is fair for all players. And it undermines the principle of everything I have stood for over my whole life in business – the fundamentals of a free-market economy are that it is a fair and level playing-field.

So, it's clear that action is needed if we're to support the vital work of businesses and organisations in driving our economy forward. New momentum from government, the Payment Systems Regulator and other stakeholders to pursue a new approach to fraud is welcome – making it harder for fraudsters to operate and requiring banks to refund victims.

As a country we need to do much more to work together to make it harder for fraudsters to operate. It is vitally important that when a person or business is defrauded that their bank refunds them as a matter of course – not after a lengthy battle to justify their case or after being blamed for being the victim of a crime. So I urge all banks to step up to the plate – not just to wait for regulation to come. TSB has set a great example through its Fraud Refund Guarantee – for individuals and for businesses. It's time others did the same.

I am pleased that following concerted cross-party calls from MPs the government has significantly strengthened provisions relating to paid advertising in the Online Safety Bill. This will ensure that companies like Google and Facebook are proactive in ensuring the adverts they host are legitimate.

I will continue to champion the rights of fraud victims – individuals and businesses – through my work as an MP, Chair of the APPG on Fair Business Banking and member of the Treasury Committee.

TSB's recommendations for a new approach to fraud*

TSB believes that we need a radical new approach to fraud which addresses the deep structural and cultural issues that inform the views of business and government on fraud and the impact it has on society and the economy. This approach must be built on three simple but powerful principles:

1 Make those able to prevent fraud responsible when it occurs

- Require all Payment Service Providers (PSPs) to refund innocent fraud victims – recognising the role and responsibility PSPs have in protecting their customers.
- After mandating reimbursement from PSPs, government and regulators must create a financial redress mechanism for PSPs to seek costs (partial or total) from sectors which have enabled fraud.
- Drive forward a cultural shift in institutions, public and private, as well as society more generally that treats fraud victims as victims and does not blame them.
- Encourage victim reporting and significantly improve the consistency of support for fraud victims.
- In reducing fraud, consider the benefits of introducing more friction into the payment system to enable banks and customers more time to identify and respond to fraud. This may involve amendments to the Payment Services Regulations and other regulation.

2 Drive better and more consistent accountability across businesses and government

- Create a requirement on all large businesses (telecoms firms, social media firms, technology companies etc) to measure the volume and value of fraud that occurs on their platforms and report it annually, display it prominently and share real time information with PSPs and regulators.
- Require sectors such as crypto exchanges, where security and know your customer (KYC) has typically been poor, to tighten up their standards and to accept responsibility for reimbursing users suffering fraud on their accounts.
- Require co-ordinated action between the cryptocurrency industry, social media firms and the Financial Conduct Authority (FCA) to crack down on fake "crypto" investments.
- Establish a cabinet level and cross-departmental minister for fraud with oversight and power over the entire fraud landscape.
- Ensure that the Online Safety Bill does not create inconsistent regulatory and legal approaches to fraudulent adverts due to the platform they appear on. Currently adverts which appear through search engines will be treated differently to those on social media.
- Pursue a robust approach to online advertising through the Online Advertising Programme – which places significant and meaningful requirements on firms to limit fraudulent adverts and which imposes severe consequences on those who fail to comply.

3 Inform consumer choice through greater transparency of fraud and refund rates

- Require all PSPs to report their fraud refund rate based on agreed industry criteria and display them prominently (physically and digitally).
- Require reimbursement rates to be published on PSP apps and not just on PSP websites – recognising that many people rarely use internet banking and instead use mobile apps.
- Require non-banking sectors to publish data on fraud and to display it to their users/customers.

* These recommendations have been developed by TSB. Contributors to this report do not necessarily endorse these recommendations.



“No one organisation or sector can prevent fraud. We must tackle it together.”

Robin Bulloch | Chief Executive
TSB Bank



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