

**Report on the Investigative Role of the National  
Trading Standards Scams Team and its effect  
on the Behaviour of Criminals**

**NTS Scams Team October 2020**

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## Executive summary

The National Trading Standards (NTS) Scams Team has been funded by the Department for Business, Energy and Industrial Strategy (BEIS) since 2012. Since 2016, the NTS Scams Team has adopted a disruptive approach when it comes to tackling criminal entities targeting the UK with Mass Marketing Fraud, specifically mail fraud and more recently telephone fraud. Since March 2016, the NTS Scams Team has received £2,330,000 grant money from BEIS.

### **Through the disruptive work of the NTS Scams Team, the team has:**

- Identified just under one million potential victims through its investigative work and is working to refer these to local trading standards for support and advice to prevent further crimes and victimisation.
- Stopped over 10 million pieces of fraudulent mail from reaching UK consumers.
- Saved just short of £118 million in financial savings and estimated healthcare and health related quality of life savings for UK consumers and the UK economy through its effective disruption techniques.
- Recruited almost 600,000 Friends Against Scams, building community resilience and providing an effective call to action, preventative information and advice.
- Seen extreme diversification and a change in tactics from the criminal entities, to ensure they can get fraudulent mail into the country.

### **Every £1 spent by the team equates to a £51 savings.**

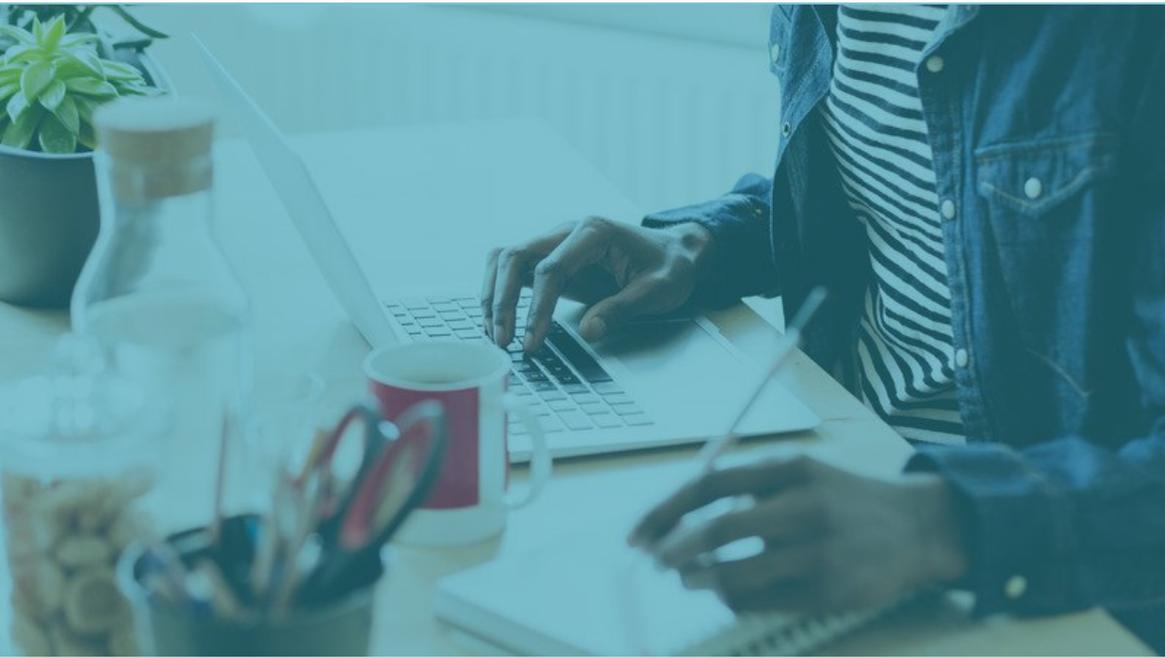
These figures do not include over £10 million of recorded savings from the work of the local trading standards, who take victim intelligence from the NTS Scams Team and visit the consumers, preventing them from losing further money. The team would also view target hardening and preventive advice, information and education as an effective disruption.

This report concludes that, whilst good progress has been made, unless there is a determination within all enforcement and regulatory institutions to combat these types of fraud, the problem will be difficult to eliminate. It is important to break down the barriers that prevent a multi-agency approach to scams and fraud and allow enforcement agencies to respond to the threats received in real-time. It is also important for law enforcement to consider all pursue tools and focus not only on prosecutions, but also disruptive techniques.

**The NTS Scams Team would like there to be holistic and consistent sharing of best practice across law enforcement and the private sector in relation to what makes an effective disruption to criminal entities. This would include nationally recognised, preventative and consistent education advice and information messages, such as Take Five and Friends Against Scams, which have already proven to have an enormous positive effect on consumer behaviours and attitudes to fraud and scams. Increasing and improving community resilience is another tool in the tool box of fighting fraud and scams.<sup>1</sup>**

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<sup>1</sup> 98% of Friends Against Scams participants now have the knowledge to talk about scams.



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## Introduction

**This report looks at the NTS Scams Team in its role in disrupting mass marketing fraud, specifically mail fraud and more recently telephone fraud.**

### What is disruption?

Disruption, defined as a 'flexible, transitory, and dynamic tactic, which can be used more generally to make the environment hostile for the organised crime group....this approach focuses on disrupting the offender's networks, lifestyles and routines' (Kirby & Penna, 2010:205).

This report outlines the methodologies used, the team's working relationships and the way in which the methods used have caused the criminals to change the way that they behave.

The NTS Scams Team looks to develop more creative and sustainable solutions by tackling these criminals in a dynamic, disruptive fashion. It also provides better value for money than enforcement, as it provides the flexibility to prevent offending through any legitimate means. Disruption creates a hostile environment for organised criminals and allows working in partnership; sharing intelligence with partners; improving public confidence. It's what works to stop the criminal activity and protect consumers from the criminals targeting those most vulnerable because of their circumstances.

## Background

National Trading Standards (NTS) was set up in 2012 by the government as part of changes to the consumer protection landscape. It has teams overseeing a range of issues. The teams' roles are different to that of local trading standards services in that they provide leadership, influence, support and resources to improve enforcement against criminals causing consumer and business detriment nationally, regionally and locally.

### **The NTS Scams Team's core objectives are to:**

- identify victims of fraud,
- intervene and protect victims from further victimisation,
- investigate criminal activity,
- inform local authorities and agencies on how to work with and support scam victims,
- influence people at local, regional and national levels to take a stand against scams.

The NTS Scams Team works in partnership with agencies both across the UK and internationally to identify and support victims of mass marketing fraud, investigate mass marketing scams and to disrupt the operations of the perpetrators.

### **The team's partners include:**

- Local authority trading standards services
- National Trading Standards teams
- Scam Marshals
- Mail operators
- Financial institutions
- UK Law enforcement agencies
- UK Regulators
- Government agencies
- Members of the International Mass Marketing Fraud Working Group (IMMFWG)
- Call blocker providers

The team also provides guidance, best practice and establishes a centre of excellence to assist local authorities in supporting local victims and taking local enforcement action. The purpose of this report is to demonstrate how the investigative activities of the team has curbed the activities of a number of criminals and affected the behaviour of these criminals exploiting the vulnerabilities of citizens within the UK.

## **Overview**

### **How**

The preferred investigation remit of the NTS Scams Team is one of disruption but it is also able, by sharing intelligence and evidence, to assist in alternative enforcement action taken by other agencies. Both of these methodologies are able to affect the behaviour of the criminals behind these frauds and in some instances, bring the criminals before the courts.

### **Information, intelligence and evidence sharing**

The team gathers information and intelligence from a number of its partners. In turn, this data is exchanged for the purposes of disruption or enforcement with other partners.

Within the UK, the innovative work of the NTS Scams Team with mail providers, particularly Royal Mail, has had a profound effect on the amount of fraudulent mail that reaches consumers. Since November 2016, The NTS Scams Team has worked in partnership with Royal Mail and other mail providers. A voluntary code of practice was established and the big six mail providers signed up. As a result of this work, Royal Mail in partnership with the NTS Scams Team, has prevented 4.73 million mail items from reaching consumers. This equates to over £21.3 million saved for consumers (based on an 18% response rate with at least £25 per item).

The NTS Scams Team has also worked with Royal Mail and supported a change in institutional attitude to fraudulent mail. In 2020, Royal Mail launched a consultation. As a result, fraudulent mail has been prohibited. As of yet, it is unknown what this change means in practice for Royal Mail. However, this is again

another extremely positive step in stopping fraudulent mail from entering the UK postal system.

[https://www.royalmailgroup.com/media/11180/international\\_scheme\\_decision\\_document.pdf](https://www.royalmailgroup.com/media/11180/international_scheme_decision_document.pdf)

### Foreign pastures

Criminals sending fraudulent mail and making telephone calls often do not target consumers in their own country. Due to this, there are no victims in their respective countries. This can lead to enforcement agencies in those countries ignoring the criminals' activities. However, a close working relationship has been established with these enforcement agencies through the International Mass Marketing Fraud Working Group and intelligence is shared with them.

This has resulted in the majority of agencies now being prepared to disrupt or take enforcement action against perpetrators or enablers in their own country, provided there are identified victims in other countries. The team assists this action by providing evidential packages which includes detailed witness statements, exhibits and evidence of offences.

### **Work carried out by the NTS Scams Team with the Vancouver Police Department in 2016**

In order for these criminals to process payments from all over the world, they would have to use a payment processing and foreign exchange company which would process payment cards, cheques and electronic payments and convert it into the currency of choice. One such company was PacNet.

The NTS Scams Team's investigators and the Vancouver Police Department (VPD) began an investigation into PacNet and its involvement in fraudulent "direct mail" schemes targeting Canadian residents. The VPD believed that since at least 1997, PacNet has provided cheque processing services for companies acting as fronts for individuals and organisations perpetrating mass-mail fraud. The NTS Scams Team's investigators, along with other agencies around the world (IMMFWG) worked with the VPD to supply intelligence and victim statements from their own countries.

PacNet charged approximately 2–5% commission on payments it processed for these mailings. After deducting its fees and commissions, PacNet would then forward the net amounts to its clients, amounting to hundreds of millions of dollars. On 22<sup>nd</sup> September 2016, the U.S. Department of the Treasury's Office of Foreign Assets Control designated PacNet as a significant transnational criminal organisation, along with its 24 affiliated companies and 12 individuals.

This effectively ended the company and from 22<sup>nd</sup> September 2016, PacNet ceased active operations, although these enforcement actions are still being contested through the courts.

Another example was American criminals who were targeting UK citizens with promises of large pay-outs if money was sent to release it. Working closely with US enforcement agencies the NTS Scams Team provided evidence of detriment in the UK which resulted in the US authorities taking enforcement action against the perpetrators.

## Targeted entities

The intelligence-led tactics used by the team to target both the perpetrators and their enablers results in these entities having to change their practices or to stop their activities altogether.

### Enablers include:

- Copy writers – creators of the content for the mailing
- Printers
- Fulfilment houses – able to process orders and meet demand
- Data brokers – suppliers of marketing lists
- Virtual office providers – allowing the criminal entities to have a prime office location
- Post Office Box providers – allowing anonymity as the mail will be sent back to a PO Box, not an actual address (usually in another country)
- Mail consolidators – these use various international postal authorities to carry items from the UK, to the destination country where the item is directly injected into the local postal service for delivery like any other item
- Payment processors – able to convert foreign currency into a certain currency and place it into one or many criminal bank accounts
- Money mules – people who transfer the proceeds of crime from one bank account to another making it harder to track

The enablers can be roughly categorised into two types of offender; those that are aware of their involvement in a criminal enterprise, and those that are not. These are dealt with in different ways; as a general rule anyone perceived to be the principals of the frauds or enablers, knowingly involved, are dealt with by using disruption and/or enforcement actions. This approach will vary from country to country and will depend on local legislation and authorisation to act.

*Examples of how these tactics have been effective are shown below.*

## Fraudulent Mail

In addition to the work with Royal Mail discussed above, Royal Mail has stopped delivering mail to 1,000 people identified as receiving fraudulent mail. These victims have also been offered additional support from trading standards where they requested or needed it.

Other mail providers are part of the clampdown and in partnership with the team, took similar measures such as cancelling contracts and stopping millions of items of fraudulent mail.

As part of this clampdown, the NTS Scams Team provided training to mail provider personnel to enable them to identify fraudulent mail as well as training in 'know your customer' and due diligence. This enabled the mail providers to ensure that they were not taking on contracts with scam companies or enablers of such companies.

An alert scheme was also created for the mail providers so that they had actionable and current intelligence to allow them to make informed, educated decisions on whether to carry the mail.

A significant outcome of the above partnership involved a French based company sending mail to UK victims informing them that they had won a large sum of money. In order to claim this 'prize', they had to place an order for various products including cosmetic creams, vitamins and supplements claiming to offer misleading health benefits such as quick weight loss, mobility and pain relief. Following work with mail operators to prevent the mail entering the UK postal system and engagement with the company and its UK based legal representatives, the company decided to cease its operations in the UK and is currently being investigated by the French authorities.

**This company would run around nine campaigns a year, with each campaign consisting of around 100,000 mailings with an average request of £40. Based on a conservative hit rate of 18%, this work has prevented £6,480,000 of detriment to UK consumers per year.**

#### **Fulfilment houses and Post Office Box providers**

In June 2016, the team supported a Dutch investigation involving the closure of over 300 PO Boxes that were receiving responses to scams and money from all over the world.

The mail was identified originally as going through Schiphol Airport in the Netherlands and then onto the UK and other parts of the world. In association with the Dutch Fiscal Intelligence and Investigation Division and the United States Postal Inspection Service, the team identified victims in the UK. Eleven victims gave detailed statements and statements were also obtained from Royal Mail and other mail operators. The team identified 306 different mailboxes that were opened on behalf of the organised crime groups or their agents. In excess of 10 million mailings were going out and returns were handled by a Dutch fulfilment house. The mail was then processed, data lists honed and the proceeds processed through PacNet (see above). Enforcement action against the Dutch entities were taken by the Dutch authorities.

The six companies involved attempted to defraud hundreds of thousands of people worldwide by way of false letters. It is assumed that the total fraud amount runs up to the millions. When the premises of these businesses were searched, thousands of envelopes containing cash and cheques were seized. In Utrecht, pallets with hundreds of thousands of fraudulent letters were confiscated. Moreover, circa €500,000, watches, art, cars (among them a Porsche) and bank accounts were confiscated or frozen.

The team is working closely with Royal Mail to close a PO Box in the UK after it was found to be used to receive money from victims of a US based fraudulent mail organisation. Work is continuing with the US authorities to take enforcement action against the principal and with trading standards services to take action against the UK enablers.

Those perceived to be unknowingly involved are advised of the true nature of their clients' activities and that to continue to work for these clients, makes them vulnerable to accusations of money laundering and to aiding and abetting an offence. It is also emphasised to them that in order to protect themselves in the future, they should practice rigorous due diligence and 'know your customer' procedures.

This raising of awareness and advice invariably results in these entities ceasing their association with their clients and terminating their contracts.

In 2019, the team identified a UK mailing house posting out fraudulent Australian lottery mailings. After consultation with the mailing house, the contract was immediately cancelled. The companies associated with these mailings were based in the USA and Canada.

Another mail provider in the West Country was handling mail for an American criminal. The NTS Scams Team worked with them and they were reminded of due diligence. This contract was also cancelled.

Both were long term contracts to provide mailings to the UK, EU and the USA. The first contract was for 40,000 mailings per month to UK consumers and 26,000 to US consumers. The second company was sending 80,000 mailings to UK, German and French consumers every six weeks.

### Fraudulent Phone calls

Since 2018, the landscape has changed. There has been an increase in phone based fraud. This could be partly due to the disruptive work of the NTS Scams Team and the fact we and our partners are making it too difficult to get the fraudulent mail to the victims. These calls are targeting those made vulnerable by their circumstances with a wide variety of scams and fraudulent claims. Historically, investigations into telephone scams have been sporadic both nationally and locally. This is partly due to the criminal's use of false geographic numbers/number spoofing<sup>2</sup> and Voice Over Internet Protocol (VOIP)<sup>3</sup> technology which hides the identity of the callers. More recently, the NTS Scams Team has started to look at the intelligence gathered from the call blockers issued to consumers to see what calls are being blocked by the devices.

In April 2020, during the UK's first lockdown due to COVID-19, an investigation into one of the top 100 telephone numbers blocked by the call blocker units, found that criminals were impersonating health workers to sell fake face masks for £29.95-49.95. The criminals were estimated to be making 170,000 calls a week. Following this investigation, the telephone number has been closed.

With 170,000 calls per week for three months (a total of 2,210,000 calls) and an estimated 5% of consumers making a purchase over £39.99, **110,500 calls were resulting in purchases at £39.99 each.**

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<sup>2</sup> Caller ID spoofing is the process of changing the caller ID to any number other than the actual number calling

<sup>3</sup> Voice over Internet Protocol, also called IP telephony, is a method and group of technologies for the delivery of voice communications and multimedia sessions over Internet Protocol networks, such as the Internet

We estimate that had these calls not been stopped, this would have led to consumers paying money to criminals. Blocking these calls resulted in an estimated saving in consumer detriment of £4,418,895 based on the average price charged for on the calls. Additionally, there is an estimated healthcare and health related quality of life saving of £2,386,203. <sup>4</sup> **Total savings for blocking this single number over a three-month period are estimated at £6,805,098.** Sadly, these examples are not uncommon. Further victims have been identified with one individual targeted by 58 different companies, losing thousands of pounds as a result.

Paradoxically, the tactics employed by the NTS Scams Team and its partners have resulted in the criminals becoming more resourceful, adopting different tactics and diversifying in order to thwart the activities of the team. This in itself has produced more demanding challenges for the team. There is also evidence that once one particular area of criminality is dealt with by either disruption or formal enforcement action, the void is quickly filled by other opportunist criminals.

### Change of tactics

#### Examples of change in tactics are:

- Changing the outward appearance of mail; originally fraudulent mail was easily identified by its garish appearance and misleading claims on the outside of the envelope (2015). Due to the effective disruption of this mail, the mail is now often in plain envelopes with normal postage stamps from the originating country. Also, some mail is now either freighted into the UK, or transferred electronically to be printed locally, thus bypassing the border checks. There are instances of this type of mail being affixed with UK 2<sup>nd</sup> class stamps and posted in street pillar boxes which makes them much more difficult to detect in the mail system.
- Moving Post Office Boxes used for the receipt of victims' money from country to country in a very short period of time to be one step ahead of the enforcement authorities.
- Requiring victims to send cash or credit card details to the criminals, making it difficult for the enforcement authorities to 'follow the money'.
- After an initial mail contact, the criminals will telephone victims to encourage them to part with more money, for example, by buying more lottery tickets or purchasing more products. Detecting fraudulent activity from these telephone conversations is much more difficult to determine than the original fraudulent mail.
- Once a particular activity has been targeted, the criminals will quickly change company names, trading names and locations to avoid further action by enforcement authorities.

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<sup>4</sup> Estimated healthcare and health related quality of life savings are based on the NTS Optimity calculator

## Diversification

Due to the lucrative nature of this activity, the criminals constantly look for new areas in which to exploit their victims. This diversification also makes it more difficult to identify the perpetrators.

### Examples of these emerging areas are:

- **Subscription traps**

There has been a marked increase in the selling of health/food supplements. Victims are telephoned and persuaded to purchase quantities of supplements. The victims give their card details and are unaware that they have entered into a subscription trap whereby money is taken from them on a monthly basis.

An elderly Ammanford resident that came to the local authority's attention via the NTS Scams Team, was found to have been paying over £600 a month to bogus prize draws and overpriced vitamin supplements with little or no health benefits other than those found at a fraction of the price in any UK High Street Pharmacy. The resident had been doing this since 2009, so it is estimated that he lost around £43,200.

- **Home appliance plans**

Victims are telephoned and persuaded to purchase home appliance plans or service contracts. There have been many instances of victims buying multiple schemes for the same appliance, for appliances they do not own and paying more in premiums or fees than the item is worth. Callers often claim to be from well-known home cover companies.

One elderly gentleman was discovered following an NTS Scams Team referral to have paid into seven separate home cover and white goods policies costing him over £400 per month.

While enforcement and disruption in the enforcement area is a major factor in eliminating mass marketing fraud, consumer awareness is key to preventing people from falling victim. In 2016, the NTS Scams Team created Friends Against Scams, a short awareness session that highlights the key issues of this crime type, empowering people to take a stand against scams. To date<sup>5</sup> 587,647 Friends Against Scams have been recruited to help prevent people from becoming victims of scams. Using the NTS Scams Team Optimity Calculator, each Friend that is recruited saves the economy £59<sup>6</sup>. This puts the total savings for the Friends initiative at just under £35 million, illustrating just how important preventative education and consistent messaging is, in the fight against fraud and scams. From grass roots to grey roots, community resilience is key to successful disruption to the criminals that target the most vulnerable in our communities.

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<sup>5</sup> October 2020

<sup>6</sup>Financial savings from Friends Against Scams program or equivalent and estimated healthcare saving & health related quality of life saving and local trading standards intervention based on the NTS Optimity calculator.

Since 2016, work carried out by the NTS Scams Team:

Highlights	
Number of pieces of mail prevented from reaching UK consumers since 2016	10,069,130
Total Friends Against Scams recruited since 2016	587,647
Results of interventions Cancelling Mail contracts and Investigative/ disruptive work	£82,965,830.00 <sup>7</sup>
Financial savings from Friends Against Scams programme since 2016	£13,570,887
Other savings from Friends Against Scams programme since 2016	£21,179,584 <sup>8</sup>
<b>Total Savings figure</b>	<b>£117,707,437.00</b>

The NTS Scams Team has saved over £117 million in just over four years with a modest budget.

Every £1 spent by the team equates to £51 of savings. Disruption provides real value for money and has a huge impact on the criminals who are targeting consumers who are most vulnerable because of their circumstances, with fraudulent communications. Work needs to be more joined up and lessons needs to be shared to ensure more work is done to tackle fraud and scams.

Since the inception of the team in 2012, the total number of victims received by the NTS Scams Team is 961,724. The team enters into data sharing agreements with local authorities. Out of 197 local authorities, 169 have signed a Data Sharing Agreement (DSA) (86%) of which 144 are in England and Wales. Capacity allowing, these local authorities commit to engaging with the victims in their areas. Local authorities feed back to the team at four-week intervals; this enables individual consumers' detriment and savings to be measured.

The NTS Scams Team has undoubtedly made a profound change to the mass mail fraud landscape. The perpetrators of these insidious crimes now know that they will be pursued and action taken against them wherever they are in the world. This has happened because of solid working relationships with a large number of organisations with a common desire to act together to deal with the perpetrators of such frauds. There are still, however, too many institutions which do not see dealing with fraud as a priority. It is these areas of less than rigorous regulation that the criminals will exploit and unless and until these gaps are plugged, the criminals will continue to thrive.

<sup>7</sup> These figures are based on quarterly report figures since 2016

<sup>8</sup> These figures are based on 587,647 Friends recruited. These figures were put through the Optimity calculator, which provides a £59 saving per Friend recruited.

The NTS Scams Team continues to evolve and adapt to the changing landscape, this is largely due to the investigation team's work with foreign enforcement agencies. Work carries on with the Federal Trade Commission and the FBI in the USA, the Vancouver Police Department in Canada, La Guardia in Spain along with colleagues in the Netherlands and Europol.

Enforcement agencies are coming together in the UK to tackle huge frauds such as courier, romance, investment and pension frauds. There is now more of an understanding that a team effort is required if we are to tackle the problem of mass marketing fraud in relation to phone and postal scams. More work is required.

**The NTS Scams Team would like there to be holistic and consistent sharing of best practice across law enforcement and the private sector in relation to what makes an effective disruption to criminal entities.**

**The aspiration is for a true multi-agency approach to scams and fraud to allow enforcement agencies to support victims and respond to threats in real-time. It is also important for law enforcement to consider all pursue tools and focus not only on prosecutions, but also disruptive techniques.**

**We would like consumer education to be nationally recognised as a tool to prevent and protect people from fraud and scams. It should be consistent and used as a tool for victim support. Education, advice and information messages, such as Take Five and Friends Against Scams, have already proven to have an enormous positive effect on consumer behaviours and attitudes to fraud and scams. Increasing and improving community resilience is another tool in the toolbox of fighting fraud and scams.**