

Written evidence submitted by TSB

Overview

TSB is a full-service UK bank. We serve five million customers through a national branch network, digital banking (internet and mobile) and call centres, operating on an independent, modern platform. TSB offers a range of retail banking services and products to individuals and small business customers throughout Britain. And, crucially in respect of this response, we are the only UK bank to offer an award-winning Fraud Refund Guarantee to our retail and business customers.

We welcome the Treasury Select Committee's inquiry into economic crime. The previous inquiry, in 2019, played an important role in driving coordinated, collective action to tackle fraud. The 2020 inquiry is particularly timely as fraudsters try to take advantage of uncertainty created by the Covid-19 pandemic.

TSB's approach to fraud

Fraud is a serious crime and its impacts can be life changing. That's why we took the decision in 2019 to offer a full refund to those customers who are the innocent victims of fraud on their TSB bank account, whether they are small businesses or individuals. We are the only bank in the UK to give this level of protection to our customers. Through our Fraud Refund Guarantee, TSB has reimbursed over 99%¹ of Authorised Push Payment (APP) fraud cases, compared to the industry-wide reimbursement rate of 38%.²

TSB's Fraud Refund Guarantee is part of our three-stage strategy to combat fraud:

1. **Prevent** fraud through continuous improvement of our fraud detection systems, as well as delivering awareness programmes and workshops to give TSB customers and the wider community the tools and information they need to protect themselves from fraud. In 2019 alone, TSB ran hundreds of fraud prevention events in fraud hotspots, reaching over 11,000 people across the UK, and during the pandemic we have held some virtual workshops. TSB's Head of Fraud uses a regular weekly column in The Sun newspaper to raise awareness of specific fraud scams and provide tips on how to spot scams and avoid falling victim to fraud – with a circulation of over 1.2m people. We also use social media to raise awareness. We have detailed plans for hosting further workshops across TSB's branch network, including in Birmingham, South Wales, Somerset, Fife and Hull - once the pandemic subsides.
2. **Protect** innocent customers when they fall victim to fraud – by providing them with our Fraud Refund Guarantee which covers account transactional fraud losses. We are pleased that consumer interest groups, including Which?, Resolver and Age UK, as well as business interest groups, such as the Fair Business Banking All-Party Parliamentary Group and the SME Alliance, have publicly supported the TSB Fraud Refund Guarantee. We promote our Fraud Refund Guarantee heavily and have run adverts over the summer to raise awareness. We also provide tailored support and education to victims, to help keep them safe in the future and to restore their confidence in the aftermath of a crime.
3. **Pursue** the criminals behind the attacks on our customers by proactively cooperating with law enforcement agencies, nationally and locally, to bring the fraudsters to justice. TSB was the first bank to direct funds to fight fraud by supplementing local police resources. TSB has

¹ TSB has rejected 1% of total claims because, following rigorous investigation, TSB found these claimants to be complicit in the fraud.

² UK Finance's 2020 Half Year Fraud Update (relating to the % of push payment scams reimbursed by subscribers to the Authorised Push Payment Code).

formed a £200,000 partnership with the Metropolitan Police and has also forged partnerships with Hertfordshire Police and Thames Valley Police, as well as CrimeStoppers. As well as this, TSB works directly with a large number of other Constabularies, acting as a trusted partner in referring urgent cases directly to law enforcement to safeguard vulnerable victims.

Emerging trends in consumer facing economic crime as a result of the COVID crisis

The scale of fraud in the UK is enormous. During the first half of 2020, the banking industry blocked almost £7 in every £10 of attempted fraud, preventing £853 million of attempted unauthorised fraud. In the first half of 2020 £374 million was lost to unauthorised fraud, down eight per cent on 2019 figures for the same period. Over the same period over £200 million was lost to APP fraud, in line with 2019 figures; nearly 80% of APP fraud losses occurs through personal banking accounts³.

Although the level of successful APP fraud attacks appears to have temporarily fallen, the volume of fraud attacks overall appears to have increased. The National Fraud Intelligence Bureau have reported a 400% national increase in incidents of fraud during the pandemic so far, however, with the National Crime Agency suggesting that only around 20% of fraud is reported, this figure will be much higher. Action Fraud has already received 11,500 reports of Covid-19-themed phishing scams.

Sadly, the nature of these scams has evolved to take advantage of fears and uncertainties created by the Covid-19 pandemic. The overall economic cost of fraud during Covid-19 is highlighted by Action Fraud figures showing over £14 million⁴ lost to 'Covid-19 scams' alone.

During the pandemic TSB has seen a spike in scams targeted at young people, including employment and purchase scams. In the over-65s bracket, pension and investment fraud saw a rise in cases, alongside a spike in emerging green deal scams. TSB analysis shows average losses⁵ for over-65s of £7,500 for 'green deal' scams where people are tricked by the promise of energy efficient equipment. Meanwhile, 16-21s lost £1,100 on average to investment fraud – a scam not previously typically associated with this age group.

TSB research⁶ conducted during the first UK-wide lockdown found that one-in-ten people know someone who has been scammed since the start of the virus outbreak, and one-in-twenty know more than one person. Of those who know someone who has been defrauded in the past, two fifths say that the victims were over the age of 61.

In order to truly understand the volume of fraud attacks we need to change attitudes towards fraud, so that people no longer feel foolish or embarrassed when they are the victim of fraud. Fraud is one of the last remaining crimes where victims are frequently blamed, and this stigmatisation is counterproductive to efforts to combat fraud because many victims do not come forward – even to their own families and friends. This makes it harder to get a clearer picture of the scale of fraud, harder to learn the techniques and strategies of fraudsters and ultimately harder to prevent and disrupt the organised crime groups behind many of the attacks.

³ UK Finance 2020

⁴ 2 Figures supplied by Action Fraud from March 16th – July 31st.

Total reports of COVID-19 related fraud to Action Fraud = 3,261

Associated losses = £14,212,629

Total reports of COVID-19 related phishing to Action Fraud = 15,019

⁵ Average losses were calculated from analysis of TSB customer data. Employment scams and foreign exchange scam average data was informed by industry data sharing.

⁶ Consumer omnibus (2,000 UK adults) conducted by Opinium in April 2020.

The operation of the Contingent Reimbursement Model for Authorised Push Payment Fraud

The Contingent Reimbursement Model (CRM) and voluntary code (Code) have introduced minimum industry standards on APP fraud.

TSB is not a signatory, however, because TSB's Fraud Refund Guarantee provides a much higher level of protection to our customers than the CRM. This is borne out by compelling data on reimbursement rates, with TSB reimbursing over 99% of APP fraud cases, compared to the industry-wide reimbursement rate of 38%⁷ amongst Code signatories.

When any TSB customer is the victim of a fraud attack, whether they are a small business or an individual, we provide them with tailored advice about the fraud attack they have suffered. This helps ensure that our customer can better protect themselves in the future and also allows us to gather better and more detailed information to continuously improve our fraud defences for the benefit of all customers. This insight is invaluable to TSB and we find our customers offer us more and better information on the types of scams that they have fallen victim to, because they know we will refund them. This means we can better protect against scams in the future and share relevant, timely and valuable intelligence with law enforcement and government.

Importantly, we have not found that the Fraud Refund Guarantee has resulted in a higher level of fraudulent claims, nor have we found that the Guarantee has made our customers less careful – rather it allows us to better focus on supporting customers and catching fraudsters.

We would support mandating minimum standards for APP fraud reimbursement, with three caveats. First, the Code should not be mandated in such a way that it prevents firms such as TSB from offering a greater level of consumer protection than the Code affords them. Second, the Code should also enable firms to 'self-fund' the reimbursement of customers, this would enable firms to join the Code whilst offering a higher level of protection to their customers. We do not feel it would be in the best interests of our five million customers if we were required to offer a lower level of protection or were forced to contribute to a central pot to finance refunds elsewhere.

Third, as UK Finance and the Payments Systems Regulator have highlighted, APP outcomes are not where they should be, and customers are suffering detriment as a result. The Lending Standards Board should review outcomes closely to ensure that greater consistency can be achieved across all banks – with strong consideration given to mandating the publication of reimbursement rates for greater transparency.

The response of financial institutions to economic crime as it affects consumers

Since the 2019 Treasury Select Committee inquiry into economic crime, important steps have been taken to coordinate government, industry and legal enforcement's response to economic crime. TSB supports the work of the Government-led Economic Crime Strategic Board and the taskforce's focus on pursuing the perpetrators of fraud.

Our experience has shown that working closely and quickly with police forces and national agencies is a successful way of increasing arrests and convictions. We were the first bank to direct funds to fight fraud to supplement local police resources. In December 2018, TSB launched a new partnership with the Metropolitan Police. This included an initial investment of £200,000 in the Met's anti-fraud programmes with a focus on enhancing skills, raising fraud awareness and deploying increasingly

⁷ UK Finance's 2020 Half Year Fraud Update (relating to the % of push payment scams reimbursed by subscribers to the Authorised Push Payment Code).

sophisticated methods and tactics to confront economic crime. The partnership has delivered enhanced skills for officers and staff and financed new ways of tackling fraud at a local level, including ongoing support costs for the Met's Cybertools app for front-line police officers. TSB has also forged partnerships with Hertfordshire Police and Thames Valley Police, as well as CrimeStoppers, in pursuit of the criminals who target customers.

Financial institutions are one part of a much wider consumer fraud ecosystem, and although significant progress has been made since the Treasury Select Committee's first investigation, more can be done to coordinate all parties within the ecosystem. TSB has forged a direct alliance with a number of wider parties in the fight against fraud: telephone network operators to fight attacks such as SIM swaps; retailers to strengthen data security; and charities to educate customers and support victims. – enlisting these organisations in our fight against fraud.

We would welcome greater cross-industry coordination and collaboration on preventing data breaches across all sectors, and to ensure that telecommunications platforms such as SMS and telephones are protected from 'smishing' and 'spoofing'. We welcome the steps the Government has taken to ensure the fraud eco-system collaborates to combat fraud, but more needs to be done to stop fraud from being perpetrated on social media and technology company platforms.

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