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Federation of Small Businesses Consultation response:

Fraudulent Advertising Codes consultation

2 October 2026
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To whom it may concern,

RE: Fraudulent Advertising Codes consultation

FSB welcomes the opportunity to provide a response to the above consultation.

FSB is a non-profit making, grassroots and non-party political business organisation that represents members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.7 million small and medium businesses, micro businesses and the self-employed.

FSB is supportive of action to prevent fraudulent paid for advertising and welcomes Ofcom's focus on the biggest platforms that play a central role in the UK's online advertising ecosystem. Small businesses can be affected by fraudulent advertising in a number of ways, for example, they may be direct victims of fraud, or have their business brand or products impersonated, which can lead to reputational impacts including loss of sales. We agree that one of the key concerns in relation to fraud is its evolving nature and sophistication, for example through the increased use of AI which is significantly increasing the amount of fraudulent adverts encountered across various providers. We welcome the proposed measures in the consultation which stop fraudsters from posting fraudulent advertisements, improve the speed at which fraudulent advertisements are detected and, swift action from providers to the remove them once they are detected. We also agree with the safety by design approach being central for providers to comply with the duties.

Small businesses are greatly affected by fraud. Our 2023 business crime research shows that 37 per cent of small businesses have experienced fraud in the prior two years.[1] Our research also shows that, of those small businesses who have experienced fraud, almost two fifths (39%) say that the fraud has cost them more than £1,000. Alongside significant financial cost of fraud, small businesses also experience a decline in business revenue and delays in delivery of products and services, which impact their future growth prospects. Small businesses are also more likely than larger businesses to spend disproportionate resources on dealing with the fallout from the impact of fraud, in terms of both reporting of fraud both to the authorities and to the platforms on which they advertise, as well as dealing with reputational and indeed psychological impacts.

It is worth noting that small businesses who use paid for advertising can also be disproportionately impacted by account restrictions or poor appeals processes on platforms, due to lack of resources and the power imbalance between smaller and larger businesses. Our 2023 online platforms research found that 53 per cent of small businesses use an online platform and that, among those experiencing an issue with a platform, 39 per cent found it difficult or very difficult to resolve.[2] In

[1] FSB report, Cracking the Case: Uncovering the cost of small business crime, 2023 https://www.fsb.org.uk/resources/policy-reports/cracking-the-case-uncovering-the-cost-of-small-business-crime-MCFNQDUF7BPRB6VCHHFKKJICCISI

[2] FSB report, Net Benefits?: Small business use of online platforms, 2023

addition to this, 16 per cent of small businesses say that they were treated very unfairly when trying to resolve issues.

Therefore, given the potential impact of these proposals on smaller advertisers, Ofcom should conduct an evaluation of the impact of these proposals on the smallest advertisers and to take corrective action if it appears to be undermining their ability to compete effectively. We also believe that large providers should be encouraged to develop a code of conduct, or a set of standards, committing to the fair treatment of small business advertisers, including on transparent decision making and accessible appeals processes. However, if providers are unwilling or unable to establish and uphold such standards, then Ofcom or Competition and Markets Authority's Digital Markets Unit should consider introducing binding requirements to ensure that small businesses are treated fairly and are not placed at a competitive disadvantage. It is critical that any moderation, reporting or appeals processes do not disadvantage small businesses when they use providers for advertising, and that they are easy to find and use, and lead to swift resolution when advertisements are falsely identified as fraudulent by the service provider.

We have not commented on every question within the consultation, only those where we can add most value.

Volume 1: Context

Causes and impacts of fraudulent advertising

- Do you have any comments on Ofcom's assessment of the causes and impacts of fraudulent advertising? Do you think we have missed anything important in our analysis? Please provide evidence to support your answer.
- Do you agree with the examples of risky characteristics we have provided? Please provide any arguments and supporting evidence.

We agree with your assessment of the causes and impacts of fraudulent advertising, and in particular the impact of new technologies such as AI on the advertising ecosystem in terms of impersonation of brands and deepfakes. Our 2026 AI adoption research found that 31 per cent of small businesses were concerned about the impact of deepfakes on their brand or reputation.[3] This is why we have previously called for the creation of a new and exclusive IP right to the voice and/or image of an individual, to prevent their exploitation by others for commercial or criminal purposes through the use of deepfakes. This could also include defining such usage as an 'unfair business practice' carrying a compensation right, in the same way as many unfair practices are prohibited under UK law to protect consumers.

Volume 2: Risk, governance and control

Advertising intermediaries

- Do you agree with our proposal? Please provide any arguments and supporting evidence.
- We have included two illustrative examples of when and how this measure may be applied, and what 'all reasonable endeavours' might look like. Do you have any comments on these

https://www.fsb.org.uk/resources/policy-reports/net-benefits-MCKVWHVB4GABEO7OPCA4JQTPFYJ4

[3] FSB report, The Confidence Code: The challenges and opportunities of AI for small businesses, 2026 https://www.fsb.org.uk/resources/policy-reports/the-confidence-code-MCHIDAZXWGBFAJROTHTMT24SBQ5M

examples, and do you have any additional examples of how providers could work with or require intermediaries to implement safety measures in circumstances where they have insufficient control? Please provide any arguments and supporting evidence.

We do not oppose the proposals relating to advertising intermediaries, however we do believe that that if an advertising intermediary is used that should not mean that some protections for users are weakened if not all protections can be appropriately applied. We believe that effective cooperation between platforms and advertising intermediaries will be critical to identifying repeat offenders and identifying fraudulent activity.

We welcome proposals that will require providers to maintain records of situations where measures cannot be fully implemented and to document the alternative steps that have been taken. This will help to assess whether providers are taking sufficient steps to manage fraud risk and to appropriately assess whether any further action can be taken to reduce them when reviewed and identified as not sufficient.

Fraud indicator assessment

- Do you agree with our proposal? Please provide any arguments and supporting evidence.
- Do you think there are other information sources providers should consider in order to understand how fraudulent advertising manifests on their service? If so, what information and why would they need to consider it?

We support the proposal that providers should maintain and regularly update fraud indicator assessments, and in particular that these assessments should be reviewed frequently and undertaken whenever a new fraud technique or method is discovered. This is particularly important given the increasing sophistication and innovation of fraud techniques and the growing use of AI by fraudsters, particularly relating to business impersonation. While it is reasonable to assume that having fraud assessments in place will help to detect and remove more fraudulent advertisements, we would also like to see appropriate mitigations in place to ensure that legitimate advertisements placed by small businesses are not disproportionately impacted. For example, if an advertisement is identified incorrectly as fraudulent through an assessment, it should be easy to reinstate as quickly as possible to minimise the damage to the advertiser. There should be an expectation that if a business is incorrectly identified as fraudulently advertising, that they should be compensated. It would also be welcome if there was a reporting process for users to report fraudulent advertisements or any related characteristics for review by the providers to minimise any potential harm caused.

Governance and accountability

- Do you agree with our proposals? Please confirm which proposed measure your views relate to and provide any arguments and supporting evidence.

We welcome proposals around strong governance arrangements including an annual review of measures the provider has taken to comply with fraudulent advertising duties, and internal monitoring and assurance function to provide independent assurance that measures taken to comply with fraudulent advertising are effective on an ongoing basis. We also believe that this reporting obligation should include instances where legitimate advertisers have been incorrectly identified as

fraudulently advertising, and as to how and how quickly the platform remediated the error, so that any such instances and their effects can be monitored and mitigated by further guidance to reduce impact on small businesses.

Testing advertisement generation tools

- Do you agree with our proposal? Please provide any arguments and supporting evidence.

We agree that where service providers offer advertising providers AI tools to create advertisements that the tools should be tested to identify whether they can be used to create fraudulent advertisements or a fraudulent advertising proxy. It would also be beneficial if testing is done on a regular basis as fraud and AI technologies continue to develop at a rapid pace.

Volume 3: Ensuring account integrity

Account checks and actions

• Do you agree with our proposal? Please provide any arguments and supporting evidence. Where your feedback relates to a specific check we are proposing providers should carry out, please make this clear. These are: a) verification that advertising account holders work for, or on behalf of, the individual or organisation they are advertising; b) checks and actions to prevent banned advertising account holders returning; and 13 c) checks for accounts with indicators that there is a material risk they will post fraudulent advertising so that restrictions can be applied to them. d) repeat checks where there are relevant changes identified on an account.

• Are you aware of any other account checks and actions providers could do to protect users from fraudulent advertising? Please provide any arguments and supporting evidence.

We agree that providers should have and consistently apply an account checks and actions policy, including verification of account holders, checks to prevent banned advertisers returning and finding accounts with risks they will post fraudulent advertising. In terms of verification of account holders, we would welcome if providers took into consideration the diversity of business community and therefore be flexible in the way in which they would be able to verify account holders or those that they may be working for. Similarly, there must be an appropriate route for account holders seeking to correct a verification if it has been unsuccessful, and they should not be banned from advertising if verification has not been successful without being able to try an alternative route, including being able to provide appropriate documentation via a suitable portal if needed. We would also like to see providers as part of that focus on preventing fraudsters that may have created a different account ,or are using different credentials to access advertising services. We also agree that a summary of this policy should be published and reviewed at least on an annual basis.

Preventing fraudulent financial services advertising

- Do you agree with our proposal? Please provide any arguments and supporting evidence.

As above, we agree that there should be an appropriate policy that is consistently applied with regard to financial services advertising, and in particular, that the provider should verify that those posting financial advertising have appropriate accreditation or permissions.

Countering account takeover

- Do you agree with our proposals? Please confirm which proposed measure your views relate

to and provide any arguments and supporting evidence.
- Do you have any evidence about account takeover that could inform our assessment, including how frequently it occurs or its impact?

We agree that providers should have effective security mechanisms in place to prevent fraudsters from taking over legitimate advertising accounts, and that should include an account takeover reporting mechanism that easily accessible to a small business. We would also like to see a requirement that providers clearly set out the timeframe in which they will look into any requests in relation to account takeover and any measures that they are likely to take. In addition, it would be beneficial for providers to help small business owners after any investigations have taken place into account takeover by outlining any security breaches and suggestions on how to prevent them from happening in the future.

Advertising bans

- Do you agree with our proposal? Please provide any arguments and supporting evidence.
- Are you aware of any additional exceptional circumstances in which it may be proportionate for providers to reverse advertising bans?

We agree that those that providers should be able to ban those that post fraudulent advertisements from their services, and take reasonable steps to prevent them from returning. However, bans should only be applied where there is sufficient evidence that an advertiser has engaged in fraudulent activity. Given the significant impact that a ban may have on a legitimate business, platforms should apply a clear and proportionate standard of proof, provide reasons for any enforcement decisions, and offer an appropriate route of appeal where errors have occurred.

Account appeals

- Do you agree with our proposals? Please confirm which proposed measure your views relate to and provide any arguments and supporting evidence.

While we do support swift and robust action against those that repeatedly post fraudulent adverts., we would like to see enforcement measures targeted in a way which would minimise the risk of affecting legitimate businesses, as small businesses are likely to be significantly affected if a genuine advertising account is incorrectly restricted or suspended. Many small businesses depend heavily on online advertising as a way to increase sales, and are likely to have limited resources available to challenge any decisions by a large service provider. Therefore, we are supportive of the measures outlined including that providers should determine account appeals promptly, and that where a provider does uphold an appeal, they should, as far as possible, restore the complainant or the position of the relevant paid for advertisement to what it would have been had the decision appealed against not been made.

Volume 4: Moderation

Advertising moderation

- Do you agree with our proposals? Please confirm which proposed measure your views relate to and provide any arguments and supporting evidence.

We agree that effective moderation is essential for service providers to be able to identify and take swift action in response to fraudulent advertisements. We welcome measures relating to swift actions so individuals are not able to encounter fraudulent advertisements, and setting and recording performance targets. However, as mentioned above, it is also important that moderation systems are accurate and proportionate and do not disadvantage legitimate businesses. Therefore, we would welcome some human oversight and review of any advertisements flagged as fraudulent so that that default machine-based moderation does not prejudice legitimate businesses or inhibit them from advertising and generating income.

Terms of service and publicly available statements

- Do you agree with our proposals? Please confirm which proposed measure your views relate to and provide any arguments and supporting evidence.

We agree with the proposals for service providers to lay out rights and responsibilities that the service provider and users have towards one another, including any protective technology used and compliance with advertising duties.

Advertising complaints

- Do you agree with our proposals? Please confirm which proposed measure your views relate to and provide any arguments and supporting evidence.

We agree with proposals to have a dedicated reporting channel for logging complaints in relation to advertising which are easy to find and use. Providers should determine any appeals promptly and set out clearly and timelines relating to resolution. Similarly, if possible we would welcome if providers do identify any issues which could help a small business to make advertising to be more secure, that they would provide guidance to minimise the risk in the future.

Ad libraries

- Do you agree with our proposal? Please provide any arguments and supporting evidence.
- Do you agree with the principles, functionalities and information categories which we have included in the proposed measure? Please explain your reasoning and, if possible, provide supporting evidence.
- Do you have any evidence or insights on the process of building an ad library from scratch or adjusting an ad library to align with the proposed measure, and how long that process would take?

We do not oppose the proposals for ad libraries containing all publicly available advertisements on the service, as greater transparency in relation to advertisers could help to identify patterns, support reporting, and minimise harm to users through early intervention.

Yours sincerely,

Neil Sharpley
Policy Champion, Home Office and Ministry of Justice Policy Units

Federation of Small Businesses

For further information please contact:

