

Financial literacy, fraud and scams

New research has found that those lacking financial literacy are twice as likely to have money stolen through fraud.

Fraud and scams continue to be the most experienced crime in the UK. According to National Crime Statistics, roughly 40% of crime is now fraud and scams. Despite this, the law enforcement response to fraud is limited and support for the victims of fraud is often lacking.

The National Trading Standards Scams Team worked with the Scams Team Research Innovation Collaboration Taskforce (STRICT) to commission Jigsaw Research to explore the links between fraud and financial literacy. We set out to test three theories:

1. Those with low financial literacy are more likely to experience fraud
2. The impact of this fraud can go beyond the financial
3. Education would be beneficial to help consumers protect themselves

Jigsaw surveyed a nationally representative sample of UK adults and carried out 15 in-depth interviews with those who have experienced fraud in the last year.

The research found that those with lower financial literacy were more likely to become victims of fraud. Victims who lacked financial literacy were also more severely affected by the fraud – they were more likely to blame themselves rather than the criminals who stole their money and felt a stronger sense of shame and embarrassment.

Anyone can be a victim of fraud, but circumstances – including situational, technological, and marketplace factors – can make some people more vulnerable. This research shows that low financial literacy can make people more vulnerable to fraud and scams. Those with lower financial literacy may also suffer a more significant long-term impact because they may have less capacity to withstand the financial shock of their money being stolen through scams.

Fraud and scams seem to be commonly misunderstood – victims of fraud were surprised by level of sophistication and skill that criminals showed. They were surprised too that fraud affects people of all ages – having assumed that it mainly affects older people. The research found that better financial education and more conversations about fraud would be welcomed and would help protect people.

Key findings

1. Those lacking financial literacy are significantly more likely to have had money stolen as a result of fraud. Among those lacking financial literacy, almost a quarter (24%) had experienced a fraud or scam in the last year, compared to 10% among the UK adult population as a whole.

2. Victims of fraud who lacked financial literacy were more likely to blame themselves rather than the criminals who stole their money and experienced a more severe emotional impact.
3. 11% of consumers had money stolen through fraud in the last year. Adults under 35 were most likely to be victims of fraud in the last year, with more than 20% reporting money stolen compared to just 4% of over 65s.
4. Younger people felt less vulnerable to fraud because they frequently give advice to older family members but were not as familiar with face to face or phone scams. Their relative inexperience can make them more vulnerable to fraud, particularly when experiencing life events for the first time.
5. There are many common myths about fraud, including:
 - a. Fraud is obvious and crude – in fact fraud is increasingly sophisticated. Criminals are skilled at emotional manipulation and coercive control techniques.
 - b. Older people are most likely to be victims of fraud – the research found that adults under 35 were most likely to have money stolen through fraud in the last year.
 - c. Fraud mainly happens online – 6% of consumers had money stolen through fraud on the phone or face to face in the last year.

Actions and recommendations

1. **Recognise how low financial literacy can affect victims:** Acknowledge that a lack of financial literacy can make people more susceptible to scams, adapt fraud prevention messaging, and provide appropriate support to victims who may be experiencing more severe impacts.
2. **Integrate financial literacy and fraud awareness efforts:** Schools should ensure that they are educating pupils on financial literacy and how scams work, as well as challenging the stereotypes and myths around fraud.
3. **Tackle widespread myths about fraud:** Ensure fraud awareness campaigns acknowledge how common fraud is among younger people and develop targeted material and campaigns to reach younger audiences. Raise awareness of the sophisticated tactics which criminals use to control and manipulate victims.
4. **Adopt a 'no blame, no shame' attitude towards fraud:** Fraud and scams are sophisticated and can affect anyone. Criminals, not victims are to blame. Victims are not stupid; they should be supported not ashamed.

Experience of fraud for those lacking financial literacy

Those lacking financial literacy experienced higher rates of fraud across most fraud types but were most likely to have money stolen through investment, cryptocurrency, and push payment scams.

Lack of confidence affected victims who lacked financial literacy. They felt less able to judge what was legitimate and had a lower level of understanding of how scams work, making them more vulnerable to criminal tactics. Some struggled to say no and were more willing to believe reassurances from criminals. For those in financial difficulties, a general sense of being out of control of their finances led to them feeling they had limited agency and ability to make decisions.

The impact of fraud and scams tended to be more severe among those lacking financial literacy. Victims who lacked financial literacy were more likely to blame themselves and reported a longer-term emotional impact of the fraud. For some victims the fraud reduced their already low confidence in their ability to manage their finances.

You feel like a complete muppet

People say to you, why didn't you check this, why didn't you check that, why did you fall for this – it is embarrassing as it is hard to know why, so it just easier to keep quiet.

*When I told my mum and dad eventually, it took me a while, they said oh you silly ***** why didn't you just check. I don't know why I didn't check, I feel really down about the whole thing – who can you trust, my own judgement is not to be trusted as I should have known better.*

Younger people felt they were less vulnerable to scams because they give advice to older family members about online scams but were not as familiar with face to face or phone scams. Their relative inexperience could make them more vulnerable to fraud, particularly when experiencing life events for the first time.

Many of the victims who were interviewed were experiencing a combination of circumstances that put them under pressure and made them more susceptible to fraud – including financial strain, moving away from home for the first time, being on maternity leave, managing a busy home life with young children, and working away from home

frequently. They were victims of diverse types of fraud, including bank impersonation and safe account scams, doorstep crime, fake cryptocurrency investments, and HMRC tax credit scams.

The research revealed a lack of reporting – only one out of fifteen interviewees contacted the police after the fraud. Some victims, but not all, reported the fraud to their bank. Victims did not have a clear understanding of the rules around fraud reimbursement and some experienced a lack of sympathy from the bank when reporting which made them feel the fraud was their fault.

While almost all victims reported feeling embarrassed and ashamed, those lacking financial literacy were more likely to experience a more severe loss of confidence in the aftermath of the fraud, being afraid to transfer money, questioning who to trust, and restricting themselves from online shopping or using new providers, as well as feeling vulnerable and anxious. Some victims were pushed into further financial difficulties including having to borrow money, with one student considering leaving university, and another young person abandoning plans for travel due to the money being stolen.

It had a shattering impact...I don't feel safe going out...I have autism and already struggle reading people

I was totally humiliated, by doing something stupid I put my family at risk. I used to trust people and now I struggle.

Some victims were able to regain a sense of agency by taking steps to inform others, and to educate themselves about fraud and scams. Those lacking financial literacy appeared to be less likely to be able to regain their sense of agency, resulting in avoiding activity rather than taking steps to protect themselves.

Interviewees felt that fraud should be talked about more – especially fraud that doesn't always take place online. For example, some did not know that criminals can make it look like a phone call is coming from their bank. Victims wanted to know the key things to listen out for to help them identify a fraud and where they can check whether phone numbers, websites, and investment offers are legitimate.

Most had no significant financial literacy education in schools and felt they should have been better prepared for everyday financial decisions and the threat of fraud at school.

I think they should do a lot more to help children step out into the real world, things like budgeting skills which I was never taught when I was at school. Also more to help people understand and identify a scam.

About the National Trading Standards (NTS) Scams Team

The National Trading Standards (NTS) Scams Team is funded by National Trading Standards and is hosted by Surrey County Council. The team was founded in 2012 to tackle mass marketing fraud, specifically mail fraud and more recently telephone fraud. The team works with trading standards and partner agencies to investigate scams and identify and support those who fall victim to them.

Despite its and others' efforts, the NTS Scams Team estimates that the detriment to UK consumers as a result of these scams is between £5 billion and £10 billion a year. And fraud and scams continue to rise in number and scale. It is estimated that approximately 40% of all crime experienced in the UK is fraud.

About STRICT

The STRICT Taskforce (Scams Team Research, Innovation, Collaboration Taskforce) brings together public, private, and third-sector organisations with the aim of addressing the evolving landscape of financial exploitation, fraud and scams.

STRICT aims to research, discover, foster innovation and collaboration in research and solutions that help combat fraud while supporting victims in a more inclusive and comprehensive way. With the intention of delivering a coordinated and collaborative approach to how we support victims of fraud, scams and financial abuse, the language we use around it and the protect and preventative messaging that we put out. The Taskforce is also to utilise expertise and ideas from all attending organisations to drive the direction of travel for this piece of work.