

FSCS podcast #36 FSCS scams spotlight: past patterns and future projections

Martyn Beauchamp 00:01

Welcome to Protect your money with FSCS, the podcast from the Financial Services Compensation Scheme. I'm Martyn Beauchamp, Interim CEO at FSCS, and in this series, the fantastic FSCS team will help you understand how we can help protect your money, so you can feel confident that your money is safe. I hope you enjoy the podcast.

-Jingle-

Gareth Smith 00:23

Welcome, everyone. I'm your host Gareth Smith, a Root Cause Analyst here at FSCS. In today's podcast, we wanted to talk about some of the most common scams that you might come across, as well as highlight what to expect from FSCS in terms of communication and social media.

For some background, we have looked at a sample of 113 direct messages sent to FSCS in 2023. That was across X, which is formerly Twitter, Facebook, and Instagram. What we found was the 40 out of the 113 direct messages had scam related material in the subject body, that's a staggering 35%. By scam related material, it's worth remembering that these are real people who have fallen victim to scams and have come to us to either make us aware, or to check if the person they're communicating with is who they say are.

At FSCS we're unable to compensate people for scams and fraud, so this is a really worrying statistic. Hopefully, this episode will give you some handy tips on what to look out for and help you avoid falling into a scammer's trap. My guest today is James Darbyshire. James is Chief Counsel at FSCS and happens to be our Fraud Officer. Now keen listeners will realise that this is James' second appearance on the podcast as he also featured in Episode 17, which was all around the recoveries process.

James Darbyshire 01:33

Hi Gareth, thanks very much for having me on.

Gareth Smith 01:36

We're very happy to have you back, James. Now James, the Oxford English dictionary's definition of a scammer is a criminal, especially a petty crook or swindler, one who lives outside the law by his or her wits.

James, would you describe what a scam is please and how you can differentiate between a scam and fraud? There appears to be quite a lot of interchangeability around them. So, what do these terms mean to you?

James Darbyshire 01:57

Well, thanks, Gareth. I think in summary, a fraud is a kind of broader term encompassing a range of deceptive activities, while scams are specific instances or methods of deception used to achieve fraudulent objectives. Scams are essentially a type of fraud but not all fraud cases involve scams.

Falling victim to fraud or scams can obviously be devastating and can severely impact people's financial wellbeing as well as their emotional wellbeing and sadly, there's a lot of data out there from a number of different organisations that shows that instances of fraud and scams are on the rise. The National Crime Agency, for example, highlight that there were 3.7 million incidents of fraud across England and Wales in the year ending December 2022. And that's taken from the crime survey of England and Wales released by the government's Office for National Statistics. They also reveal that 86% of fraud instances are estimated to go unreported, so the figures are actually probably much higher in reality.

The accountancy firm BDO has recently released new data as part of their fraud track report, which shows that the amount of fraud in the UK has more than doubled to £2.3 billion in 2023. And with the rise of social media and new digital forms of communication, it's never been easier for scammers and fraudsters to operate and gain people's trust.

Gareth Smith 03:28

When reviewing the direct messages from social media, we had several people who had reached out to the FSCS on the back of a WhatsApp message they'd received. Now is this a form of contact customers should expect from FSCS?

James Darbyshire 03:38

First and foremost, we should stress that we do not and would not use WhatsApp to communicate with our customers. The three forms of communication we offer our customers are written, so by letter, by telephone, and by email. This isn't to say that there aren't additional ways of communication available, but this would usually be for accessibility reasons and would be discussed with someone from FSCS once your application is underway.

Gareth Smith 04:02

One of the messages was passed across to us from Mexico, where someone had received a WhatsApp message from someone impersonating our finance department. I wanted to highlight this to give you a sense of the type of communication we've been seeing.

The direct message said: "I'm communicating to you from the finance area of the FSCS. We're trying to finalise the process of reimbursing your capital that you have deposited with an alleged investment company. This company has been seized as it was under no regulation from the international banking systems. Tell me in what moment can the agent in charge of the file perform the tracking of your capital and dividends and credited to your bank account?". Now, does this sound legitimate to James?

James Darbyshire 04:38

Well, there are definitely a few red flags in that message, Gareth, that would probably warn the person who receives it to be on alert and that it isn't actually legitimate. But it's probably useful to highlight to begin with what would make the message sound plausible in the first instance. So, the sender is posing as an employee of FSCS and obviously a quick Google search by a consumer would show that FSCS is obviously a legitimate organisation operating in the financial services environment.

The scammer has also used corporate language that may sound official to those who are not kind of experienced in that world and particular financial services. Those are just a couple of examples that might be enough to influence someone to take the message seriously. Anyway, most of us believe we'd never fall victim to a fraud or scam, but actually it can happen to anyone. And that's why it's important for everyone to be vigilant and aware of the typical signs that you can look out for, but despite having a few mistakes, and no punctuation, the person posing as an employee of FSCS is using rather forced corporate language that attempts to sound formal and sophisticated.

And even though they've used, you know, the FSCS business logo, the fact that this was received via WhatsApp, a platform we wouldn't use for communication was a major red flag, and the phone number also was one from the United States, somewhere where FSCS doesn't have a presence.

Gareth Smith 06:07

Are there any other examples of different types of scams that FSCS has come across that might be useful for our listeners to be aware of?

James Darbyshire 06:14

Well, one example actually, that's quite a recent one, is what we call a phishing scam. So that's where the scammers have sent letters to either current customers of FSCS or potential customers of FSCS, pretending to be from FSCS, setting it out in a letter format, which looks legitimate, has the right kind of corporate language, and has our logo on it, and asks the customer to ring a particular number. And in fact, that number isn't FSCS but it's a number where the scammers are then seeking information from the customer, such as bank account details and the like to use for nefarious purposes.

Gareth Smith 07:02

A number of the messages referred to scams related to cryptoassets with several companies prefixed with the letters FX claiming they were FSCS and would return invested money in exchange for financial sum. It is worth noting that many of these cryptoassets scam inquiries came from recipients who reside in the United States or Latin America. Is crypto something FSCS covers?

James Darbyshire 07:23

We don't want to come across as implying that cryptoassets are a bad investment because there are a lot of scams around them, they can be a perfectly legitimate investment. But people do need to be well informed about what they're investing in and recognise that cryptoassets are a very high-risk form of investment. One of the things they should know about them is that FSCS doesn't cover them.

It's also worth noting that FSCS can sometimes cover the conduct of companies that aren't based in the UK, for example, if they're operating from a branch located in the UK. A key requirement is that the firm needs to be authorised by the Financial Conduct Authority, one of the UK's financial regulators for this particular type of financial services firm. But if you're unsure, you can head over to the FCA website where you can search the Financial Services Register. And this is where you can find the public record of firms, individuals and other bodies that are or have been authorised by the FCA.

To look at the scale of the problem around cryptoassets, I wanted to highlight some analysis carried out by Action Fraud and picked up actually by the Financial Times in 2023. Their data showed that the UK

losses to crypto fraud increased by more than 40% from the previous year, surpassing £300 million for the first time. We've also conducted some internal research, which shows that only 11% of adults that we surveyed have actually heard of cryptoassets and had a good understanding of how they worked.

Gareth Smith 08:54

We could spend a lot of time delving into cryptocurrencies. And for anyone interested in more, we have an episode on the podcast dedicated to this subject. That's episode five, which goes into greater detail all around cryptoassets. James, what we've discussed so far is a good example of what's currently happening. What is the future looking like?

James Darbyshire 09:12

Well, a couple of years ago, I wrote a piece for the Daily Mirror where I highlighted several scams we were seeing at the time. And thinking back to that time we had scammers so brazen they were using the FSCS logo and initials actually in its web address. And we took action by asking domain providers to take down the rogue website and reported them to Action Fraud. But it went beyond simply stealing our logo or using our initials, scammers have even gone more recently as far as cloning our website. Fortunately, we have security in place and a diligent team of staff that work hard to protect our customers. However, that's not just a problem that FSCS faces but many organisations in the financial services sector and beyond.

Gareth Smith 09:59

That's really scary and it's clear to see how easy it could be for customers to get duped. Is that something that's likely to become a bigger problem as AI gets smarter?

James Darbyshire 10:07

Look the rise of AI is a new dawn for scammers. I mean, if you consider the scenarios we've covered in this podcast, we had someone in Mexico receiving a WhatsApp message from a US phone number. And these are red flags that give us cause to question the legitimacy of the person we're communicating with. But technological advancements mean that scammers are now able to modify their messages and mimic wordplay to match FSCS much, much more accurately, thanks to the AI chat functions.

We've also seen the rise of spoofing technology, and this is a type of scam in which a criminal disguises its email address or display name or phone number, text message or website URL to convince someone that they're interacting with a known trusted source. And because of all these factors, our customers have got to be even more alert than they were before.

Gareth Smith 11:00

What should our customers be looking out for?

James Darbyshire 11:03

We would never call you out of the blue to discuss anything that you've not brought to us previously, in terms of your claim. And if you ever have any doubts about whether the person you're dealing with is who they claim to be, then please just hang up. We are a free service, so, we would never ask you for

any money in exchange for our services, and we wouldn't contact you via social media or messaging services, such as WhatsApp, Telegram or Discord. So, you should always err on the side of caution.

And if you're nervous that the person you're communicating with isn't who they say they are, end the call and call us back on another device or line if you can, we'd always rather rejoin a conversation at a later time once you're reassured that we are who we say we are. Our contact number and all the information you may require is available on our website, as well as the latest information around scams and fraud that we'd be made aware of - just type "scams" into the search bar. I would also recommend you follow us on social media, where we will share the latest information about scams that we've been made aware of.

Gareth Smith 12:01

Thank you, James. That was really insightful. I think it's crucial to make sure that you're speaking with the right people because at FSCS, as we mentioned, we're unable to compensate people for scams and fraud. Even if the scammer was pretending to be a regulated firm that FSCS could protect if it failed, it's important to check the FCA register. I think it's important to reiterate also that our friendly team are always happy to help, if you're ever in doubt, please just get in touch.

We hope everyone today listening is enjoyed the podcast. You can find all of our podcasts on our website and the usual places you find your podcasts. Please do follow us wherever you listen to your podcasts, so you never miss a new episode. Thanks for listening, bye!

-Jingle-