

In Focus: When things go wrong May 3 2023

## Govt cold calling ban will build trust in the industry, say advisers

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Penels/Negative-space

By Jane Matthews

The government's ban on financial cold calling has been welcomed by financial advisers who say the move will help build trust in the financial industry.

Prime minister Rishi Sunak announced today (May 3) an outright ban on all financial cold-calling in a bid to tackle fraud.

As part of the government's fraud strategy, all cold calls on financial products will be outlawed so that anyone who receives a call from someone about a crypto currency scheme or insurance will know it is a scam.

Alongside this, the government will also outlaw so-called 'SIM farms'.

SIM farms are devices used by fraudsters to send bulk spam SMS messages to potential victims.

Responding to the announcement, advisers said the move will be a positive one for the industry.

"This is good news," Ross Lacey, director of Fairview Financial Management told FTAdviser.

"There are still dodgy, unregulated firms out there cold-calling to entice potential clients with empty promises of guaranteed returns on wacky investments, or cheap-as-chips insurance policies that provide endless amounts of cover.

"This will hopefully help drive clients toward proper, regulated financial advice."

According to the UK government, fraud now makes up 40 per cent of all crime and costs almost £7bn a year.

Research by Canada Life last year found that 38 per cent of people who had been targeted by fraudsters were contacted by a cold call.

One in six of these scams were related to crypto currency.

A number of financial scams were made prominent last year. In one instance, HM Revenue & Customs issued a warning for new homeowners to watch out for cold calls from "rogue" tax repayment agents which could leave them with large tax bills.

Gary Bush, a financial adviser at MortgageShop.com, said the ban will help improve trust in the advice industry among the public.

"Only bad can come from companies being allowed to mass-call members of the general public," Bush said.

"Financial product transactions need copious amounts of discussion, explanation, documentation, and time for the receiver to absorb.

"Having been involved in the last 35 years in all techniques of marketing of financial products in the UK our current position of providing assistance where requested is a much more professional standpoint to take and the clients seem to love it," Bush added.

Paul Holland, owner of Henchurch Lane Financial Services said the issues with financial cold calling was "another example of a small portion of people ruining it for the masses."

Holland said: "As a protection adviser, we once had a business model that included it and for a period of time it was actually a productive method of conducting business with people that would otherwise be unaware of the products that they could take advantage of or that would benefit them.

"The issues lies in the fact that there are too many organisations who abuse this method of contact and selling."

Other advisers were more sceptical of the announcement.

"Whilst, in theory, this is great news, the reputation of dedicated hard-working professionals has been tarnished enough by scammers using cold-call techniques, it is simply another rule," Scott Taylor-Barr, a financial adviser at Carl Summers Financial Services said.

"These sorts of people don't follow the existing rules in the main, so why is this one suddenly going to be any different?"

"There are rules governing social media posts, but a quick trawl of any social media platform will bring up dozens of ads and posts that don't comply. We are not suffering from a lack of rules to tackle poor and illegal practices, we are suffering from a lack of robust enforcement of those rules."

Rachael Griffin, a tax and financial planning expert at Quilter said: "This is a good move from the government that should help fight fraud. However, the unintended consequence of this may be that it pushes more fraud online, a place already teeming with dubious and downright fraudulent financial propositions.

"It is therefore more important than ever that the government gets on with enacting the Online Safety Bill so that people can be better protected online and also safer from cold calls."

### 'A scourge on society'

Meanwhile, providers welcomed the extension of the cold calling ban, which already applies to pensions.

Steven Cameron, pensions director at Aegon, said: "Scammers are a scourge of today's society, often tricking people out of savings they've spent a lifetime

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building up.

"Government, regulators and financial services firms all need to work together to do everything possible to protect our customers. The scammers put huge efforts into finding new 'creative' ways of tricking people and just as much effort needs to be put into finding ways of keeping customers safe. It's an ever evolving picture but a blanket ban on cold calling is a good start."

Likewise, Tom Selby, head of retirement policy at AJ Bell, said financial scams are a "scourge on society and ruin lives", so any move to protect more consumers from different types of fraud is extremely welcome.

Selby said governments cannot stop scams altogether, but they can place significant barriers in the way of those intent on committing fraud.

"According to UK Finance, an estimated £1.3bn was stolen through financial fraud in 2021," he said. "These scams will often begin with an unsolicited approach from someone via phone, text message, email or on social media.

"For this cold-calling crackdown to work we need two things: tightly worded legislation, to ensure nefarious contacts are specifically targeted, and a legitimate threat of enforcement where someone breaks the new rules. The plans also need to go hand-in-hand with greater responsibility being taken by internet giants like Google for paid-for scam adverts, something which the online safety bill can hopefully bring into UK legislation."

Selby said the successful campaign to ban pensions cold-calling in 2019 was never supposed to be just about pensions.

"We have always warned that the vast majority of fraud takes place outside of pensions, usually in the form of investment 'opportunities' that turn out to be at best missold and at worst entirely non-existent," he said.

"The ban on pensions cold-calling therefore needed to be seen as the beginning of a wider effort to tackle scams more generally and beef-up education. The pandemic and the subsequent cost-of-living crisis have both resulted in rising vulnerability in the UK which, depressingly, is like blood in the water to fraudsters. The pandemic in particular has also, understandably, likely meant progress in tackling scams has not been as fast as some would have liked."

He added: "The grim reality is that, even with new rules and tough enforcement, scammers will continue their attempts to plunder people's hard-earned savings. It is therefore vital, regardless of what the government does, that Brits keep their wits about them and are cautious when they are contacted out of the blue by someone they don't know about their finances. Much of this is common sense, but it could save you from financial misery."

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