

**Open Report on behalf of Pete Moore,  
Executive Director of Finance and Public Protection**

Report to:	<b>Community and Public Safety Scrutiny Committee</b>
Date:	<b>02 November 2016</b>
Subject:	<b>Trading Standards Update – Responding to Vulnerable Victims and Tackling the Black Economy</b>

**Summary:**

This report provides two updates on how the Trading Standards Service is;

- 1) Working in partnership with Lincolnshire Police, the Lincolnshire Safeguarding Adults Board and others to tackle the problem of Mass Marketing Fraud which is targeted at residents through Scam Mail, and Cyber Crime.
- 2) Working in partnership with Lincolnshire Police, HMRC and the Anti-Counterfeiting Group to tackle illicit sales harming the collective interests of consumers and legitimate businesses in Lincolnshire.

**Actions Required:**

The Community and Public Safety Scrutiny Committee is invited to consider and comment on the two updates provided in the report. The Committee is also invited to support these areas of work through raising awareness within their communities and highlight any recommendations or further actions for consideration.

**1. Background**

This report provides two updates from the Trading Standards Update on;

How the Trading Standards Service is working in partnership with Lincolnshire Police, the Lincolnshire Safeguarding Adults Board and others to tackle the problem of Mass Marketing Fraud which is targeted at residents through Scam Mail, and Cyber Crime. (APPENDIX A)

How the Trading Standards Service working in partnership with Lincolnshire Police, HMRC and the Anti-Counterfeiting Group is tackling illicit sales harming the collective interests of consumers and legitimate businesses in Lincolnshire. (APPENDIX B)

## 2. Conclusion

The Community and Public Safety Scrutiny Committee is invited to consider and comment on the two updates provided in the report. The Committee is also invited to support these areas of work through raising awareness within their communities and highlight any recommendations or further actions for consideration.

## 3. Consultation

### a) Policy Proofing Actions Required

N/A

## 4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Mass Marketing Fraud targeted at residents through Scam Mail, and Cyber Crime.
Appendix B	Tackling illicit sales harming the collective interests of consumers and legitimate businesses in Lincolnshire.

## 5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Kirsty Toyne, who can be contacted on 01522 552409 or [Kirsty.Toyne@lincolnshire.gov.uk](mailto:Kirsty.Toyne@lincolnshire.gov.uk) and Mark Keal, who can be contacted on 01522 5520820 or [Mark.Keal@lincolnshire.gov.uk](mailto:Mark.Keal@lincolnshire.gov.uk)

## **Mass Marketing Fraud targeted at residents through Scam Mail, and Cyber Crime.**

### **1) National Perspective**

Each year mass marketing scams cause an estimated £5 to £10 Billion worth of detriment to UK consumers. Scams are often targeted specifically at vulnerable or disadvantaged consumers.

The National Trading Standards Scams Team (NTSST) was set up to improve the fractured process of identifying and supporting the 'silent' victims of mass marketing fraud (MMF). It is estimated that only 5% of scams are reported.

The NTSST receives intelligence from partner agencies about victims of MMF. The core aims of the NTS Scams Team include:

- Identifying victims of fraud
- Intervening and protecting victims from further victimisation
- Investigating criminal activity
- Informing local authorities and agencies on how to work with and support scam victims
- Influencing people at local, regional and national levels to take a stand against scams.

Investigations have suggested that there are 560,000 names of victims in circulation with many more anticipated to be uncovered as enforcement work continues. 110,000 scam mail responses have been intercepted on their way to criminals. These responses typically contain victims cash, cheques or bank and credit card details..

### **Lincolnshire**

All work carried out by Trading Standards is put through a 'Tasking' process to ensure that resources are directed at the most pressing priorities. In 2015 The Scams Project, 'Break the Cycle' was formally scored at 31 out of 33 and was allocated for action.

Lincolnshire received a list of approximately 1500 identified victims from NTSST. In addition we received 158 pieces of 'intercepted mail'. This identified 128 victims, 30 of them had sent multiple payments to different companies.

Further referrals have resulted from further enforcement action or referrals to the team from Banks and Royal Mail. The number of scam mail victims currently stands at 1800.

Working with the Cyber Crime department at Lincolnshire Police, we have identified a further 600 victims from the national Action Fraud helpline. We will review Action Fraud data every six months for additional victims

## 2) What are Scams?

“**SCAM**” is a word used to describe fraud. Fake businesses and schemes are designed to gain a dishonest advantage by taking money, personal details or other goods from unsuspecting or vulnerable individuals.

Scams are operated by criminals with the sole purpose of identifying and exploiting often vulnerable, elderly and mentally impaired people.

Examples of scams include:

- Fictitious prize draws
- Fake lotteries
- Clairvoyant or dating scams
- False investment opportunities
- Pension Fraud or bogus equity release schemes

## 3) Who are the victims of scam?

A recent Distance Scams Problem Profile for the East Midlands found the following:

***"The main victims of Distance Scams within the East Midlands are elderly and do not report the incidents themselves. The victims are predominantly contacted by means of unsolicited mail which increases in volume once a victim is identified as a target. The perpetrators are based outside the UK.***

***Once victims are being scammed they are usually targeted further and the level of scam requests escalate".***

## 4) Impact of scams:

Many scam victims, who may function quite normally in most regards do not have the capacity to identify their own victimisation from scams and will continue to be scammed, which can lead to:

- Loss of independence
- Increased risk to health problems
- Mental health issues such as anxiety or depression
- Decreased self-esteem and motivation
- Estrangement or isolation from family and friends

- Financial and debt problems - poverty
- Lack of self-care and attention
- Hoarding and compulsive tendencies
- Secretive behaviour, including lying

A lifetime of careful planning and saving can be wiped out by victims responding to scams. All this gives rise to additional financial costs on the health and social care sector which can be prevented through earlier intervention and support.

Victims are 2.4 times more likely to be in residential care or have died following being scammed.

## 5) Our duty as a local Authority

Guidance on the Care Act states:

- 'Financial or material abuse' – includes theft, fraud, internet scamming....in relation to an adult's financial affairs or arrangements'
- 'Need for local authorities not to underestimate financial abuse...could significantly threaten an adult's health and wellbeing...'
- clarifies that financial abuse falls within safeguarding

The authority needs to take responsibility for tackling scams and undertake activities which could prevent people being financially abused.

## 6) What are we doing

The aim of 'Break the Cycle' is to identify victims, visit them and prevent them from further victimisation through educating them to not to respond to scam mail.

This is a new work stream for Trading Standards and has been supported by a one-off grant acknowledging the 2016-17 budget pressure. This grant pays for a fulltime contractor to work alongside TS core staff moved from other work streams for part of their week.

The National Scams Team also notes:

*"Many are silent victims of doorstep crime too, so physical intervention is needed to spot this type of issue. Some visits have resulted in immediate safeguarding issues which would be missed if we did not visit." ...visiting all their victims... is our suggested method of intervention".*

With limited resources and the vast geographical location of victims it was clear that it would not be possible for each visit to be conducted solely by Trading Standards staff. It was agreed that Neighbourhood Policing Teams were best placed in the County to assist with project. PCSO's may already know the victim, will know the local support networks and will be in a position to keep in occasional touch (reinforcing messages) with victims on their patch

Trading Standards provide support for complex cases. Trading Standards also conduct the visits to identified highest scams-risk victims, alongside specialist support from Police Community Safety specialists.

The Fraud/Cyber Crime unit will use their network for cybercrime 'education'.

**What have we found out about our victims so far?**

- 70 years of age or older
- Receive countless items of scam mail daily,
- All mail is engaged with
- Variety of scams: lotteries, prize draws, catalogue draws, clairvoyants, sweepstakes
- Need additional safeguarding,
- Spend between £40 to £200 a week,
- Donate to charities - reputable or bogus
- Engaged for a long time – many years
- Surprised they are being scammed

**7) Outcomes**

The project promotes community wellbeing and resilience by assisting elderly and vulnerable consumers to feel safer, be more economically secure and to live longer in their own homes by reducing and ending their victimisation by scammers.

Victimisation is stopped and criminal activity is disrupted, resulting in victims and potential victims being safeguarded from financial abuse.

Other Safeguarding and Wellbeing issues are also identified by the project and referrals are made to partner agencies.

**This report was written by Kirsty Toyne, who can be contacted on 01522 552409 or [Kirsty.Toyne@lincolnshire.gov.uk](mailto:Kirsty.Toyne@lincolnshire.gov.uk)**

## **Tackling illicit sales harming the collective interests of consumers and legitimate businesses in Lincolnshire.**

### **1) Background**

The Trading Standards Service is committed to tackling those traders causing the greatest detriment to local consumers and harming the interests of legitimate businesses trading in our local communities.

We are an intelligence led service utilising the information at our disposal to identify and target rogue trading in all its guises. Our resources are not limitless and we endeavour to use them to the greatest effect by identifying our strategic priorities and targeting problem traders or trading practices based upon the level of risk and harm they pose as identified through our tasking process.

### **2) What is the Black Economy?**

A Black Economy is one based upon deliberate noncompliance. In our experience offending can range from the organised crime associated with criminal networks trading in illicit, counterfeit or smuggled goods, to businesses who repeatedly ignore advice and knowingly persist in trading in a manner that is detrimental to consumers, for example they may provide misleading precontract information or import, manufacture or supply goods without carrying out basic checks to ensure that they safe.

It is common for the range of noncompliance contributing to the Black Economy to extend beyond the limits of the legislation we enforce. For Example, individuals with no right to work in the UK are often found employed in shops and on market stalls, or others are paid cash in hand to work on stalls so that the organiser can distance themselves from the offending should the Authorities intervene. These markets operated on a cash only basis allowing those involved to hide income generated resulting in losses to the public purse in terms of taxation and duty

It is clear that the broad spectrum of noncompliance contributing to the black economy harms the interests of legitimate businesses. They often struggle to compete in terms of price with illicit, smuggled or counterfeit goods being sold significantly below the legitimate market value for genuine products. Honest businesses also incur additional costs associated with ensuring that the products they manufacture, import or supply are compliant, for example costs associated with testing and quality assurance.

### **3) The Black Economy as a Strategic Priority.**

By reviewing the intelligence, we hold and through liaison with partner agencies we identify criminal practices that contribute to the Black Economy in Lincolnshire. We are committed to targeting the worst offenders through our intelligence based

approach and tackle fraudulent trading, reduce the availability of unsafe products and safeguard the vulnerable from rogue traders. We are currently working to:

**Reduce the availability of counterfeit Alcohol and Cigarettes** – In the UK, the illegal trade in alcohol and tobacco undermines efforts to reduce the number of people smoking and drinking and like most trading crime, undermines legitimate business. These products are uncontrolled and can be available to children. This illegal trade is often part of organised criminal activity and is linked to other illegal trade. Smuggling of these goods also represents a significant risk to revenues. Illicit cigarettes pose a significant safety concern as testing has shown that they do not self-extinguish when left unattended. The Coroner has attributed one death in the County to a fire caused by the illicit "Jin Ling" brand;

**Tackle the sale of unsafe goods across Lincolnshire** – As larger numbers of goods enter the European market and may not conform to safety requirements, we aim to increase the number of unsafe products removed from the market in Lincolnshire and reduce the risk of physical harm to the end-user and to maintain consumer confidence in legitimate products;

**Protect the vulnerable from Doorstep Crime and Scams** – We aim to promote community wellbeing and resilience by assisting elderly and vulnerable consumers to feel safer in their own homes and live longer by preventing them from becoming victims of doorstep crime. We also support economic growth especially in small businesses, by tackling rogue trading whilst helping legitimate enterprises to comply with the law. Working with Lincolnshire Police and other partners we are visiting victims identified on scams lists, through work by National Trading Standards and educating on and reinforcing messages about scams; and

**Disrupt organised crime** – We will use our Tasking process to identify and act against prioritised targets where criminal activity and the proceeds of crime are undermining our community and our legitimate economy. Increasingly this work is carried out alongside the Police and other agencies, making best use of all enforcement options.

#### **4) Significant Operations**

Our Officers have worked with HM Revenue and Customs (HMRC) and Lincolnshire Police targeting the supply of illicit alcohol and tobacco. Over 2 days in September we participated in an HMRC disruption exercise that saw 36 premises inspected in Lincoln, Spalding, Grantham and Boston. Over 130,000 cigarettes, 42 kilos of hand rolling tobacco and 3,570 litres of beers and spirits were seized from 20 premises equated to a potential loss of £54,514 in excise and VAT. 5 investigations are pending the receipt of evidence packages from HMRC.

Illicit tobacco and alcohol sales remain a significant problem within the County. In addition to routine enforcement activities we have assisted Lincolnshire Police in seeking premises alcohol licence reviews resulting in a number of revocations. Several investigations ongoing with more already in the court system.



We have worked closely with members of the Anti-Counterfeiting Group (ACG) to tackle the sale of counterfeit goods on the East Coast. Members of the ACG assisted in developing intelligence enabling the service to secure 16 warrants to enter units on a Market. Enforcement action was conducted with assistance from Lincolnshire Police, Immigration, ACG members and HMRC Hidden Economy Team. The warrants were executed over 2 days and resulted in the seizure of 16,706 items estimated to be worth £200,000 to the stallholders. In addition 6 people were arrested, 5 of whom were found to be in the country illegally having overstayed their visas and had the no right to work. Further enquires are being made and there are currently 16 individuals under investigation.

ACG members have provided invaluable assistance this year. As well as developing intelligence and attending enforcement days they have provided valuable storage facilities and assisted in cataloguing items seized.

We have assisted Lincolnshire Police with inspections in 10 premises linked to an Organised Criminal Group (OCG) operating in the South of the County. We are currently investigating a potential food fraud concerning unauthorised alteration of "Use By" dates. Such dates are an indication of the date after which the manufacturer will no longer guarantee that the food is safe. The Operation was undertaken at the request of the OCG Strategic Management Board.

Following intelligence from another Trading Standards Service we investigated a local business importing upholstered furniture that did not satisfy safety standards regarding flammability. Following our initial intervention the Company requested that we enter a Primary Authority partnership and they are now compliant. They have recently expanded their business and opened a retail outlet in Lincoln.

## **5) Recent Successes**

Since the 1st April 2016 several prosecutions reached their conclusion with the following notable results:

A market trader found in possession of counterfeit goods appeared before Lincoln Crown Court. In sentencing the Defendant to 6 months imprisonment the Judge stated.

*"These cases are time consuming to investigate for cash strapped Local Authorities who are already under pressure. This was not a highly sophisticated set up and the profits not vast. This matter was however deceitful to the public and deprived the Treasury."*

A shop keeper found in possession of illicit and unsafe tobacco products was sentenced to 9 months imprisonment. Again the Judge commented on the lack on revenue going to the Treasury.

3 market traders were prosecuted for offering to supply unsafe toys. All of the Defendants had received multiple warnings and advice regarding basic visual checks they could make to help them avoid buying noncompliant stock. All 3

received 12 month conditional discharges with a total of £2944 costs and forfeiture of the stock seized. These offences can be revisited should they reoffend within the period.

The owner of a part worn tyre business who sold 2 noncompliant tyres was fined £2500 and ordered to pay £7,750 costs. The business was previously owned by the defendant's father who had been prosecuted for similar offences.

A couple selling counterfeit goods through social media were both given 12 month community orders with curfews subject to electronic monitoring for 3 and 4 months respectively. Both were ordered to pay £500 each towards the prosecution costs.

A shop keeper found in possession of illicit and counterfeit tobacco on 3 occasions was sentenced to 12 months imprisonment suspended for 2 years with £1000 contribution towards costs.

In what is believed to be one of the first prosecutions in the country a limited company that sold an e-cigarette liquid to a person aged under 18 was fined £1200 and ordered to pay full costs of £2304. The sale was made by a Company Director who was prosecuted in his own right and fined a further £200. Whilst giving the Company credit for their early plea court emphasised they were sending a message to other retailers. Liquids that contain nicotine can be poisonous if ingested.

**This report was written by Mark Keal, who can be contacted on 01522 5520820 or [Mark.Keal@lincolnshire.gov.uk](mailto:Mark.Keal@lincolnshire.gov.uk)**