

<b>Committee(s):</b> Port Health and Environmental Services	<b>Dated:</b> 28 March 2023
<b>Subject:</b> Trading Standards Team Update	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	1,2,5,6
<b>Does this proposal require extra revenue and/or capital spending?</b>	No
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> Juliemma McLoughlin, Executive Director Environment	<b>For Information</b>
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### Summary

Trading Standards are a small team consisting of a Trading Standards Manager plus 3.5 FTE Trading Standards Officers (TSOs) but they are responsible for enforcing a wide range of consumer protection legislation. In carrying out its role, the team works in partnership with many other enforcement bodies and organisations. The team protects the reputation of the Square Mile especially in relation to the issue of investment fraud.

There are two intervention workstreams that Trading Standards is currently working towards tackling. The first is in relation to cryptocurrencies and the second is in relation to the transition to a net carbon zero economy. Consumer protection with both these agendas is vital and, corporately, the City of London has an opportunity to positively influence them both.

### Recommendation(s)

Members are asked to note the report.

### Main Report

### Background

1. The team structure currently consists of a full time Trading Standards Manager, 3.5 FTE Trading Standards Officers, a Regulatory Compliance Officer that is on the point of going out for recruitment, and an externally funded 0.4 FTE

Intelligence Officer.

2. The primary objective for Trading Standards is to protect consumers and deal with businesses that break consumer protection law. By creating a level playing field, it helps to ensure that reputable businesses can thrive. Trading Standards has the responsibility for enforcing consumer protection legislation and this legislation affords effective powers of entry into business premises.
3. The main route into contacting Trading Standards is via the Citizens Advice Consumer Service. This is a national service which is funded by BEIS (Department for Business, Energy and Industrial Strategy) and results in around 3,000 complaints and enquiries coming in every year. The overwhelming majority of these complaints and enquiries come from consumers who live outside the City but who have issues with businesses based inside the City. Trading Standards can also be contacted through the City of London Corporation Contact Centre, via email and the occasional personal caller.
4. The team reviews each complaint, and they are triaged, working on an intelligence-led basis. If large numbers of enquiries are being received about particular businesses, then these will be allocated to a Trading Standards Officer for investigation and action. Priority areas for the team are complaints that involve vulnerable consumers and issues concerning product safety.

### **Current Position**

5. The levels of investment fraud in the UK are of significant concern. Latest available data shows that victims in the UK lost £890 million in 2021/22 but this is just the tip of the iceberg. Much investment fraud is under reported, normally due to the shame and embarrassment of the victims who quite often don't tell family members about what has happened to them. Back in 2014, Operation Broadway was set up to try and disrupt investment fraud. Operation Broadway has representatives from Trading Standards, City of London Police, National Fraud Intelligence Bureau, the Financial Conduct Authority, HMRC and the Insolvency Service. Meetings are held every two weeks to discuss the latest intelligence about incidents of investment fraud, relying heavily on reports from victims. Trading Standards led inspections then take place at premises of concern to disrupt activities. Finding an active 'boiler room' in the City is now quite rare but disruption normally takes the form of suspending websites and disabling telephone numbers. Many investment fraudsters pretend to have a City based address as part of the overall deception and so the work of Trading Standards is vital to protect the reputation of the Square Mile.
6. Trading Standards have developed excellent working relationships with serviced office providers in the City, including most of the iconic buildings who are targeted for their prestigious addresses. There are also around 110 mail forwarding providers in the City who have traditionally been used to provide a legitimate base which creates an illusion of respectability. A robust approach is taken with the enforcement of the London Local Authorities Act 2007 which regulates how they can conduct their business and we now have an excellent working

relationship with the mail forwarding sector.

7. The relationship between Trading Standards and the City of London Police is very good and many examples of partnership working can be cited. In the last few months, Trading Standards have given assistance with Police prosecution cases, providing important evidence from historic Operation Broadway inspections. The relationship has now extended to working with the City of London Police based Insurance Fraud Enforcement Department (IFED).
8. Of particular concern to Trading Standards is the impact of investment fraud on the victims. Regular reports are received where victims have lost life changing sums of money, and everything is done to help them. A voluntary scheme called the Contingent Reimbursement Model was introduced in 2019 which allows fraud victims to claim their losses back from their bank where the bank has not taken reasonable steps to prevent funds being transferred to criminals. Trading Standards has successfully helped victims to use this code but there is still more that the major banks could do to stop investment fraud. The weakest point in any fraud is where the money changes hands which means that the banks are key players and have important responsibilities.
9. Trading Standards have developed skills in dealing with investment fraud victims and have very difficult conversations with them. Often, the victim has told nobody else, and part of the task is to get them to start talking. Losing life changing sums of £50,000 plus is sadly becoming more common and, on occasions, the team will refer victims to their Local Authority Adult Services Department where we have worries about their mental health and wellbeing.
10. One trend that is now very apparent is that criminals are asking victims to pay with cryptocurrencies. This is most likely because the banks are getting better in preventing fraudulent payments. Crypto exchanges are largely unregulated, and it appears that there is very little effort made by them to question large and unusual transactions. This is something that Trading Standards would like to see change and we do have some contacts with the crypto exchanges. This is a fast-evolving environment and His Majesty's Government has stated it has an appetite to turn the UK into a global hub for crypto. This maybe something that the City will embrace But, clearly, consumer protection is also a key consideration.
11. In addition to the work on investment fraud, Trading Standards are dealing with the sale of vaping products, which are now very popular. Vapes were originally devised as a less risky alternative to smoking tobacco products. However, there has been a sharp rise in popularity of vapes over the last couple of years and this is now a major national issue, particularly with young people being attracted by the child appealing designs and flavours. There are strict legislative controls in place to regulate the safety aspects of vapes, but the UK is awash with non-compliant products. The non-compliant products have been found to have liquid nicotine chambers that are far larger than permitted, contain liquid nicotine that is far stronger than permitted and which fail to carry the appropriate warning labels. In the City, Trading Standards have been conducting visits to retail premises and in one case, seized non-compliant vapes with a retail value of £40,000. Even with

legal vape products, it is currently unknown what the long-term health effects are of using nicotine inhaling products. In addition, there are growing concerns about the environmental impact when disposing of single use vapes and it is therefore interesting to note that Caroline Johnson, Tory MP for Sleaford and North Hykeham, has introduced a private member's bill to prohibit their sale.

12. Trading Standards are now involved in a 2023 to 2025 service level agreement (SLA) with the City and Hackney Public Health Team. There will be collaborative working with Hackney Trading Standards to continue work on tobacco control, to continue enforcement on vape related products and there are plans to get involved with underage test purchasing exercises which have not taken place in the City for several years.
13. The housing crisis, particularly in London, has led to an increase in work relating to the activities of letting agents. Letting agents are covered by a range of consumer protection legislation which means that any deposits paid by renters must be protected, membership of a redress scheme is compulsory, and all prices must be clearly displayed. In the City, we have very few traditional letting agents with shop fronts, but we are currently dealing with those online agents that use a City of London address as their registered office and we are endeavouring to ensure that they comply with the relevant legislation.
14. We also get many complaints and enquiries about web-based businesses who want to claim an association with the Square Mile. This can be a legitimate association through use of a registered office address or, increasingly common, through fraudulent claims to have a City address when that simply is not the case. At present, the rules that govern the operation of Companies House are enabling fraudulent businesses to establish themselves quite easily, but things are changing this year with the Economic Crime and Corporate Transparency Bill which should become law later this year. City of London Trading Standards have good contacts at Companies House, and we are following the new legislation very carefully.
15. A future issue for Trading Standards is the move for the UK to become a net carbon zero economy. Government policy is encouraging us all to start installing green heating and insulation in our homes as our dependence on fossil fuels is reduced. Unfortunately, when Government start encouraging consumers to do the right thing by offering grants for work in the home, this attracts fraudulent businesses who seek to exploit the situation for their own benefits. Our Trading Standards Manager is the Lead Officer for the Chartered Trading Standards Institute on green heating and energy related matters. Protecting consumers as we move towards net carbon zero is a growing priority and we are engaged on a national level with businesses, national agencies such as the Competition and Markets Authority and BEIS.

## **Corporate & Strategic Implications**

None

## **Conclusion**

16. Trading Standards in the City of London are a very small team that enforces a very wide range of legislation aimed at protecting consumers. Due to the enforcement powers that it has, it means that Trading Standards sometimes have levers that can be used to influence business behaviours and it means that partnership working can be very productive.

## **Appendices**

None

## **Background Papers**

None

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