



INNOVATION IN PARTNERSHIP

Municipal Journal Awards Application

2016

Operation Broadway – tackling investment fraud
in the City of London and beyond

Executive Summary

Operation Broadway started in June 2014 and is a collaborative, intelligence led approach between the City of London Trading Standards, City of London Police, Met Police, Scambusters, the Financial Conduct Authority and HMRC. The clear and simple vision is to disrupt and displace those criminals engaged in investment fraud. Operation Broadway takes an intelligence led approach with deployment meetings taking place every two weeks. Regular joint visits are made to prestigious office addresses in the City utilising the statutory powers of entry available to Trading Standards Officers.

RECOVERY ROOM FRAUD - WHAT THIS MEANS

We are also seeing increasing evidence that victims are being hit a second time by fraudulent 'recovery rooms':

- Criminals will normally contact victims with an offer to help, by selling on or recovering in some other way, their previous investment
- This is offered through a perceived 'small fee' payable upfront when it has been alleged that the investment has been recovered
- This fee can range from a few hundred pounds to thousands.

This is simply another way to extract more money from a victim. The service is never provided, the initial investment is never recovered.

WHAT WE ARE DOING

City of London Police, which is the national lead force for economic crime, has been working with the City of London Trading Standards team and the national counter-fraud community to tackle investment fraud. This includes:

- **ACTING** on information reported to Action Fraud
- **FREQUENT** joint inspections to suspect criminal companies
- **AWARENESS** and advice campaigns
- **ENFORCEMENT** and targeted disruptive action, creating a hostile environment for fraudsters.

City of London Police, City of London Trading Standards and the Metropolitan Police are also working with companies that provide office space and mail-forwarding services to ensure their facilities are not being utilised by criminal organisations – removing investment fraudsters away the veneer of respectability that is such a crucial part of their marketing strategy in the targeting of investors.

WHAT YOU CAN DO

- **NEVER** engage with cold callers who want to sell you any form of investment. Immediately put the phone down and destroy any marketing material
- **DELETE** unsolicited emails offering investment opportunities
- **REPORT** anyone who approaches you in this way to **Action Fraud** on 0300 123 2040 or www.actionfraud.police.uk (A number of victims have been contacted by firms and been charged an admin fee to record their report on their behalf to Action Fraud. Action Fraud is a free service provided by the police).

WARNING

Marketing Consultants
Investment fraudsters
Solicitors

INVESTMENT FRAUD AND HOW TO AVOID IT

Metropolitan Police | National Trading Standards | City of London | FCA

Operation Broadway partners

Mark Boleat, Policy Chairman at the City of London Corporation, said:

“Operation Broadway is an excellent example of effective inter-agency work. We are working closely with the City of London Police, the Metropolitan Police and other regulatory partners to create an impossible environment for investment fraudsters to operate in.”



Commander Chris Greany, City of London Police, said:

“The work of Operation Broadway has led to a significant drop in the number of suspected boiler rooms plying their trade in the City of London and the surrounding London boroughs. This is thanks to the partnership that has been forged between us and the City of London Trading Standards, HMRC, FCA and the Metropolitan Police, which together has successfully targeted investment fraudsters before their operations have really got off the ground.”



Mark Steward, Executive Director of the Enforcement and Market Oversight Division at the FCA said:

“The multi-agency approach of Operation Broadway is a highly effective initiative in tackling illegal activity involving businesses operating without our authorisation. Operation Broadway has fostered stronger coordination, better sharing and use of intelligence and sharper responses in tackling investment fraud. The FCA will continue to contribute to this fine initiative.”



Carl Robinson, Chair of one of the National Trading Standards Scambusters teams said:

“The Tri Region Scambusters team is a nationally funded team, committed to supporting Trading Standards authorities across the East of England, London and the South East. They are an integral part of Operation Broadway, supporting the City of London Trading Standards in bringing together a variety of key partners and ensuring that they all pull in the same direction. This has and continues to have a real impact in tackling the menace of investment fraud directly linked to the Square Mile.”



Acting Detective Superintendent Andrew Gould from Operation Falcon at the Metropolitan Police said:

“Operation Broadway is a fantastic example of what can be achieved when partners across law enforcement pool their knowledge, expertise and resources to work together to tackle a problem. The fantastic results achieved by Op Broadway are clear testimony to this.”



Kate Rudd, Deputy Director of Anti Money Laundering Supervision at HMRC said:

“HMRC works closely with the City of London and other partner agencies to help identify, target and disrupt criminals. Contributing to a multi-agency initiative like Operation Broadway allows us to maximise our resources and bring the full force of our powers to those caught.”



Introduction

In 2014, investment fraud was becoming more prevalent with criminal activity focused on prestigious addresses within London, particularly in the City. The City of London Trading Standards Service had already been running Operation Rosa since 2013 with support from the National Trading Standards Scambuster Team that covers the East of England, London and the South East. Operation Rosa was an education project designed to engage with the mail forwarding businesses in London and to raise consumer awareness of investment fraud.

Independently of Operation Rosa, the City of London Police which has the national lead for economic crime in the UK, were increasingly engaged in enforcement activity to deal with the growing numbers of crime reports they were receiving about investment fraud.

WHAT IS INVESTMENT FRAUD?

Most people have heard the term ‘boiler room fraud’ but this type of crime is particularly prevalent in the City of London. The ‘boiler room’ has traditionally consisted of an office full of young, confident, talkative and commission driven telesales operators who cold call elderly and vulnerable victims from a ‘suckers list’. They offer high percentage returns on a variety of ‘investments’ including gold, diamonds, fine wine, carbon credits, rare earth metals and, more recently, car parking spaces. If you have seen the film ‘Wolf of Wall Street’, you should be able to picture the scene. The investments usually do not exist and even if they do, the promised returns always fail to materialise. The products being sold are not under the remit of the Financial Conduct Authority, meaning access to redress schemes is virtually non-existent with the resulting lack of protection for consumers. Victims are ruthlessly exploited and it can often be several months or years before they realise they have been scammed. The misery often then continues when victims are contacted by what are termed ‘recovery room’ fraudsters, offering to reclaim money on payment of hefty fees or in exchange for investing in even more commodities.

WHY DO INVESTMENT FRAUDSTERS WANT TO OPERATE IN THE CITY OF LONDON?

In order to give an air of authenticity to investment fraud, a prestigious City address is often given in sales literature and on web sites. What could appear more respectable to a potential investor than, say, an office in or near iconic City buildings. Due to the potential damage to public confidence in, and the reputation of the Square Mile as a safe and trusted environment for legitimate businesses to operate, Operation Broadway was born.

THE SCALE OF THE PROBLEM

Investment fraud is a major problem and information provided in 2014/2015 through reports to Action Fraud (the national fraud reporting system overseen by the City of London Police) showed total losses through boiler room and share sale fraud to be £1.3 billion, affecting victims right across the UK. Taking this money away from consumers in later life has a devastating personal impact. In addition, taking money away from consumers will inevitably lead to a greater burden on the welfare state when consumers become unable to finance their care requirements in later life.

The victims are very real and officers were speaking recently to an 85 year old who has lost around £200,000 over the course of 24 months in a carbon credit scam. Another victim lost well over £350,000 to an investment fraud involving wine. The real fear is that with recent changes to rules in 2015 allowing for cash held in pension funds to be released early, this will simply lead to a rapid rise in this type of fraud as people nearing retirement look for appealing investment opportunities. Current low interest rates make legitimate and safe investments appear unattractive which is assisting investment fraudsters in their sales pitches.

Operation Broadway – how it works

In June 2014, The City of London Corporation and the City of London Police formed a partnership called Operation Broadway and it was acknowledged that other key partners were needed to make the initiative successful.

- The Financial Conduct Authority were approached and agreed to join. Although the FCA doesn't regulate the majority of investments being sold by the scammers, they do have access to intelligence on latest trends. The FCA issue alerts on businesses selling unregulated products and has responsibility for regulating what are called 'Collective Investment Schemes'. In addition, their technical expertise would be vital in order to understand some of the complex financial products that were being sold and to determine if the FCA legislation applies.
- HMRC have responsibility for the enforcement of money laundering legislation in the UK, which complements the work of Trading Standards and the Police. A good example of their input has been in connection with the operation of land banking and car parking scams. HMRC identified that anyone engaged in brokering these types of transactions needs to be registered as an estate agency business.
- The Metropolitan Police already had their own strategy for economic crime called Operation Sterling. The Met Police saw the benefits of working with Operation Broadway and became a key partner. There are other parts of London besides the Square Mile attracting investment fraudsters such as Canary Wharf and Westminster which both fall under the Met Police jurisdiction.
- The National Trading Standards Scambuster Team agreed to provide a full time officer to support the initiative, recognising the fact that although specifically assisting with work in the City of London, Operation Broadway would have a beneficial impact on consumers right across the UK. More recently since October 2015, Scambusters have also provided some additional intelligence research and analysis support.

The involvement of the City of London Trading Standards is one of the keys to the success of Operation Broadway. Trading Standards Officers have responsibility for the enforcement of the London Local Authorities Act (see panel). Perhaps more importantly, they also have wide-ranging statutory powers of entry into business premises under the provisions of the Consumer Protection From Unfair Trading Regulations 2008 and, more recently, the Consumer Rights Act 2015. These powers of entry are not available to the Police but Trading Standards Officers can take along any other people considered necessary for routine inspections.

London Local Authorities Act (LLA)

Section 75 of the London Local Authorities Act applies to mail forwarding businesses (MFBs) and requires them to take measures to properly identify their customers and to keep copies of original documentary evidence as proof of identity, personal address and principal place of business. MFBs must also be registered with their local Trading Standards Service and criminal offences are committed where the legislation isn't followed. Fraudsters want easy access to a prestigious City address so the use of MFBs could be a simple and cheap option. However, rigorous enforcement of this legislation by Trading Standards is making this very difficult.

Operation Broadway tasking meetings take place every two weeks at the Trading Standards offices at Walbrook Wharf. These meetings are driven by intelligence from the national Action Fraud database, from the Citizens Advice Consumer Service reports and from intelligence provided by HMRC, the Met Police and the FCA. Initially, meetings were chaired by the City of London Police at Inspector or Chief Inspector level but, more recently, the chair now alternates with the City of London Trading Standards Manager. At the tasking meetings, deployments are agreed and joint visits subsequently take place to the premises identified as giving cause for concern.

Demonstrating the value and impact

It is very difficult to quantify the impact that an initiative like Operation Broadway is having. It is impossible to establish an accurate base line of detriment because this type of offending is under-reported by victims. The reported figure of £1.3 billion in 2014/2015 is most likely to be the tip of a large iceberg. Some victims are socially isolated and have little interaction with enforcement or care agencies. There is also a suggestion that many victims are reluctant to admit that they have been scammed due to embarrassment and, in extreme cases, they are worried it could be seen as a clear indication that they are no longer able to look after themselves and therefore need to move out of the family home and into the care sector.

The encouraging headline statistics that can be picked out from reports to Action Fraud are, when comparing 2013/2014 to 2014/2015:

There was a decrease of 7% in what are termed 'loss' reports involving frauds of under £1 million

There was an increase of 3% in what are termed 'no loss' reports or, in other words, where consumers had been approached by an investment fraudster but had recognised it was a scam and failed to part with any money

Since Operation Broadway started, there have been 78 deployments to premises identified as providing accommodation or mail forwarding facilities to businesses or individuals engaged in investment fraud. The result of these deployments are recorded as intelligence and in several cases, serviced office providers and MFBs have taken their own independent decision to cease their relationship with their clients.

Rigorous enforcement of the London Local Authorities Act by the City of London Trading Standards Service has been maintained and every registered MFB was written to during 2015 and reminded of their obligations. Support and assistance from Trading Standards was offered to ensure that the legislation was fully understood and guidance notes issued. However, it was necessary to initiate two criminal prosecutions against MFBs to support Operation Broadway using the provisions of the LLA. Servcorp UK Limited became the first company to be convicted under Operation Broadway. On 17 July 2015, they were fined £21,000 and ordered to pay £11,500 costs after pleading guilty to seven offences of failing to keep proper records relating to mail forwarding clients. Following an appeal against the level of fine, this was later reduced to £9000 at the Old Bailey. Then on 23 July 2015, Regus Management UK Limited was convicted not only for failing to keep proper records, but for telling a consumer that a mail forwarding client had a physical presence at their offices when this simply wasn't true. Regus, who are the biggest serviced office provider and MFB in the UK, were found guilty of six offences and fined £11,000 and also had to pay City of London Trading Standards costs of £16,500.

Operation Broadway has taken every opportunity to engage with the media. In February 2015, there was a 'day of action' where teams visited addresses across the City accompanied by the press. This resulted in significant coverage to highlight the national problem of investment fraud and to raise awareness. There was wide coverage on national TV and radio, lots of print media coverage and 16,000 advice leaflets were distributed at key transport hubs in the City. This will make consumers think twice before investing with a fraudster and also encourage more reporting of incidents that are, sadly, vastly under-reported.

An example of the coverage can be seen by following this link. <https://www.youtube.com/watch?v=bkO0yxP23Us>

More recently, Operation Broadway took The Guardian's 'Money' editor out for the day to show the team in action. <http://www.theguardian.com/money/blog/2015/aug/15/city-scams-scambusters-raid-boiler-rooms>

A social media campaign ran for a week during November 2015 and the Twitter hashtag #OpBroadway was used. The campaign generated more than 72,000 impressions and 700 engagements.

An example of the proactive approach taken by Operation Broadway is the attendance at investment fairs as an exhibitor. Two such events were attended during 2015 and several hundred potential investors spoken to on a 121 basis and during more formal presentations about the dangers of investment fraud. At the first event in West London in May 2015, when it was advertised that Operation Broadway would be present, just under 50% of the exhibitors pulled out which is a great example of disruption and exactly the type of impact that the initiative was set up for.

Officers from Trading Standards and the Met Police also engage regularly with banks and building societies across London and have made presentations at branch based customer events to give advice about avoiding investment fraudsters and to distribute advice leaflets.

The challenges of Operation Broadway ... and the future

Financial abuse of the elderly and vulnerable is a very serious issue and consumers are susceptible to attack from a variety of frauds such as scam mail, cold calling doorstep traders and investment fraudsters. Investment fraud takes the most money away from consumers and Operation Broadway is committed to continuing with its partnership approach.

Investment fraud cannot be totally eliminated but the environment that the fraudsters operate in can be made increasingly hostile.

Operation Broadway will be represented at a Parliamentary event in March 2016 that has been organised by Professor Keith Brown from the National Centre for Post-Qualifying Social Work and Professional Practice at Bournemouth University. This event is to highlight the issues of financial abuse at a national level and Operation Broadway has a voice in this process. The ambition of Operation Broadway is to engage much more closely with the banking sector and look for opportunities for financial transactions between the victim and the fraudster to be delayed, challenged and ultimately stopped. Meetings with the British Bankers Association are scheduled in the coming months.

There is increasing evidence that Operation Broadway is starting to displace some investment fraud away from the City and into the suburbs. Further work is therefore needed in the London Boroughs to ensure that the provisions of the LLA Act are being rigorously enforced. The City of London Corporation are currently considering providing additional resources to allow a dedicated Trading Standards Officer to provide support with that work.



Operation Broadway is looking to constantly remain fresh and come up with new ideas in an attempt to keep one step ahead of the fraudsters. Several pieces of new work are being planned that are designed to tackle the enablers of investment fraud but, for obvious reasons, these are confidential at present. Part of the approach will involve dealing with the ‘lead generator’ sector who the investment fraudsters seem to be increasingly relying on.

The work of Operation Broadway has been noticed by Police forces across the UK, most recently by Police Scotland. The Operation Broadway model is something that can work in other major cities and every assistance will be given to those that wish to implement it.

FOR MORE INFORMATION PLEASE CONTACT

Steve Playle

City of London Corporation Trading Standards Manager
Steve.playle@cityoflondon.gov.uk

Tel 07968 834647
