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Caveat emptor: 'let the buyer beware'

Increase in victims of financial scams related to COVID-19

As a result of the coronavirus (COVID-19) pandemic, there has sadly been an increase in the number of fraudsters exploiting people's fears, targeting pension savers, investors and online consumers.

New research reveals one in five (22%) have received emails, texts, phone calls and other communications that mentioned coronavirus and which they suspected to be a financial scam – which equates to around 11.7 million people in the UK^[1].

NEGATIVELY AFFECTED MENTAL HEALTH

Almost half (46%) of those who received a communication they suspected to be a financial scam didn't report it. The most common (41%) reason given was they didn't know who to report it to. One in 12 (8%) have been the victim of a financial scam that related to coronavirus. Four in five (78%) victims said the fraudsters pretended to be from a company they already deal with, and 41% said the experience negatively affected their mental health.

The Government and UK Finance-led 'Take Five to Stop Fraud' campaign website contains lots of useful information and offers straightforward, impartial advice that helps prevent email, phone-based and online fraud – particularly where criminals impersonate trusted organisations.

Current tactics fraudsters and scammers might use during the coronavirus pandemic

FIXED-RATE INVESTMENT SCAMS

Criminal organisations have impersonated a number of firms proposing financial products, such as

investment bonds offering an attractive, but not suspiciously high, return of around 3–5% per annum. As many are fixed income bonds paying quarterly dividends, the victim is often not alerted to the scam until the first payment fails to materialise.

PRICE COMPARISON WEBSITES

Use of fraudulent, and possibly some genuine, 'impartial' price comparison websites to generate interest from members of the public. Some of these opportunities can be found via sponsored links on Google or Facebook.

STAFF EMAILS

Use of email addresses which resemble those of staff at legitimate firms, and in some cases have used the names of genuine members of staff.

LOANS AND CREDIT

Exploiting short-term financial concerns, scammers may ask you to hand over an upfront fee – usually between £25 and £450 – when applying for a loan or credit that you never receive. This is known as 'loan fee fraud' or 'advance fee fraud'.

GOOD CAUSE SCAMS

This is where investment is sought for good causes such as the production of sanitiser, manufacture of personal protection equipment (PPE) or new drugs

to treat coronavirus, with scammers using the promise of high returns to entice consumers.

MARKET VOLATILITY

Using the uncertainty around stock markets, scammers may advise you to invest or transfer existing investments into non-standard investments.

CLAIMS MANAGEMENT COMPANY

Scammers may contact you claiming to be from a Claims Management Company (CMC), insurance company or your credit card provider. They may say they can help you recuperate losses by submitting a claim for the cost of a holiday or event such as a wedding cancelled due to coronavirus. They will ask you to send them some money or your bank details.

UNSOLICITED APPROACHES

Cold calls, emails, texts or WhatsApp messages stating that your bank is in trouble due to the coronavirus crisis, and pushing you to transfer your money to a new bank with alternative banking details.

HOW TO PROTECT YOURSELF

- Reject offers that come out of the blue.
- Beware of adverts on social media channels and paid for or sponsored adverts online.
- Do not click links or open emails from senders you don't already know.



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- Avoid being rushed or pressured into making a decision.
- If a firm calls you unexpectedly, use the contact details on the Register to check that you're dealing with the genuine firm.
- Do not give out personal details (bank details, address, existing insurance/pensions/ investment details).

UNSCRUPULOUS NATURE OF FRAUDSTERS

If further evidence were needed to expose the unscrupulous nature of these fraudsters and how they prey on people's fears, the research shows that suspicious communications, such as emails, texts and phone calls that relate to health insurance have increased by 15% since the coronavirus (COVID-19) pandemic. There were also increases in suspicious communications linked to life insurance (10%), pensions (3%) and annuities (2%).

So beware if the phone rings, and a friendly, energetic-sounding stranger on the line starts asking if you have a moment to learn how to triple your money in just six months by investing in gold or investment bonds offering a very attractive rate of return. Or you receive an email urging you to buy the shares of a company whose price is certain to go through the roof. If it sounds too good to be

true, that's because it is. Remember, caveat emptor: 'let the buyer beware'. ■

KNOWING THE BEST WAY TO INVEST YOUR MONEY

With ever-increasing demands on your time, ever-changing financial products and regulations, and fast-moving, volatile stock markets, knowing the best way to invest your money that's right for your unique particular situation is important. To discuss your requirements or to arrange a meeting, speak to us for further information.

Source data:

[1] Research, conducted by Censuswide for Aviva with a sample of 2,009 nationally representative respondents, categorised the pandemic time frame between 1 March 2020 and 15 June 2020, with the pre-pandemic time frame categorised as 1 January 2019 and 28 February 2020. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

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