Fraudulent Advertising Codes Consultation

Annex 8: Further detail on economic assumptions and analysis

Consultation

Published 10 July 2026
Closing date for responses: 02 October 2026

A8. Further detail on economic assumptions and analysis

A8.1 This annex provides further information related to the analysis which has been used to support our provisional conclusions for some of the proposed measures included in the Fraudulent Advertising Consultation. We outline:

a) the assumptions we have used to develop quantified cost estimates across a number of the proposed measures; and
b) the assumptions and analysis used to develop quantified benefits estimates to support our provisional conclusions in the Combined Impact Assessment.

Our general approach to estimating costs

A8.2 When estimating the costs associated with implementing a proposed measure, we have sought where appropriate (or feasible), to quantify the costs in-scope service providers will incur at the different stages of implementing the proposed measure. These relate to both one-off as well as ongoing costs. More specifically, we have sought to estimate the following cost categories (where appropriate):

a) **One-off costs of building the technical infrastructure (initial build costs):** These costs would seek to capture the engineering effort as well as any other labour and technical inputs services would use to build or adapt the technical infrastructure required to implement a proposed measure.
b) **One-off costs of setting up the required systems and processes (initial set-up costs):** These costs would primarily capture the staff effort to set up or adapt systems and processes (e.g., workflows, internal policies etc) required to implement a proposed measure.
c) **Ongoing maintenance costs (annual maintenance costs):** We recognise that when a proposed measure requires services to incur an initial cost (e.g., to build technical infrastructure or to set up systems and processes), additional costs would be incurred on an ongoing basis to ensure that the underlying infrastructure (or in general the underlying systems and processes) continue to operate as intended. These costs are intended to capture inter alia, regular systems updates, troubleshooting, as well as ongoing staff training.
d) **Ongoing operational costs (ongoing costs):** These costs are intended to capture labour and non-labour costs services providers would incur on an ongoing basis to operate the technical infrastructure and the systems and processes required to implement a proposed measure. For example, these would capture ongoing costs of reviewing and moderating content.[1]

[1] Where we consider that there are minimal ongoing costs, we assume these would largely be captured by maintenance costs and have not sought to quantify them.

A8.3 We have not been able to obtain estimates for all cost categories or for all proposed measures. Where we have not been able to quantify costs, we have sought to describe them.

General cost assumptions

A8.4 In this section we set out the general assumptions underlying our cost estimates we have used across our proposed measures. In our estimates, we have, where appropriate, made additional assumptions that are specific to that proposed measure. These assumptions are described in the costs sub-sections of the relevant sections of the Consultation where we set out our proposed measures (see Volumes 2 to 4).

A8.5 To inform our approach to costs we have drawn on a range of evidence and sources. This includes publicly available data, published articles, evidence gathered through our statutory requests for information and engagement with industry experts. We have used this evidence to develop our approach and assumptions about the key steps providers would be expected to take to implement a proposed measure, the types of resources they would likely need, the time it would take to implement the proposed measure etc.

A8.6 The resulting approach reflects our understanding of the steps and resources a service would be expected to require to implement the proposed measures. Considering the significant differences between services' existing systems and processes and the degree to which they could leverage these in practice, our approach and resulting cost estimates should be interpreted as indicative.

Price level

A8.7 We have used the Annual Survey of Hours and Earnings ('ASHE')[2] to develop estimates for the labour cost required to implement some draft codes measures.[3] All quantified estimates of costs or benefits are provided in 2025 prices, unless otherwise stated.

Labour costs

A8.8 Where appropriate, our general approach to estimating labour costs largely uses the same assumptions we used in the April 2025 Statement on Protecting Children from Harms Online (April 2025 Statement) and in the 2025 Additional Safety Measures consultation (June 2025 Consultation).[4] We have done this to ensure methodological consistency across our publications. In the Consultation we refer to these as our standard wage assumptions.

A8.9 To develop our estimates for labour costs, we have used the gross full-time earnings for the occupations corresponding to the Standard Occupational Classification ('SOC')[5] codes listed below. These occupations have been selected on the basis that they best correspond

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[2] Office for National Statistics ('ONS'), 2025. Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics. Data is provisional at time of writing. [accessed 1st April 2026]. We used earlier versions of the same data set to estimate labour costs in the April 2025 Statement on Protecting Children from Harms (2023 ASHE data) and in the 2025 Additional Safety Measures Consultation (2024 ASHE data).

[3] This includes measures in Volume 4, Section 2, 'Advertising moderation', Section 4, 'Advertising complaints' and Section 5, 'Ad libraries', Volume 2, Section 3, 'Fraud indicator assessment', Section 4, 'Governance and accountability', and Section 5, 'Testing advertisement generation tools'.

[4] Additional Safety Measures Consultation, Online Safety. OFCOM (June 2025)

[5] We are using Standard Occupational Classification 2020 (SOC 2020), which according to the ONS is the latest update - SOC 2020 - Office for National Statistics.

to the job and skill categories we consider would likely be involved in implementing the proposed measures.[6]

- **Programmers and software development professionals (SOC 2134)** to estimate the cost of 'software engineer' time. We have also used the salary corresponding to this occupational code to estimate the cost of time from other specialised professionals (e.g., data scientists and data engineers) that would likely be involved in the development of the technical infrastructure required to implement some of the proposed measures.[7]
- **Database administrators and web content technicians (SOC 3113)**[8] to estimate the cost of 'content moderator' time.
- **Business, media and public service professionals (SOC 24)** to cover a range of 'other professional occupations' that are employed at various online services and might be required to implement draft codes measures (where more detailed information about the required specialisations is not available).
- **Graphic and multimedia designers (SOC 2142)** to account for the expertise required in designing user interfaces and visual content. This also covers user experience 'UX' designers that ensure the proposed codes measures are accessible and easy to find for all users.[9]
- **IT project managers (SOC 2131)** to estimate the cost of 'managers' time
- **Solicitors and lawyers (SOC 2412)** to estimate the cost of any 'legal' resource.
- **Customer Service Occupations (SOC 72)** to estimate the cost of any 'advertiser communications and support queries' time.

A8.10 For each occupation we are using a salary range to reflect uncertainties surrounding the wages faced by providers of in-scope services in the different markets they operate as well as in different seniority levels for the resource required. The lower bound of that range corresponds to median gross full-time earnings for the corresponding SOC code in the ASHE 2025 data (which we have adjusted by applying a 22% uplift to account for non-wage labour costs, such as employers' National Insurance contributions). [10] The upper bound, corresponds to double the median gross full-time earnings. Table 1 summarises the labour costs for different time periods for each of the listed occupations.[11]

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[6] ASHE documentation does not explicitly state that gross salaries include bonuses, but our understanding is that the gross pay includes bonuses, tips and other payments.

[7] In the ASHE data, IT business analysts, architects and systems designers (SOC 2133) are classified as a sub-category within Telecoms and related network installers and repairers (SOC 5242). Salaries for this group are very similar to those for Programmers and software development professionals (SOC 2134). We therefore use SOC 2134 as a proxy for estimating these labour costs.

[8] This four-digit SOC 2020 code (unit group code 3133) includes occupations such as content, chat, web, and website moderators as well as other occupations such as database administrators and web content. technicians.

[9] A UX designer is used in our proposals about making advertising complaints systems and processes easy to find, access and use. For more information see Volume 4, Section 4, 'Advertising complaints'.

[10] ONS recommends dividing the 'employer's social contributions (D.12)' by 'wages and salaries (D.11)' to arrive at the uplift. Both series are published as part of the annual UK National Accounts: Blue Book time series. They provide economy wide estimates of D.11 and D.12 annually. At time of writing, the most recent data available is for 2024. [accessed 27 March 2026].

Table 1: Low and High Estimates of Labour Costs.

Occupation	Low	High
	Annual labour cost estimates	
Software engineer	£68,000	£135,000
Content moderator	£44,000	£88,000
Professional occupations	£55,000	£110,000
Graphic and multimedia designers	£38,000	£76,000
IT project managers	£71,000	£141,000
Solicitors and lawyers	£65,000	£130,000
Customer Service Occupations	£31,000	£61,000
	Monthly labour cost estimates	
Software engineer	£5,600	£11,300
Content moderator	£3,700	£7,300
Professional occupations	£4,600	£9,200
Graphic and multimedia designers	£3,200	£6,300
IT project managers	£5,900	£11,800
Solicitors and lawyers	£5,400	£10,800
Customer Service Occupations	£2,500	£5,100
	Weekly labour cost estimates	
Software engineer	£1,500	£3,000
Content moderator	£1,000	£2,000
Other professional occupations	£1,200	£2,400
Graphic and multimedia designers	£800	£1,700
IT project managers	£1,600	£3,100
Solicitors and lawyers	£1,400	£2,900
Customer Service Occupations	£700	£1,300
	Daily labour cost estimates	
Software engineer	£300	£590

Occupation	Low	High
Content moderator	£200	£390
Professional occupations	£240	£480
Graphic and multimedia designers	£170	£330
IT project managers	£310	£620
Solicitors and lawyers	£290	£570
Customer Service Occupations	£130	£270

Source: ONS (2025), Annual survey of hours and Earnings. Include 22% uplift. Calculations are performed based on the median gross salary and then uplifted by 22%.

Notes: The figures are based on annual earnings, and we have calculated the respective monthly, weekly and daily estimates.[12] *Annual figures have been rounded to the nearest thousand, monthly and weekly figures have been rounded to the nearest hundred and daily figures have been rounded to the nearest tens.*

A8.11 As a UK-based regulator we consider it appropriate to use UK earnings for our labour cost estimates. We acknowledge however that in-scope service providers are global enterprises and that in practice, median UK wage rates may differ from the wage rates they encounter in different markets.

- Median UK wage rates may understate wages of US-based employees, particularly more senior employees. Providers of large services are likely to be offering highly competitive salaries.[13] Our salary range is sufficiently wide in order to account for this, but we acknowledge that it may under-represent the labour costs faced by some in scope services.
- Conversely, providers of large services may outsource some relevant work to locations where average pay is lower than the UK, which may reduce costs. To the extent this is the case, our salary range may tend to overstate costs.

A8.12 Where our cost estimates account for input from senior management, we have used salary estimates from other sources.[14] In previous publications,[15] we estimated annual labour

[12] When producing cost estimates for the proposed measures, we have used resourcing estimates based on different time periods (e.g. days/weeks/months) suitable for the particular measure. The annual wages are derived from the ONS, 2025 Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 - Office for National Statistics, Table 14.7a Gross annual pay for full-time employees, 2025 provisional estimates. Monthly, weekly and daily wages are all derived from this annual figure. The monthly wages are derived from dividing the annual wages by the number of months in a year (12). The weekly wages are derived by dividing the annual figure by 45.54. The daily wages are derived from dividing the annual wages by the number of working days in a year. We assume on average there are 228 working days in a year. This assumes people work 5 days a week and that there are 8 bank holidays and on average people take an additional 25 days leave a year. [accessed 1 April 2026]

[13] In response to our Request for information issued 30 January 2026, [✂] submitted that the estimated wage range for a software engineer would be [✂] compared to our estimated range of £67,816 to £135,632.

[14] See Volume 4, Section 5, 'Ad libraries'. See Volume 3, Section 2, 'Accounts checks and actions'. See Volume 2, Section 4, 'Governance and accountability'.

[15] See Protecting people from illegal harms online, Annex 5: Assumptions on costs and further analysis on costs and benefits.

costs for senior managers and senior leaders at £122,000–£183,000.[16] These estimates have been updated using recent growth in whole economy earnings. The revised annual labour cost range is £141,000–£212,000.[17]

A8.13 We also included S&P 500 Independent Directors, which was previously estimated at £310,000 per year.[18] Based on the latest 2025 published data, this has been updated to £314,000.[19]

A8.14 When estimating labour costs for a proposed measure, we combine our wage assumptions with assumptions on:

a) the number of FTEs from each occupation that would be required and;

b) the time period we expect providers would need in order to complete each relevant task we expect would be required to implement each proposed measure.[20]

We obtain a range of estimates for labour costs where the lower bound corresponds to the 'low' wage for each relevant occupation (as summarised in Table 1 above) combined with the lower end of the estimated range for the number of FTEs required from each relevant occupation and the number of time units (days, months, weeks, years) to implement the changes required. The upper bound corresponds to the 'high' wage for each relevant occupation (as summarised in Table 1 above) combined with the higher end of the estimated range for the number of FTEs required from each relevant occupation and the number of time units (days, months, weeks, years) required to implement the changes required.[21]

A8.15 The resulting ranges are sufficiently wide to account for expected differences in the scope and the complexity of the changes services would be required to implement to comply with their duties under the proposed codes. Categorised services currently have different systems and processes in place, which may have been developed over decades, and as a result they may face different challenges in implementing the proposed measures. Categorised services also vary in relation to the scale and format of the advertisements

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[16] This is based on simple assumptions we have made of £100,000 salary for a senior manager and £150,000 salary for a senior leader, which are then uplifted by the 22% uplift for non-wage labour costs.

[17] Using ONS, 2026. AWE: Whole Economy Year on Year Three Month Average Growth (%): Seasonally Adjusted Total Pay Excluding Arrears. [accessed 26 June 2026], we have updated these figures to account for cumulative growth since 2023.

[18] Protecting people from illegal harms online, Annex 5: Assumptions on costs and further analysis on costs and benefits.

[19] The average total compensation for S&P 500 directors (excluding independent chairs' fees) is $336,352 according to a report by Spencer Stuart, a leadership consultancy. Source: Spencer Stuart, 2025. 2025 U.S. Spencer Stuart Board Index. [accessed 15 May 2026]. Converted to GBP (using average exchange rate for November 2025 calculated from Bank of England data, the resulting annual wage is £255,627 to which 22% uplift is applied to account for non-wage labour costs. https://www.spencerstuart.com/-/media/2025/10/ssbi2025/2025-us-board-index.pdf.

[20] Our assumptions on the time to complete each relevant task we expect would be required to implement a proposed measure reflect net FTE input and do not account for internal administration and governance processes.

[21] For example, where we consider that to implement a proposed measure services would require between four and eight weeks using input from three to five software engineers, we would estimate the respective costs to be between £17,868 (3 engineers working for four weeks at a weekly rate of £1,489 per engineer) and £119,120 (5 engineers working for eight weeks at a weekly rate of £2,978 per engineer).

they host, which could also affect the complexity and timescales needed to implement our proposed measures.

Non-labour costs

A8.16 In addition to labour costs, some of the proposed measures may also involve non-labour costs. These may include:

a) Data storage costs – relating to the cost associated with storing and maintaining data. These costs are influenced by many factors, including the scale and type of data (storage of text data is relatively cheap compared to the storage of video), the type of storage media used, the frequency of data access, etc. Given in-scope service providers' core business model and the amount of data generated and stored on their platforms we generally consider that any storage costs associated with complying to their duties would be incremental in nature and would account for a small share of their overall storage costs.
b) Compute costs - relating to processing power, memory, networking and other resources required when analysing and processing data, training machine learning models etc. Given in-scope service providers' core business model includes their advertising operations we generally consider that any costs associated with complying with their duties would be incremental in nature and would account for a small share of their overall compute costs.

Maintenance costs for System Changes

A8.17 Where system or other software changes associated with a proposed measure involve an initial cost, we have assumed an ongoing annual maintenance cost of 25% of the initial cost. We apply this assumption unless we have more specific information about the ongoing maintenance costs related to a specific proposed measure.[22]

Our approach to assessing benefits

A8.18 In this section we describe our approach to estimating the expected benefits of the draft Codes. Our approach involved the following steps:

a) First, we derived an estimate of the direct cost to UK users of search and user-to-user services that have been victims of fraudulent advertising. In doing so, we sought to account both for direct monetary losses as well as the negative impact on victims' wellbeing.
b) Second, we estimated the annual cost of online fraudulent advertising for the UK market as a whole. We have tried to account for the wider economic and social costs borne by businesses, the public sector and society more broadly.
c) Third, we estimated the benefits we expect the draft Codes would deliver to UK users.

A8.19 There is limited consistent and comparable evidence available on the scale and nature of harms related to online fraudulent advertising in the UK. Our analysis therefore synthesises evidence from different sources (surveys, fraud reporting data and administrative sources). We have used this evidence to inform our assumptions and cross-validate our estimates.

[22] We applied this assumption in our costing work for several of our recommended measures in our December 2024 Statement and April 2025 Statement. We did not receive any feedback from stakeholders on this assumption and have therefore kept it consistent with this work.

A8.20 Despite our best efforts to ensure robustness (e.g., testing the sensitivity of our results using different modelling assumptions or evidence sources), we acknowledge that some uncertainty is inherent in our approach. We are however satisfied that our results are sufficiently robust.

Assessing the cost to victims of fraudulent advertising

A8.21 Our analysis uses the results of research commissioned by Ofcom relating to users' experiences with fraudulent paid-for advertisements on search engines, social media and video-sharing platforms (Ofcom survey).[23]

A8.22 Drawing on responses in relation to monetary losses suffered as a result of survey participants' last experience engaging with a fraudulent online paid-for ad,[24] we estimated the average amount lost was £1,137.[25] For our analysis, we consider this to be the average amount lost by UK users as a result of incurring monetary losses to fraudulent advertising.

A8.23 Our approach is subject to limitations largely shaped by the characteristics of the available survey data. A known limitation of survey data in general is recall bias. For example, respondents who have lost relatively small amounts may have forgotten about the loss and report that they did not lose any money.[26] The survey included questions about fraudulent advertising involving significant financial losses. Since such events are rare, no specific timeframe was given, so responses may reflect losses from years past.[27] Finally, although we tried to align participants' responses about paid fraudulent advertising with the definition in the Act, we recognise that their experiences and answers may not always correspond exactly.

A8.24 Monetary losses are not the only negative impact incurred by victims of fraud. According to the Ofcom survey, 54% of respondents who reported that they lost money the last time they engaged with a fraudulent paid-for advertisement also reported suffering an immediate negative impact on their wellbeing (at varying levels), while 33% reported a

[23] Ofcom, 2026. Online paid-for advertisements research.

[24] In response to Question 16 ("How much money, if any, did you lose as a result of your last experience engaging with a fraudulent online paid-for ad?") of the online paid-for advertisements research, 17.5% of respondents indicated they lost between £1-£99; 5.8% of respondents indicated they lost between £100-£999; 1.9% of respondents indicated they lost £1,000-£9,999; 0.5% of respondents indicated they lost £10,000-£19,999 and; 0.4% of respondents indicated they lost over £20,000. Another 0.9% responded they did not know, 2.0% chose not to respond and the remaining 70.9% responded that no money was lost.

[25] For each range we used the midpoint as the reported loss (e.g., for the range £1-£99 we use £50). The only exception was the last range (£20,000 or above) where we used the lower bound as the reported loss (i.e., £20,000). We then calculated the weighted average of reported losses using as weights the number of respondents corresponding to each range of reported loss. The resulting average loss is £1,099. We assume this is expressed in 2024 prices, as the survey was conducted in 2024. We then uprate this figure to 2025 prices using the ONS CPI Index 00: All Items 2015=100, released 20 May 2026.

[26] See Victim's Commissioner Report (October 2021) Who suffers fraud? Understanding the fraud victim landscape (accessed 10 February 2025).

[27] To account for this, we have also obtained an alternative estimate of the average amount lost by UK users, assuming that participants' responses relate to lifetime experiences. More specifically, we assumed that the reported monetary losses are spread across the last 20 years. We have used ONS data on the growth of reported fraud to account for how average losses have grown over the same timeframe. We estimate that the average year that money was lost was 2015 and adjusting for cumulative inflation, we estimate that the average loss in 2025 prices would be £1,522.

long-term negative impact on their wellbeing.[28] To quantify the monetary value of the negative wellbeing impact on victims of fraud, we use estimates from Which? Consumer group's 2021 analysis[29]. The Which? analysis, captures the wellbeing impact of fraud in general and is not focussed on victims of fraudulent advertising. Assuming that Which? results apply to victims of fraudulent advertising and adjusting for inflation, we place the average monetary value of the wellbeing impact relating to fraudulent advertising at £3,221 (in 2025 prices).

Assessing the market-wide impact of fraudulent advertising

A8.25 We estimate that on between 181,000 and 202,000 UK users lose money because of engaging with a paid-for fraudulent advertisement every year. This is based on the following assumptions:

a) Approximately 8% of users report losing money through fraudulent adverts.[30]

b) The number of users of Category 1 and 2A services is between 46.3 million[31] and 51.6 million.[32]

c) Between 3.6 million and 4 million UK users have lost money as a result of engaging with an online paid-for fraudulent advertisement over the last 20 years.[33]

d) The average amount lost was £1,137 (in 2025 prices).

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[28] In response to Question 19: "After the fraud or scam you last experienced because of an online paid-for ad, on a scale of 1 to 10 (where 1 means 'strongly disagree' and 10 means 'strongly agree') to what extent do you agree with the following statement? It had an immediate negative impact on my mental wellbeing" and Question 20: "After the fraud or scam you last experienced because of an online paid-for ad, on a scale of 1 to 10 (where 1 means 'strongly disagree' and 10 means 'strongly agree'), to what extent do you agree with the following statement? It had a long-term negative impact on my mental wellbeing.", agreement with the statements included a score from 7 to 10. Ofcom, 2026. Online paid-for advertisements research.

[29] Which?, Scams and subjective wellbeing: evidence from the Crime Survey for England and Wales, research report, November 2021 (accessed 22 May 2026). Which? analysis estimated the average monetary value of the negative wellbeing impact suffered by fraud victims at £2,509 (in 2019 prices). Which? Estimates are based on HM Treasury, Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance, July 2021 (Accessed 22 May 2026). To express their estimates in 2025 prices, we have used ONS inflation index data. We note that Which? analysis relates to fraud in general rather than specifically fraud from online paid for advertising.

[30] According to Ofcom's survey, 30% of survey participants reported that they had engaged with a fraudulent paid-for advertisement and 26% of those who had engaged with a fraudulent paid-for advertisement reported that they had lost money (this is equivalent to 7.8% of survey participants). Ofcom, 2026. Online paid-for advertisements research.

[31] Estimate of YouTube UK user base. Ipsos, Ipsos iris Online Audience Measurement Service, May 2025, age: 18+ internet users, UK. [Also referenced in Ofcom's Online nations report 2025, p. 22]

[32] According to Ofcom analysis, 95% of the UK population over 16 years of age has access to the internet. Online nations report 2025. We estimate that 51.6 million people are over 16 and have access to the internet in the UK, using the ONS population estimates Population estimates by demographic factors, 16 years and older and 16 to 24 years, by UK country, 2024, ad hoc release 2871, released 9 June 2025. (Accessed 20 June 2026). According to Table 1 (Annual Population Survey, Household dataset, January to December 2023, Weighted 2022) the UK population over 16 years of age was 54.3 million in 2023.

[33] Multiplying 7.8% with the upper and lower bound of our UK users range.

e) This corresponds to 181,000 to 202,000 users[34] losing between £206 million and £222 million on average each year.[35]

A8.26 Combining the above assumptions with the Which? analysis outlined in paragraph A8.25 above we estimate the monetary impact of reduced wellbeing at between £193 million and £215 million per year. [36]

A8.27 We estimate the total annual losses from fraudulent advertising are £399 million to £445 million. This likely understates the true impact as it does not adequately account for follow-on harm victims of fraudulent advertising are prone to experiencing.

A8.28 Table 2 summarises our baseline approach and results.

Table 2: Summary of baseline estimates of harm from fraudulent advertising to UK users that are victims of fraudulent advertising.

(Per year)	Lower bound	Upper bound
UK services users (as in 2024)	46,313,000	51,585,000
Average number of victims of online fraudulent advertising (est)	181,000	202,000
Monetary loss to fraudulent advertising (est)	£206,092,000	£229,551,000
Expected number of people at risk of a negative impact on long term wellbeing	60,000	67,000
Monetary value of wellbeing impact (est)	£193,151,000	£215,137,000
Total monetary loss to fraudulent advertising (est)	£399,243,000	£444,689,000

Notes: Ofcom estimates

A8.29 Our approach has several limitations.

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[34] As explained previously, the survey questions are not focussed on a specific timeframe (e.g. the last year) and as a result, responses may relate to experiences that took place at different points in time. To arrive at an estimate for the average yearly number of victims of fraudulent advertising, we have therefore interpreted the responses as relating to experiences over participants' lifetimes (or the last 20 years for modelling purposes). Therefore assuming that the experiences of the 3.6 million to 4 million UK users that have lost money as a result of engaging with a fraudulent advertisement extend over a period of 20 years, the resulting average number of victims per year is between 181,000 and 202,000 assuming no growth in prevalence of fraudulent advertising over this period.

[35] We multiplied the average number of users expected to lose money to online fraudulent paid-for advertisements with the estimated average value of losses in 2025 prices.

[36] Assuming that 33% of victims of fraud will suffer long term negative wellbeing impact (see A8.25) we estimate that between c.60,000 and c.67,000 UK users per year will incur a negative wellbeing impact. Using uprated Which? estimates of the monetary value of the wellbeing impact victims of fraud experience, we calculated the expected wellbeing related losses to be between £193 million and £215 million per year.

The Ofcom survey data does not specify a timeframe. As a result, we have made a series of assumptions to convert lifetime experiences into annual impacts, including assumptions about the relevant time horizon, the change in fraudulent advertising over this time horizon etc.

In forming our baseline approach, we have deliberately been cautious not to overstate the level of harm. Estimates corresponding to alternative approaches are higher than our baseline estimates. For example, when we:

- reduce the relevant time horizon from 20 years to 10 years; or
- used different evidence sources, such as UK Finance's Annual Fraud Report 2025[37] and evidence on reporting rates of victims of fraud,[38]

the estimates are all significantly larger than our £399-445 million baseline.

A8.30 Our baseline estimates closely compare with results of analysis commissioned by the Department of Digital Culture, Media and Sport in 2022 which estimate the loses from fraudulent online adverts as about £400 million (or £509 million in 2025 prices after our adjustment for inflation).[39]

Wider costs of fraudulent advertising

A8.31 There are other market-wide costs of fraud. Central government analysis of the economic and social cost of fraud indicates that financial losses and emotional harms incurred by victims of fraud following an incident of fraud account for around 55% of total fraud costs, with the remaining 45% arising from wider impacts on businesses, the public sector and society more broadly.[40] These indirect costs include, among other things, the expenses and resources allocated by businesses to prevent fraud, as well as those devoted by law enforcement and fraud prevention agencies to address its consequences.

A8.32 This suggests that accounting for the costs to the wider economy and society could bring the total annual impact of fraudulent advertising in the range of £726 million to £809 million per year. The total costs of fraudulent advertising are likely to be even higher if they included the opportunity cost of losses from fraudulent advertising i.e., the cost from diverting resources and expenditure away from more productive uses.[41]

Impact over the coming years

A8.33 Considering a ten-year time horizon, we estimate that the net present value of the impact of paid-for fraudulent advertising would be up to £6.7 billion.[42]

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[37] UK Finance (2025). Annual Fraud Report 2025. UK Finance. [Accessed September 2025].
[38] National Crime Agency. Fraud and economic crime. [Accessed April 2026].
[39] This analysis also has some limitations: The data they use is not limited to paid-for advertising but may also include fraud initiated on organic search results and social media posts. Moreover, it only captures reports where victims self-reported relevant keywords. Spark Ninety Online Advertising Programme Market Insights, Final Report, 11th July 2022. [Accessed June 2026].
[40] HM Government (2024). Economic and social cost of fraud: 2023 to 2024. [accessed April 2026].
[41] This is also consistent with the central government analysis cited in footnote 52. Authors acknowledge that there are various potential costs of fraud to society that have not been accounted for including the opportunity cost of losses "such as missed investment opportunities or further impacts on consumption levels of individuals".
[42] To calculate a ten-year net present value, using a 3.5% discount rate, in line with HM Treasury's Green Book. The discount rate reflects the fact that impacts occurring in the future are valued slightly less than those occurring today.

A8.34 Consistent with our approach to costs, we do not account for growth in fraudulent advertising in our estimates. This avoids relying on uncertain forecasts and allows for a clear comparison between benefits and costs. On the other hand, our approach likely understates what the expected cost of fraudulent advertising for UK users and the UK economy would be in the absence of the draft Codes.

Assessing the expected benefits of the draft Codes

A8.35 The estimates set out above describe the impact fraudulent advertising has on UK users and the UK economy. However, these estimates do not necessarily reflect the benefits the draft Codes would be expected to deliver. The scope and scale of these benefits depend on (i) the decrease in the harm that will occur as a result of the draft codes (i.e. current level of harm prevented), as well as; (ii) how the harm associated with online advertising would develop in the absence of the draft Codes (i.e., future level of harm discouraged).

A8.36 Assuming that implementation of the draft Codes would lead to a modest reduction in harm caused by fraudulent advertising (i.e., by 10-30% of its current level) and not accounting for any future growth in harm caused by fraudulent advertising that could be expected to occur in the absence of regulatory intervention, we estimate that the expected benefits would be £70-240 million each year.

Table 3: Summary of estimates of harm from fraudulent advertising and expected benefits of the draft Codes.

Estimate of harm to UK users, victims of fraudulent advertising (per year)	£399-£445 million
Estimate of total harm from fraudulent advertising (including wider impact from fraudulent advertising, per year)	£726-£809 million
Estimate of expected benefit of the Code (per year, assuming a 10%-30% reduction in harm)	£70-240 million
Net present value of expected benefits (over 10 years)[43]	£600 million-2 billion

Notes: Ofcom estimates

[43] At a 3.5% discount rate. HM Treasury (2026), The Green Book: UK government guidance on appraisal, updated 5 February 2026.