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The Impact of Fraud on Financial Inclusion in the UK

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Executive Summary

Fraud is the most common crime reported in the UK. Its consequences, however, are not evenly distributed, and those with the least financial resilience (already vulnerable to economic shocks) bear a disproportionate burden. A quarter of the UK's adult population have low financial resilience and over one-fifth have less than £200 in savings. Despite this, existing literature has largely failed to examine the relationship between financial resilience and fraud victimisation in depth. More importantly, there has been limited attention to how fraud and responses to it might shape financial inclusion. This gap is particularly important as the UK intensifies its fraud prevention efforts. To address this, this paper explores how fraud victimisation and institutional responses to fraud and financial inclusion interact in low- and middle-income (LMI) households.

Undertaking a survey analysis of 2,000+ LMI households in the UK, the paper finds that for many victims, the impacts of fraud extend beyond a one-time financial shock and affect their financial inclusion.

First, the paper finds that fraud affects LMI households relatively evenly across all age groups and geographical areas. LMI groups experience similar levels of victimisation, but relatively higher fraud rates are observed among individuals who are 'unemployed', 'economically inactive', or 'unable to work due to disability or long-term illness', indicating a potential association between employment status and vulnerability to fraud.

Existing socioeconomic vulnerabilities affect how fraud impacts victims. Even seemingly small-value fraud causes outsized hardship to those with low financial buffers. Repeat victimisation in the study sample is much higher than Office for National Statistics (ONS) data for repeat fraud across the UK, highlighting persistent vulnerability to fraud among LMI households. In addition, the paper identifies underreporting of fraud, particularly to police via national reporting channels, and gaps in reimbursement. Around 30% of low-income victims and nearly 40% of middle-income victims did not receive reimbursement.

Second, the paper assesses financial inclusion post-fraud, defined as the fraud victim's ability and willingness to access and use formal financial services. It finds that around 80% of LMI victims experience a decline in inclusion post-fraud incident and introduces a four-outcome conceptual framework to describe victim journeys:

a majority (54%) remain banked but report loss of trust in financial services or an increase in their use of cash ('fragile inclusion'); 3% suffer 'systemic exclusion', reporting difficulty maintaining accounts or accessing credit; another 24% face 'compound exclusion', losing both access and trust; and only 19% report continued financial 'inclusion' post-fraud.

Last, the paper draws on the findings to discuss how the UK's fraud response could more deliberately and measurably incorporate financial inclusion. It calls for a multilevel response:

- Embedding post-fraud inclusion at the systemic level.
- Integrating inclusion into metrics and responses at the institutional level.
- Rebuilding trust and supporting financial rehabilitation at the victim level.

To this effect, the paper makes practical recommendations to relevant UK institutions.

Recommendations for UK Institutions

This paper makes the following recommendations to support more coordinated action across fraud policy, financial inclusion and victim support for LMI households.

1. Embed inclusion-based metrics into Consumer Duty [for the Financial Conduct Authority (FCA)]

The FCA should require firms to develop internal metrics tracking customers' post-fraud financial inclusion and embed these within Consumer Duty assessments. This paper's Conceptual Framework provides examples of inclusion outcomes to inform this process. Metrics could include victims' account use, signs of disengagement (such as increased use of cash) and indications of victims' inability to meet eligibility thresholds for an existing or new product.

2. Strengthen system-level monitoring and oversight of fraud victims' financial inclusion [for the FCA, Prudential Regulation Authority, Home Office, HM Treasury]

At a policy level, use data on victims' inclusion outcomes across all firms, alongside complementary consumer research and cross-agency expertise to identify whether, and how, fraud responses may be introducing excessive friction, weakening trust or driving disengagement from the formal financial system, particularly for LMI victims.

3. Strengthen the use of shared data to protect customers and enhance oversight of how firms use this data [for the FCA, Home Office]

Strengthen the use of shared fraud and identity data (such as fraud markers, victim protection services) to protect consumers, ensuring consistent and proportionate application through enhanced oversight. This should include monitoring how firms apply such data in practice, ensuring clear and accessible appeal / remediation mechanisms, and increasing awareness and uptake of victim protection services.

4. Embed financial rehabilitation into victim support [for the Home Office, HM Treasury, City of London Police]

Victim support should extend beyond immediate remediation to include financial rehabilitation and recovery. The Conceptual Framework (or a similar approach) may be used to inform how such support can be given to victims. Assistance could include: addressing barriers to accessing financial products or meeting identification requirements; identifying and challenging suspected unfair fraud markers or instances of de-banking; offering guidance on managing or repaying debt / credit incurred due to fraud; and rebuilding confidence in using financial services (for example, digital support, financial education).

5. Improve victim-centric approaches to fraud prevention measures [for the FCA, Home Office, banks, card providers, payment service providers]

- Reduce consumer friction while implementing and communicating fraud protection measures [for banks, card providers, payment service providers]
 - Firms should improve implementation and communication of fraud prevention measures in a way that minimises confusion, anxiety and disruption for LMI victims. This includes providing clear, timely explanations of the purpose and duration of additional checks, offering practical support, and ensuring continuity of access to financial services (for example, through options such as virtual cards with support for customers who need help setting them up).
- Issue guidance on handling vulnerability to repeat victimisation and social engineering [for the FCA, UK Finance]
 - Develop guidance for firms on consistent and proportionate management of vulnerability to repeat victimisation, especially in cases involving social engineering where warnings may be ineffective. This should set out good practice on intervention thresholds, escalation (including through the UK Banking Protocol) and customer support, alongside monitoring and reporting outcomes to build an evidence base for effectiveness.

Introduction

Fraud represented 45% of all crimes in England and Wales in 2025, around 4% higher than in 2024.¹ It cost the UK economy around £14.4 billion in 2023–24,² and shows little sign of abating.³ Despite the increasing scale and sophistication of fraud, existing research links vulnerability to fraud by primarily focusing on demographic (age, gender) or health-related characteristics (mental health, disability).⁴ Much less attention is paid to socioeconomic status in analyses of fraud. One of the few sources to consider this, research by the Social Market Foundation, draws on a nationally representative survey from 2020 to 2023. Among its high-level findings is that people in the lowest and highest income ranges were more likely to be payments fraud victims than those making £20,001–£80,000 per annum.⁵ While this provides a useful foundation, it does not examine how fraud interacts with financial resilience in detail.

In the UK, fraud policy and financial inclusion policy have largely developed on parallel tracks. In turn, the intersection between them, and notably when experiences of fraud influence people’s ability or willingness to remain in the financial system, remains underexplored. This paper addresses this research gap by posing two guiding questions:

1. How does fraud affect LMI households in the UK across victimisation, financial loss and reimbursement experiences?

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1. HM Government, *Fraud Strategy 2026–2029: Disrupting Crime, Supporting Economic Resilience and Delivering Justice* (London: The Stationery Office, 2026).
 2. HM Government, *Fraud Strategy 2026–2029: Disrupting Crime, Supporting Economic Resilience and Delivering Justice*, CP 1523 (London: The Stationery Office, 2023), p. 4.
 3. Cifas, ‘Fraudscape 2026’, <<https://www.fraudscape.co.uk/>>, accessed 18 February 2026.
 4. See, for example, Mark Button et al., ‘Fear of Fraud Amongst Older Adults: A Hidden Epidemic?’, *Security Journal* (Vol. 38, 2025), pp. 1–21; Natalie Low and Clare Lally, ‘Social and Psychological Implications of Fraud’, POSTnote 720, UK Parliament, 29 April 2024, <<https://researchbriefings.files.parliament.uk/documents/POST-PN-0720/POST-PN-0720.pdf>>, accessed 10 March 2026; Giovanni Battista Barilla, ‘Payment Fraud in Italy and in the UK: Comparative Analysis and Prospects of Reform’, *Il Diritto degli Affari* (Vol. 1, 2024), pp. 13–37; Sarah Poppleton, Kitty Lymperopoulou and Julian Molina, ‘Who Suffers Fraud? Understanding the Fraud Victim Landscape’, Victims Commissioner, October 2021, <<https://victimscommissioner.org.uk/document/who-suffers-fraud-understanding-the-fraud-victim-landscape/>>, accessed 10 March 2026.
 5. Social Market Foundation, ‘Fraudemic’, Interim Report, July 2023, <<https://www.smf.co.uk/wp-content/uploads/2023/07/Fraudemic-July-2023-2.pdf>>, accessed 18 February 2026.

2. Do LMI victims' fraud experiences and interactions with fraud interventions (specifically, redress and institutional responses) affect their ability and willingness to access and use financial services?

Fraud interventions often introduce some degree of friction for consumers interacting with the financial system due to, for example, checks and verification. The FCA's guidance on Consumer Duty recognises that some 'appropriate friction' can protect consumers.⁶ This paper aims to explore what friction LMI fraud victims face and whether these well-intended controls may have unintended consequences for their continued financial inclusion. This is particularly important for LMI households whose already limited financial buffers and low financial capacity may leave them at higher risk of worsened outcomes because of fraud. In fact, a 2024 report by the Centre on Household Assets and Savings Management and the UK Financial Inclusion Commission concluded that 'financial exclusion is associated with poverty, disadvantage, and vulnerability' in the UK.⁷

This paper introduces a novel conceptual framework, viewing fraud not as an isolated incident but as a potential inflection point in a person's relationship with the financial system. Drawing on victims' experiences and reported outcomes, the framework traces trajectories from fraud event to financial inclusion outcomes, highlighting the pathways through which policy, institutional response and individual behaviour interact.

The paper starts by setting out the background to UK policy developments on fraud and financial inclusion and is then structured in three chapters. The first chapter examines the experience of fraud among LMI victims, including reporting, fraud targeting and reimbursement outcomes. The second chapter considers the effects of fraud on victims' financial inclusion, tracing how system responses and victim experiences interact to shape confidence, access and participation in the financial system. The third chapter discusses implications for policy at three levels (systemic, institutional and individual / community) and offers practical recommendations to policymakers to join up fraud and financial inclusion frameworks.

6. Financial Conduct Authority (FCA), 'Consumer Support Outcome: Good Practices and Areas for Improvement', 7 March 2025, <<https://www.fca.org.uk/publications/good-and-poor-practice/consumer-support-outcome-good-practices-areas-improvement>>, 15 February 2026.

7. CHASM and Financial Inclusion Commission, 'Achieving Full Financial Inclusion in the UK: Current Realities and Potential Solutions', CHASM and University of Birmingham, 2024, p. 8, <<https://www.birmingham.ac.uk/news/2024/achieving-full-financial-inclusion-in-the-uk-current-realities-and-potential-solutions>>, accessed 13 February 2026.

Methodology

Definition of Fraud

The UK's 2006 Fraud Act defines fraud as a single offence that can be undertaken in three ways: by false representation, by failing to disclose information and by abuse of position to secure a gain or cause loss to another.⁸ While this definition encompasses a range of criminal activity, this paper adopts a narrower scope.

Specifically, it focuses on financial fraud affecting individuals, including both authorised and unauthorised channels. The survey defined 'financial fraud' as 'any instance where someone deliberately deceived [you] and it led to a financial loss'. In line with the UK definition of fraud, which centres on the act of deception rather than the presence of financial loss, survey respondents were asked about their experience of fraud that resulted in financial loss as well as attempted fraud (that did not lead to payment loss). Attempted financial fraud in the survey referred to 'any situation where someone deliberately tried to deceive you to obtain money but did not succeed'.

Data Collection and Analysis

Research adopted a mixed-methods design, combining a national survey with qualitative victim and expert interviews, as well as a validation workshop.

Quantitative Survey Design

The research draws from an online survey of 2,000+ adults from LMI households in the UK. The survey was undertaken by Survation between 10 and 20 October 2025 using a stratified quota sampling approach where quotas were set in advance for key demographics (specifically, age, sex, region and highest qualification) using Department for Work and Pensions (DWP) Households Below Average Income (HBAI) data as benchmarks. To support subgroup analysis, the sample included two targeted 'boosts' (in other words, intentional oversampling): 223 London residents, and 223 respondents who report being victims of fraud.

Income categories are defined using rounded bands to improve clarity and respondent ease, rather than requiring exact income disclosure. The income bands are informed by Equivalised Disposable Household Income data from the ONS for the financial year

8. UK 2006 Fraud Act, <<https://www.legislation.gov.uk/ukpga/2006/35/crossheading/fraud>>, accessed 27 March 2026.

ending 2024.⁹ The low-income band (£0–£19,999) captures the median of the poorest 20% of households at around £16,800, while the middle-income band (£20,000–£39,999) captures the UK-wide median of £36,663.¹⁰

To reduce errors in recall, respondents were asked to answer incident-related questions with reference to their most recent experience of fraud or attempted fraud.

Qualitative Interview Design

Semi-structured interviews with 13 fraud victims provide contextual insight to complement the breadth achieved through the survey. Victims were recruited through an online research panel and interviewed online. Participation was voluntary and recruitment quotas were applied to ensure coverage across key demographic characteristics and age bands as far as was possible. All participants provided written consent as part of the research ethics process.

Data Validation and Analysis

Data underwent Survation validation to exclude duplication. This was followed by in-house RUSI processing to exclude inconsistent responses and consolidate / aggregate survey and interview responses to allow for analysis. Survey responses were then assessed against the specific objectives of the research rather than providing a sequential question-by-question summary of findings.

Expert Input and Validation

The research incorporates interviews with 13 experts drawn from a range of sectors in the UK, including financial inclusion, fraud prevention, regulation and victim support / campaigning. The interviews were anonymised in line with ethical protocol and to enable candid discussion. Insights from these interviews were used to contextualise findings and interrogate emerging themes. Findings were validated through an online workshop held in February 2026 with five experts from both fraud and inclusion disciplines to stress-test the analysis, identify gaps and improve recommendations.

9. 'Disposable income is the amount of money that households have available for spending and saving after direct taxes, such as Income Tax, National Insurance and Council Tax, have been accounted for'. See Office for National Statistics (ONS), 'Household Disposable Income and Inequality: Financial Year Ending 2024', 1 May 2025, <<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2024>>, accessed 18 February 2026.

10. *Ibid.*

Limitations

The research has the following key limitations:

- Findings relate exclusively to LMI groups; comparative analysis across the full income distribution is not possible as higher-income groups were not surveyed.
- Survey questions primarily capture fraud and attempted fraud within the 12 months preceding the survey conducted in October 2025. This timeframe overlaps with the introduction of the UK's mandatory reimbursement policy for Authorised Push Payment (APP) fraud in October 2024,¹¹ influencing reported satisfaction with post-incident responses and outcomes, although it must be noted that not all the incidents were APP fraud.
- Fraud victimisation is self-reported and not independently verified, meaning it is possible that some respondents who identified as fraud victims may have instead experienced civil disputes or pure cybercrime. This distinction is not always clear to victims.
- Despite the survey asking about fraud origination, disaggregation of responses by fraud typology is not possible due to the responses not being sufficiently reliable.
- Given the relatively small number of victim interviews, caution is taken not to generalise interview findings independently but to interpret it in conjunction with the broader evidence base. Due to the focus on recent victim experiences, it is not possible to distinguish between short- and long-term impacts of fraud victimisation in this research.
- As participants were identified through online panels, this may inherently under-represent individuals who are less digitally engaged, have limited internet access, or certain demographic groups, including some Black and minority ethnic communities and those over 70 years old.

Background

Policy Context

The UK's fraud policy agenda rose to national prominence with the 2019 Economic Crime Plan, and the 2021 Integrated Review of Security, Defence, Development and Foreign Policy formally described economic crime (including fraud) as a threat to national security.¹² The 2023 Fraud Strategy committed to reducing fraud by 10% by 2024, improving reimbursement and strengthening enforcement.¹³ This was followed

11. Authorised Push Payment (APP) fraud refers to instances where a person is deceived into authorising a payment to a fraudster who impersonates a legitimate payee. See Payment Systems Regulator, 'APP Scams', <<https://www.psr.org.uk/our-work/app-scams/>>, accessed 18 February 2026.

12. HM Government, *Fraud Strategy: Stopping Scams and Protecting the Public*, CP 839 (London: The Stationery Office, 2023).

13. *Ibid.*, para. 8.

by the National Policing Strategy for Fraud, Economic and Cyber Crime, which expanded this focus to improving victim outcomes.¹⁴

The UK has since stepped-up consumer redress. The Payments Systems Regulator (PSR) mandated reimbursement for APP fraud in October 2024,¹⁵ and the City of London Police made it easier for victims to report fraud and cybercrime through the launch of the Report Fraud portal in December 2025.¹⁶ In March 2026, the UK published an updated Fraud Strategy offering a ‘new system-wide approach’ that acknowledges the agility of criminals and frames the intervention in three pillars: disrupt, safeguard and respond.¹⁷

In parallel, the UK’s agenda on financial inclusion first crystallised in mid-2000s, and the creation of the Financial Inclusion Taskforce and related committees from 2004 marked a policy commitment to tackling financial exclusion. Over time, the agenda broadened from simple access to financial inclusion centred on vulnerability, financial capability and resilience.

Financial Resilience in the UK

Around 1 million (1.6%) adults in the UK did not have access to a bank account as of 2024,¹⁸ and 4% of the unbanked population had a household income below £15,000.¹⁹ Importantly, 13 million people, one quarter of the UK’s adult population, have low financial resilience (meaning low financial buffer / savings and/or financial difficulty)²⁰ and over one-fifth of adults have less than £200 in savings,²¹ making them vulnerable to financial shocks (such as through fraud). While these figures suggest that financial vulnerability is widespread, even relatively small financial disruptions can have disproportionate consequences for LMI households.

14. City of London Police, ‘National Policing Strategy for Fraud, Economic and Cyber Crime 2023–2028’, 2023, <https://www.cityoflondon.police.uk/SysSiteAssets/media/downloads/city-of-london/about-us/colp_national-policing-strategy-document.pdf>, accessed 18 February 2026.

15. Payment Systems Regulator, ‘PS24/7: APP Scams Maximum Level of Reimbursement Policy Statement’, October 2024, <<https://www.psr.org.uk/media/e30pwly/ps24-7-app-scams-maximum-level-of-reimbursement-policy-statement-oct-2024.pdf>>, accessed 18 February 2026.

16. Report Fraud was launched by City of London Police in December 2025, replacing Action Fraud. For more information, see HM Government, ‘Report Fraud: New Service from City of London Police’, 3 December 2025, <<https://www.gov.uk/government/news/report-fraud-new-service-from-city-of-london-police>>, accessed 18 February 2026.

17. HM Government, *Fraud Strategy 2026–2029*, pp. 6–7.

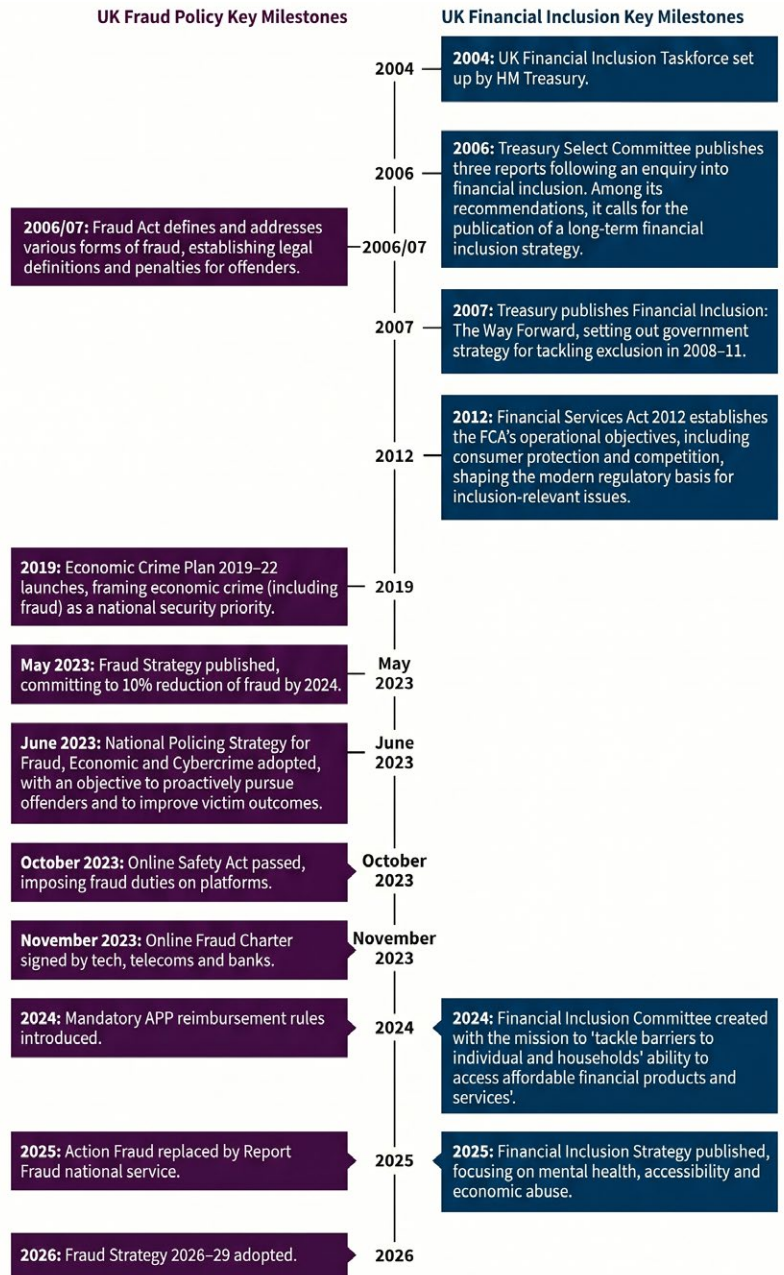
18. HM Treasury, *Financial Inclusion Strategy*, p. 8.

19. Financial Conduct Authority (FCA), ‘Financial Lives Survey 2024: Key Findings’, p. 68, <<https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf>>, accessed 18 February 2026.

20. *Ibid.*, p. 46.

21. Barber and Steere, ‘Savings Statistics’.

Figure 1: Key Milestones in the UK’s Fraud and Financial Inclusion Domains



Source: The authors. Graphic created with NotebookLM.

The UK banking system’s rapid digitisation continues to reshape the financial vulnerabilities and resilience of those with limited access to technology or with precarious finances. Branch closures have accelerated over the past decade,²² the

22. Djamila Lazri, ‘The Growing Impact of Bank Branch Closures in the UK’, *Econostrum News*, 21 August 2025, <<https://en.econostrum.info/uk/growing-impact-of-bank-branch-closures-uk/>>, accessed 10 February 2026.

number of free-to-use ATMs has declined,²³ and banking services are increasingly delivered through online and mobile platforms. The UK's 2025 Financial Inclusion Strategy represents the first national framework to address these challenges, committing to measures such as expanding access to banking for those lacking ID, making financial products easily accessible to the unbanked, and improving financial education and capability.²⁴

Importantly, financial inclusion policy acknowledges fraud only in the context of economic abuse and coerced debt, rather than treating fraud and institutional responses as possible barriers to sustained, safe participation in the financial system. Similarly, while the UK's latest Fraud Strategy recognises the importance of tackling fraud in strengthening economic resilience and how fraud undermines overall trust in the system, it does not relate fraud explicitly to financial inclusion. Both areas exist in parallel rather than in conversation with each other, leaving a policy gap between protecting consumers from fraud and ensuring their inclusion.

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23. Grace Witherden, 'Access to Cash: 7,000 Cash Machines have Disappeared in the Last Three Years', *Which?*, 20 November 2024, <<https://www.which.co.uk/news/article/access-to-cash-7000-cash-machines-have-disappeared-in-the-last-three-years-aRNx60q5N4Ji>>, accessed 10 December 2025.
 24. HM Treasury, *Financial Inclusion Strategy*.

Fraud Experiences of Low- and Middle-Income Victims

This chapter examines the experience of fraud victimisation from the point of targeting through to post-incident redress, tracing the sequence of events that shape both immediate harm and longer-term outcomes for victims.

Victimisation Outcomes

Nearly half the survey respondents (48%) report experiencing fraud. Among these fraud victims, 49% made a payment when victimised, while 51% of the victims were victimised but did not incur a payment loss (see Figure 2).

The outcomes with no payment loss (referred to hereafter as ‘Averted / Near-Miss’) may reflect a combination of factors, including timely intervention by financial institutions through real-time transaction monitoring, as well as individual awareness and detection of fraud cues (such as spotting mistakes).²⁵

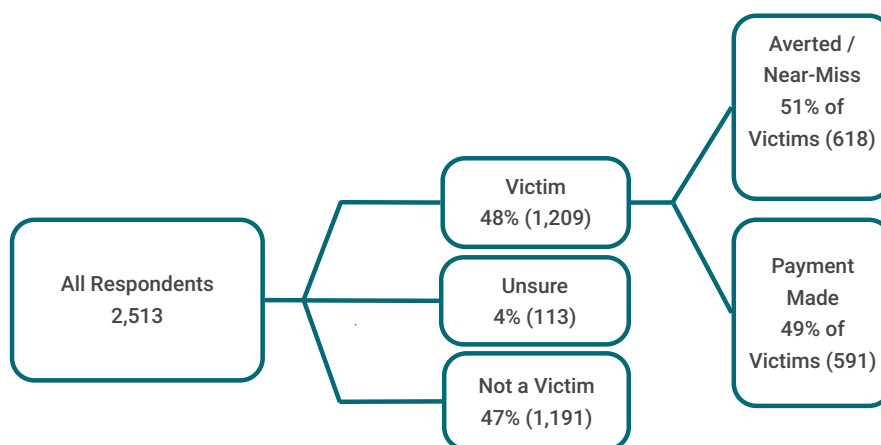
Overall, victimisation outcomes are broadly the same across LMI groups. The data shows that victimisation of LMI households in the research is spread across all age groups and regions, with no pronounced outliers, showing that fraud cuts broadly across demographic categories. Among the variables tested, employment status is the only factor that appears to be relatively more correlated with victimisation across both low- and middle-income groups.²⁶

25. Marianne Junger et al., ‘In Their Own Words: Deception Detection by Victims and Near Victims of Fraud’, *Frontiers in Psychology* (Vol. 12, No. 1, 2023).

26. Employment status was not directly quota-controlled, but because it is closely linked to age and income (which were quota-controlled), the mix of employment groups in the sample is assumed to be broadly in line with the UK LMI population.

Higher proportions of low-income victims are ‘unemployed’, ‘unable to work’ and ‘economically inactive’ compared with middle-income victims.²⁷ The difference is partly driven by the inherently higher share of low-income respondents who are ‘unemployed’ and ‘unable to work’ compared with their representation in the middle-income group. Although this sample is not large enough for a conclusive analysis, the data shows how fraud victimisation occurs within pre-existing economic insecurity, where individuals are more likely to have constrained labour market participation before the fraud incident.

Figure 2: Fraud Victimization Outcomes Across Survey Respondents



Source: The authors, based on survey results.

Moreover, over half (57%) of LMI victims say they have faced previous fraud attempts, a figure significantly higher than the ONS figure²⁸ of 11% repeat victimisation across the UK population in 2025. This could be partly because this survey might have attracted respondents more willing to share their experiences and therefore included more people who had faced multiple incidents. It is also possible that financial vulnerability exacerbated by fraud heightens susceptibility to further fraud. For example, victims report lowered credit scores and behavioural adaptations (such as increased borrowing or shifting to cash) that may push them towards less secure or less protected channels where systemic fraud safeguards are weaker.

27. The ONS defines this as ‘people not in employment who have not been seeking work within the last 4 weeks and/or are unable to start work within the next 2 weeks’. See ONS, ‘Economic Inactivity’, <<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity>>, accessed 18 February 2026. For this research, this group includes respondents who were family carers, homemakers or unpaid volunteers to capture those not actively seeking participation in the labour market due to their circumstances.

28. See ONS, ‘Nature of Fraud and Computer Misuse in England and Wales: Appendix Tables’, 26 March 2026, Table 6, <<https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/natureoffraudandcomputer misuseinenglandandwalesappendix tables>>, accessed 10 February 2026.

Financial Loss

LMI households are most commonly affected by low-value fraud, with 34% of victims in this research losing less than £100 and a total of 60% losing less than £499. The median loss value is £299.50.²⁹ However, even seemingly ‘small’ absolute loss leads to disproportionately severe consequences and cascading hardship due to the following structural economic realities:

- **Severity relative to essential expenditure:** When asked³⁰ about their ability to pay essential bills following the fraud event, 43% of victims from low-income households who lose money report that the fraud event impacted them ‘a great deal’ or ‘quite a bit’. For households with constrained budgets, even relatively small fraud losses represent a significant share of weekly spending. ONS data shows the poorest fifth of the UK population has a median weekly equivalised household spend of £359.³¹ A £100 fraud loss could thus wipe out nearly a third of their weekly budget, making it hard to cover essentials such as rent or groceries.³²
- **Limited financial buffers:** Poor financial resilience in low-income households reduces their ability to absorb unexpected shocks.³³ For example, one victim [P8] from a low-income household who lost between £100 and £499 said they had to borrow money to pay the rent. Another victim [S2283], also from a low-income household, who lost £50 said ‘it affected my credit score as [there was] not enough money to pay bills that month’. This echoes wider evidence from the FCA survey that adults with low savings or resilience say they would struggle to cope with even a £50 monthly bill increase, risking missed payments on rent, mortgages or other expenses.³⁴
- **The ‘poverty premium’:** Structural pricing disparities in the UK markets for essential items mean that lower-income households frequently pay more for basic goods and services. This ‘poverty premium’ increases baseline financial pressure and reduces flexibility to absorb additional costs.³⁵

29. Respondents selected fraud loss from a set of pre-determined ranges, so the exact fraud amount for each victim is not available. This is a median of range midpoints.

30. This measure is derived from the project survey item asking, with response options ranging from ‘not at all’ to ‘a great deal’.

31. ONS, ‘Family Spending Workbook 1: Detailed Expenditure and Trends’, 10 September 2025, <<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familyspendingworkbook1detailedexpenditureandtrends>>, accessed 16 April 2026.

32. This is the authors’ calculation: with a median household weekly spend of £359, a £100 loss represents approximately one-third of the weekly budget.

33. FCA, ‘Financial Lives 2024 Survey – Consumer Investments’.

34. *Ibid.*

35. The ‘poverty premium’ affects around 24% of British households, costing each household around £444 annually on average. See Ben Cooper, ‘Cost Cutters: A Plan to Tackle the Poverty Premium and Make Markets Work’, Fabian Society, April 2024, <<https://fabians.org.uk/wp-content/uploads/2024/04/Cost-Cutters-report-29Apr1329.pdf>>, accessed 15 December 2025.

Reporting

In this research, 77% of victims who lost money to fraud reported it. Studies of the fraud victim journey show that victims who suffer financial loss often report it primarily to seek reimbursement or compensation.³⁶ Yet, there is little previous research into why victims who avoid payment loss still report fraud (which in this research makes up around 47%).

Three factors could likely explain why victims who did not lose money still report fraud, based on the survey results and insights from Stop Scams UK:

1. Some victims may alert banks to attempted fraud and ask the bank to increase security on their accounts.
2. Some victims may want to prevent harm to others or to seek systemic justice, which explains why a higher proportion of them report to the police or Action Fraud while not seeking compensation needs.
3. Some victims (47% in the survey) said they have experienced repeat victimisation. They have averted payment loss but still reported fraud as they faced prior fraud attempts (with or without payment loss).³⁷

Reporting rates and patterns among victims in this research who lost money broadly align with fraud reporting among all UK fraud victims. Indeed, most of the victims who report fraud in the UK report it to their banks, financial services provider or another private sector entity such as an online platform or the e-commerce site where they were targeted.³⁸ However, there is a continued pattern of under-reporting to national reporting mechanisms or to the police.

Reimbursement

Reimbursement data shows that 33% of low-income victims and 39% of middle-income victims were not reimbursed.

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36. Home Office, 'Understanding the Cyber Crime and Victim Journey', 14 January 2025, <<https://www.gov.uk/government/publications/understanding-the-cyber-crime-and-fraud-victim-journey>>, accessed 20 February 2026.
 37. Authors' interview with I9, a representative from Stop Scams UK, online, 23 January 2026.
 38. FCA, 'Financial Lives 2024 Survey'. It must be noted that comparison with the FCA's study is only possible for victims who suffered payment loss, as the FCA Financial Lives Survey does not include victims of attempted fraud.

Table 1: Reimbursement Rates across LMI Victims

	Not Reimbursed	Partially Reimbursed	Fully Reimbursed	No Response / Don't Remember
Low income (ONS, lowest 20%)	33%	16%	49%	2%
Lower-middle / middle income	39%	16%	44%	1%

Source: The authors.

There is no easy way to assess reimbursement rates for the broad range of fraud types in this research. It can be assumed that most victims of unauthorised fraud have received full reimbursement as, under the UK law, providers are generally required to refund consumers for unauthorised fraud cases unless there is gross negligence on the part of the consumer.³⁹ Thus, it can be deduced that it is most likely that gaps in reimbursement stem from cases of authorised fraud, or where fraud was not reported. The following reasons can explain why victims reported that they were not reimbursed:

- 1. Lack of reporting or awareness of reimbursement entitlement:** Among victims who were not reimbursed, 43% say they did not report the fraud. For many this was due to shame or guilt, but others did not see the benefit of reporting. Fraud experts from the public and private sectors in the UK explained that many victims are unaware of their entitlement to reimbursement or that it may be issued automatically.⁴⁰ PSR research shows that about half of non-reporting fraud victims had never heard of reimbursement policies.⁴¹
- 2. System-by-system variation in APP reimbursement:** The UK's mandatory reimbursement rules govern certain payment channels, covering payments executed through Clearing House Automated Payment System and the Faster Payment System.⁴² However, the system-by-system approach to reimbursement means that some victims may get caught out without reimbursement if they paid using cash, cheque, card (credit,⁴³ debit or prepaid), a payment system not covered

39. The Payment Services Regulation 2017, regs. 72–77, <<https://www.legislation.gov.uk/uksi/2017/752/regulation/74>>, accessed 16 April 2026. See also FCA, 'Fraudulent Payments', last updated 16 December 2025, <<https://www.fca.org.uk/consumers/fraudulent-payments>>, accessed 26 March 2026.

40. Authors' findings from validation workshop held with experts from the financial industry, online, 6 February 2026.

41. Payment Systems Regulator, 'APP Fraud Survey 2025', 16 December 2025, <https://www.psr.org.uk/media/2oflsgit/psr_app-victim-fraud-2025_report_web_version.pdf>, accessed 17 January 2026.

42. The Faster Payment System is a major UK payment infrastructure processing the vast majority of intra-UK, internet, mobile and telephone banking payments up to £1 million.

43. Some degree of protection is available under Section 75 of the Consumer Credit Act, 1974 (see 'Consumer Credit Act 1974', <<https://www.legislation.gov.uk/ukpga/1974/39/section/75>>, accessed 9 April 2026). However, gaps remain with credit card payments made to third-party vendors such as Amazon or eBay. For further information, see Citizens Advice, 'Getting Your Money Back If You Paid by Card or PayPal', <<https://www.citizensadvice.org.uk/consumer/somethings-gone-wrong-with-a-purchase/getting-your-money-back-if-you-paid-by-card-or-paypal/>> accessed 14 April 2026.

by the APP reimbursement scheme (for example, BACS⁴⁴), or from an account with a credit union or national savings bank.⁴⁵ Indeed, the few victims in the survey who lost money abroad or through international transfers were not reimbursed.⁴⁶

- 3. Inconsistent ‘vulnerability’ classification:** Banks can charge an optional £100 excess for APP mandatory reimbursement unless the customer is deemed to be ‘vulnerable’, in which case the excess must be waived.⁴⁷ In the UK, financial institutions apply vulnerability markers in accordance with FCA guidance, which defines a vulnerable customer as someone who ‘due to their personal circumstances, is especially susceptible to harm’.⁴⁸ However, both the application of vulnerability markers and differing interpretations of vulnerability across banks in the UK can result in varying outcomes for victims who lost less than £100, and uneven protective responses.⁴⁹
- 4. Gross negligence:** Reimbursement rules are supported by a ‘Consumer Standard of Caution’ requiring consumers to take precautions while making payments, including reviewing payments alerts or advice provided by banks.⁵⁰ Banks can refuse APP reimbursement if they can show a significant amount of carelessness (‘gross negligence’) on the part of the victim. There is currently no systematic study across the UK of how banks apply gross negligence and how vulnerability factors into this process.
- 5. Loss above reimbursement limit:** Less than 5% of victims report losing amounts between £50,000 and £250,000. The maximum limit set for APP reimbursement is £85,000, aligning with the Financial Services Compensation Scheme (FSCS).⁵¹ In December 2025, the FSCS limit increased to £120,000, signalling policy recognition of the need for elevated consumer deposit protection, although the APP reimbursement cap has not yet been adjusted to this level. While fewer than a dozen victims in this research lost values of this amount, questions remain over support for those losing life savings, pensions or inheritance.
- 6. Reporting period:** This survey was conducted less than a year after the mandatory rules were launched, meaning some victim experiences might pre-date the scheme. This could also explain why the overall reimbursement rates (full and partial) of

44. See Payment Systems Regulator, ‘Fighting Authorised Push Payment Fraud: A New Reimbursement Requirement: Response to September 2022 Consultation (CP22/4)’, June 2023, p. 18, <<https://www.psr.org.uk/media/iolpbw0u/ps23-3-app-fraud-reimbursement-policy-statement-final-june-2023.pdf>>, accessed 14 February 2026.

45. Take Five to Stop Fraud, ‘Reimbursement – APP Fraud’, <<https://www.takefive-stopfraud.org.uk/protect-yourself/app-guide/>>, accessed 12 February 2026.

46. Survey respondent responses [P1, S2109].

47. Payment Systems Regulator, ‘APP Scams Reimbursement Requirement’, May 2025, pp. 8–9, <<https://www.psr.org.uk/media/rhelv4op/ps25-5-app-scams-reimbursement-consolidated-policy-statement-may-2025.pdf>>, accessed 10 February 2026.

48. FCA, ‘Financial Lives 2024 Survey – Consumer Investments’, p. 15.

49. Authors’ anonymous interview with I8, financial services professional, online, 16 February 2026.

50. Payment Systems Regulator, ‘Guidance: Authorise Push Payment Fraud Reimbursement: The Consumer Standard of Caution Exception Guidance’, December 2023, <<https://www.psr.org.uk/media/as3a0xan/sr1-consumer-standard-of-caution-guidance-dec-2023.pdf>>, accessed 7 May 2026.

51. Financial Services Compensation Scheme, ‘Deposit Protection Limit Increase’, <<https://www.fscs.org.uk/what-we-cover/banks-building-societies-credit-unions/deposit-limit-increase/>>, accessed 27 March 2026.

about 60% in this research is lower than PSR's data for 2025,⁵² which reports a headline reimbursement figure of 88% for APP fraud.

Key Findings

- LMI households are widely targeted by fraudsters, irrespective of age or region. Victimization rates are higher among those who are unable to work (illness / disability), unemployed or economically inactive.
- Repeat victimisation is high. Over half (57%) of victims have experienced fraud before, well above national estimates for repeat victimisation.
- Socioeconomic vulnerability amplifies impact, as even seemingly low-value fraud causes disproportionate financial harm to those with low financial resilience.
- Reporting behaviour is not solely driven by financial loss. Nearly half of victims who did not incur any payment loss reported fraud.
- Reimbursement appears inconsistent. The main reasons include: lack of reporting or knowledge about reimbursement; system-by-system variation under the UK's mandatory reimbursement rules; an inconsistent definition of vulnerability across banks; gross negligence; and fraud that possibly pre-dates APP mandatory reimbursement rules.

52. Payment Systems Regulation, 'APP Scams Reimbursement Dashboard for Q3 2025', updated 30 January 2026, <<https://www.psr.org.uk/information-for-consumers/app-scams-reimbursement-dashboard/>>, accessed 16 April 2026.

Impact on Financial Inclusion

According to the FATF definition, financial inclusion encompasses not only access to financial services and products but also ‘appropriate usage and quality of those services and products, financial literacy, financial resilience and financial wellbeing of the end users’.⁵³ FATF’s framing acknowledges that inclusion is not necessarily a stable ‘end state’: individuals who are formally included can become underserved if their ability to use financial services is disrupted.

This chapter assesses to what extent being a victim of fraud impacts continued access and willingness to trust or use financial services, and what this means for financial inclusion. Specific attention is given to whether reimbursement leads to banks or financial providers becoming over-cautious about what services they offer to victims. For this reason, Averted / Near-Miss victims are not included in the analysis here. Rather, the analysis is based exclusively on the experiences of victims who made a payment. The decision to not include Averted / Near-Miss victims in the analysis was made in order to better analyse institutional responses and frictions.

Access to Financial Services

Impacts on financial inclusion following fraud are not automatic but driven by a series of post-incident experiences. This section explores how fraud had an impact on victims’ continued ability to access financial products.

The following questions were asked in the survey and interviews to understand if victims (with reported payment loss) had issues accessing their current financial products or encountered difficulties obtaining new ones.

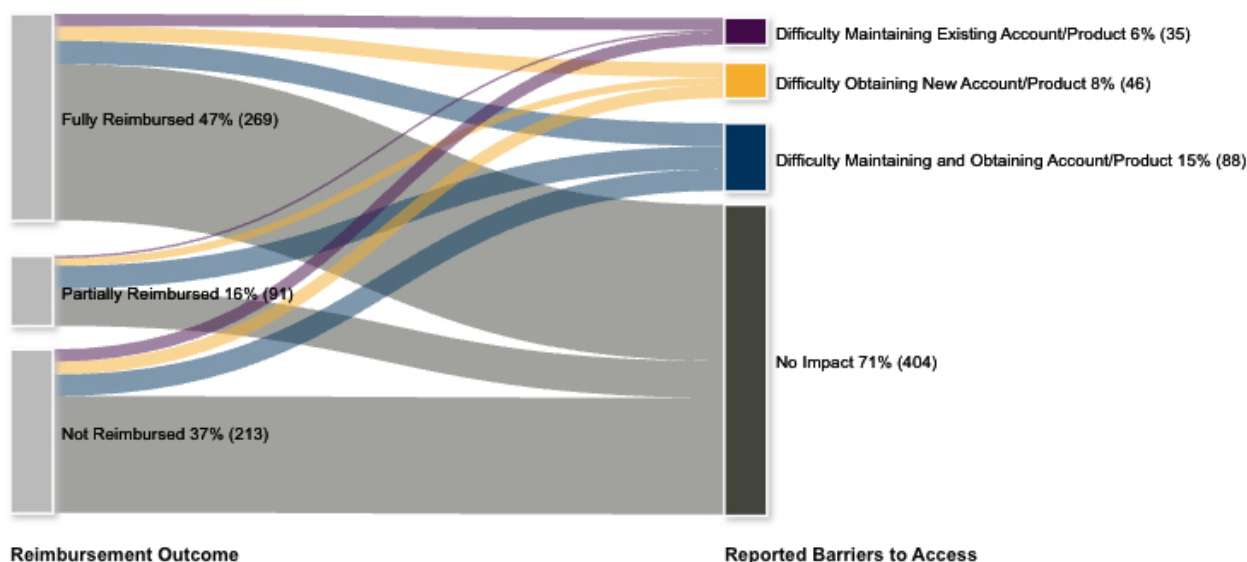
53. Financial Action Task Force (FATF), ‘Financial Inclusion and Anti-Money Laundering and Terrorist Financing Measures’, June 2025, p. 10, <Guidance-Financial-Inclusion -Anti-Money-Laundering-Terrorist-Financing-Measures.pdf.coredownload.pdf>, accessed 15 February 2026.

1. Please select the statement which applies to you: 'I [did/did not] find it harder to open [and/or] maintain a bank account'.
 - 1.1. Please explain in a sentence or two how you found it harder to open or maintain a bank account after your most recent incidence of financial fraud which resulted in you losing money [free text].
2. Thinking about the past 12 months, how much difficulty, if any, have you had in opening a new bank account or taking out a new financial product? ['A great deal', 'Quite a bit', 'Not that much', 'Not at all']
3. Did your bank or payment provider make any changes to your account after the incident? ['Permanently closed my account', 'Restricted access to certain services (for example, online services)', 'Increased security or monitoring on my account', 'No changes were made']

Based on the responses, 71% (404) of victims say they did not lose access to their existing or new financial products. The remaining victims note they could either not maintain their existing financial product (6%, 35), faced difficulty opening a new one (8%, 46), or both (15%, 88). The difficulties victims face are not due to outright de-banking but to unintended consequences of how consumer protection and fraud prevention measures are implemented or communicated to them.

Figure 3: Victim Pathways from Reimbursement to Reported Difficulties with Financial Access

Victim Pathways from Reimbursement to Reported Difficulties with Financial Access



Source: The authors.

Table 2: Financial Access Difficulties by Victim Reimbursement Outcome

	Maintaining Existing Account or Card	Taking Out a New Account or Credit Product	Both (Struggled with Existing Account / Card and Taking Out New Ones)	No Impact
Fully Reimbursed	6%	7%	11%	76%
Not Reimbursed	8%	8%	13%	71%
Partially Reimbursed	3%	11%	33%	53%

Source: The authors.

Based on available evidence, conversations with experts and existing literature, the following reasons best explain victim experiences:

- 1. Worsened credit score:** Some victims report that fraud resulted in their accounts becoming overdrawn or in increased debit due to missed repayments or additional formal / informal borrowing. This had a negative impact on their credit scores, making it harder to either retain an existing credit product or to obtain a new account or credit product.
- 2. De-banking:** 67 victims reported that their accounts were permanently closed following fraud (they were de-banked), including 38 (56%) repeat victims of fraud. Explanations from victims were limited, and banks and industry professionals interviewed for this research acknowledged that de-banking is highly sensitive and not standard practice.⁵⁴ One potential explanation is that some of these individuals may have been flagged for suspected money muling, including cases where involvement may have been unwitting. However, this remains speculative and cannot be confirmed based on the current evidence.

Given these uncertainties and considering wider de-banking trends in the UK, the reported victim experiences warrant further targeted research. According to Which?, complaints to the Financial Ombudsman Service (FOS) related to de-banking rose sharply from 2,683 in the 2022–23 financial year to 3,858 in 2023–24,⁵⁵ and 36% of resolved cases were upheld in favour of customers.⁵⁶ While these complaints are not limited to fraud cases, they nonetheless suggest that account closures can be successfully contested. This highlights the need for better understanding of the circumstances under which fraud victims may face de-banking.

54. Authors' findings from validation workshop with financial industry experts, online, 6 February 2026.

55. Chiara Cavaglieri, 'What is De-Banking and Could it Happen to You?', *Which?*, 28 April 2024, <<https://www.which.co.uk/news/article/what-is-de-banking-and-could-it-happen-to-you-aS7i40R9V8Rd>>, accessed 10 February 2026.

56. *Ibid.*

3. Inability to meet increased verification: A few victims attributed difficulties in accessing new financial products to increased verification requirements and documentation. However, the extent to which these increased requirements were prompted by the fraud event is unclear. In some cases, enhanced checks may reflect legitimate protective measures, for example following confirmed impersonation, where additional safeguards are applied to prevent further harm. Similarly, the presence of fraud risk indicators, such as inconsistencies in application information or linked records, may prompt financial institutions to request further documentation or delay processing.

Separately, there is evidence that some individuals, particularly in more vulnerable groups, may face structural barriers to meeting standard verification requirements, such as lacking ID or household bills in their name.⁵⁷ While additional checks (post-fraud) may be appropriate in many cases, clearer communication on extended verification or delays could reduce uncertainty and help customers understand both the rationale and the steps needed to proceed.

4. Suspected unfair blacklisting: Some victims believed they had been placed on a 'list',⁵⁸ resulting in difficulties opening a new account or accessing credit. However, the available data does not provide clear evidence as to why this view was formed. In practice, banks maintain internal black or grey lists for bad actors, which might explain individuals' experiences if they were suspected of money muling (wittingly or unwittingly) or, in some cases, if they were victims of impersonation fraud. In addition, privately managed fraud prevention databases, such as Cifas, record details of fraudsters, with firms expected to meet defined evidentiary standards before applying such markers.⁵⁹

While these systems play an important role in preventing fraud, some FOS decisions indicate instances where fraud markers may have been applied without sufficient evidence or due process, leading to adverse outcomes for customers.⁶⁰ It is unclear how widespread such cases are and the evidence does not support a conclusion of systemic failure. However, taken together with victim experiences, it points to the importance of appropriate oversight of the use of such lists and databases, as they are essential controls to protect consumers from financial crime. This aligns with

57. The UK's Financial Inclusion Strategy acknowledges lack of ID or proof of address as a key barrier to access banking services for individuals without a permanent address and victims / survivors of economic abuse. See HM Treasury, *Financial Inclusion Strategy*, pp. 9, 23.

58. Victim statements include: 'They closed my account and put me on the list' [S479]; 'A family friend stole my debit card and had put me on a fraud list, and it made it harder for me to open a new account or sort my credit score' [S1097].

59. See, for example, Cifas, 'National Fraud Database Principles', <<https://www.cifas.org.uk/fraud-prevention-community/member-benefits/data/nfd/nfd-principles>>, accessed 9 February 2026.

60. See, for example, Financial Ombudsman Service, Decision Reference DRN-3394397, <<https://www.financial-ombudsman.org.uk/decision/DRN-3394397.pdf>>, accessed 1 February 2026; Financial Ombudsman Service, Decision Reference DRN-2653092, <<https://www.financial-ombudsman.org.uk/decision/DRN-2653092.pdf>>, accessed 1 February 2026.

the Future and Financial Intelligence Sharing’s (FFIS) broader call for the need to have clear pathways for data correction.⁶¹

Taken together, these findings highlight factors associated with difficulties in accessing financial products following fraud, but the data does not allow for definitive attribution and should therefore be interpreted as preliminary insights rather than conclusive explanations. The next section examines loss of trust in financial services, including how factors that impact access may contribute to it.

Trust in Financial Services

Victims were asked the following questions to gauge how fraud had an impact on their trust in the financial system and digital payments:

1. Impact of fraud: Do you use more cash than before?
2. Thinking about your most recent experience of financial fraud which resulted in you losing money, please indicate to what extent it affected your trust in financial institutions or online services [‘A great deal’ / ‘Quite a bit’ / ‘Not much’ / ‘Not at all’].
3. Please select the statement closest to your view: ‘After experiencing fraud, I [feel / do not feel] stress, anxiety or a loss in confidence in using financial services’.

For most fraud victims in LMI households, falling victim to fraud resulted in them losing trust in financial services or digital payments, with many reporting an increased reliance on cash. From the survey and interviews, 62% (353) of victims lost trust in financial services and digital payments, and a further 15% (84) switched to using more cash as a result. Loss of trust can stem from fear of repeat fraud, poorly communicated bank safeguards or protections, and disproportionate financial strain.

Table 3: Impacts on Victim Trust and Use of Financial Services and Online Products by Reimbursement Outcome

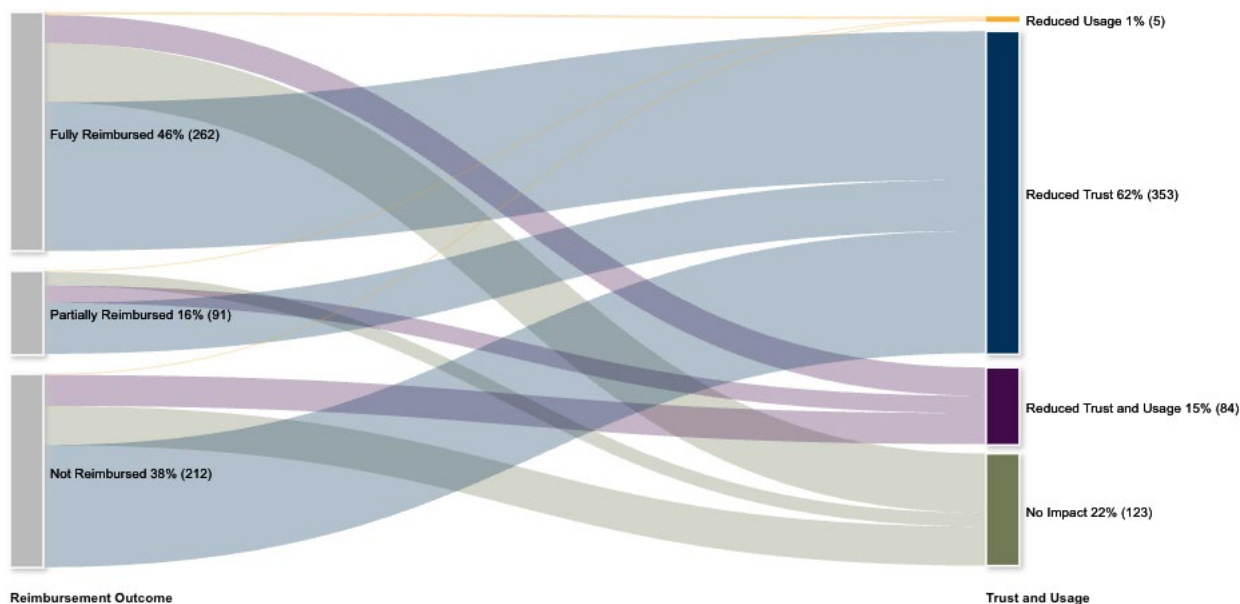
	Reduced Trust	Increased Reliance on Cash	Reduced Trust and Increased Reliance on Cash	No Impact
Fully Reimbursed	62%	1%	12%	25%
Not Reimbursed	63%	0%	16%	20%
Partially Reimbursed	62%	1%	21%	16%

Source: The authors.

61. Nick Maxwell, ‘Future and Financial Intelligence Sharing (FFIS): A Survey and Policy Discussion Paper: Lessons in Private-Private Financial Information Sharing to Detect and Disrupt Crime’, RUSI and Future of Financial Intelligence Sharing, July 2022, <rusi_ffis_survey_and_policy_discussion_paper_-_lessons_in_private-private_financial_information_sharing_to_detect_crime.pdf>, accessed 26 March 2026, pp. 64–72.

Figure 4: Victim Pathways from Reimbursement to Trust and Use Outcomes

Victim Pathways from Reimbursement to Trust and Usage Outcomes



Source: The authors.

To be sure, the survey does not allow for reliable identification of the specific factors contributing to this erosion of trust. Responses tended to capture subjective experiences rather than causal drivers, making it unclear whether such perceptions stemmed from the fraud event, financial loss or engagement with providers.

The following observations can therefore be made based on victims' reported experiences and wider reporting on fraud:

- 1. Losing access to products:** A higher proportion of victims (89%) who reported difficulty with continued financial access say they lost trust or switched to cash, compared with 72% whose access was not impacted. Furthermore, 90% of those who were de-banked (for reasons stated in the previous section) reported loss of trust and reliance on cash. While the data does not establish causality, these findings suggest that disruptions to financial access are associated with diminished trust and changes in financial behaviour.
- 2. Concerns with fraud safeguards:** Some victims raised concerns about practices they perceived as intrusive, such as detailed questioning by banks and anxieties surrounding banks' monitoring of their behaviour. This is compounded by broader changes from rapid digitisation (see Background), including declining in-person services and insufficient explanation of protective measures banks are putting in place (such as temporary account freezes or multifactor authentication).

Conversations with banks during this research show that protective measures can be implemented in a consumer-centric way by minimising disruption and adopting

considerate customer service. For example, some UK retail banks issue virtual cards and help set these up on victims' phones to avoid disruption while they wait for their physical card.⁶²

3. Socioeconomic factors: Among victims reporting a loss of trust, reimbursed LMI individuals appear in similar proportions to those who were not reimbursed. This finding contradicts existing literature on the broader UK population, including data reported by the PSR, for example, which finds that reimbursement leads to increased trust.⁶³ The present findings therefore indicate that reimbursement alone does not consistently translate into restored trust, at least for certain groups of victims.

One plausible explanation is that, for financially constrained households, the consequences of the initial loss extend beyond the monetary value itself. Even where funds were ultimately returned, victims may experience interim liquidity pressures, disruptions to essential spending and heightened financial stress, alongside the emotional impacts of the incident. In this context, reimbursement may not be a sufficient form of redress. This is further discussed in the 'Implications for Policy and Practice' section.

4. General fear: Victims lose trust in individuals (such as feeling anxious that they may be fraudsters) and platforms (for example, online retail sites), or just generally fear repeat victimisation. Some victims report severe psychological impacts following fraud, with one stating they 'developed post-traumatic stress disorder and lost trust in banks' [S2524], and another describing how 'insecurity and paranoia' made it harder to maintain their account [S1618]. A recent study on the impact of fraud on mental health found that some methods that repeatedly target a victim cause 'an ongoing feeling of insecurity' and 'heightened symptoms associated with fear and worry, and feelings of vulnerability'.⁶⁴ This general, undirected loss of trust manifests as reduced confidence in re-engaging with the financial system.

Taken together, these findings indicate that loss of trust following fraud is driven by a combination of financial, procedural and experiential factors. While reimbursement and protective measures play an important role, they do not consistently restore trust when victims experience uncertainty, perceived intrusion or a lack of clarity in their interactions with financial institutions.

The next section examines how impacts to financial access interact with loss of trust, bringing both strands together for a better conceptual framework to study financial inclusion.

62. Authors' anonymous interview with I13, a private sector representative, online, 4 February 2026.

63. Payment Systems Regulator, 'APP Fraud Survey'.

64. Michael Skidmore et al., 'Invisible Harms: Understanding the Hidden Health Impact of Fraud', Police Foundation, February 2026, p. 34, <<https://www.police-foundation.org.uk/wp-content/uploads/2010/10/Health-impact-of-fraud.pdf>>, accessed 23 February 2026.

Towards a Better Conceptual Framework

Findings thus far show that exclusion is not a binary de-banking event but a nuanced process. Existing literature supports the observation that exclusion is often partial, dynamic and relational. For example, individuals might remain formally included while facing constraints or doubts on how, when and whether they engage with financial services. Peterson K Ozili argues that inclusion is reversible at any point, explaining that banked adults may discontinue using a formal account when it fails to address a concrete need or when engagement leaves them worse off than relying on informal alternatives.⁶⁵

Similarly, 'inclusion' is neither static nor binary but exists along a spectrum. Marry-Anne Karlsen, for example, uses the concept of 'precarious inclusion' to describe situations where people have access to financial services but only at a level that supports minimal survival needs, rather than securing full participation.⁶⁶ Similarly, Lindsey Appleyard, Karen Rowlingson and Jodi Gardner contextualise their analysis of unsecured credit use within a spectrum across 'super inclusion', 'mainstream inclusion' and 'hybrid inclusion'.⁶⁷ The findings of this research concur with and advance such gradation in analytical thinking, policymaking and victim support.

Assessment: Financial Inclusion

This section assesses the overall impact of fraud on financial inclusion by bringing together victims' experiences of losing financial access and trust in financial services.

Drawing from victim experiences, this paper proposes a conceptual framework, which brings together access and trust into four outcomes: inclusion, fragile inclusion, systemic exclusion, and compound exclusion. This framework of differentiated outcomes allows for more tailored and proportionate policy interventions.

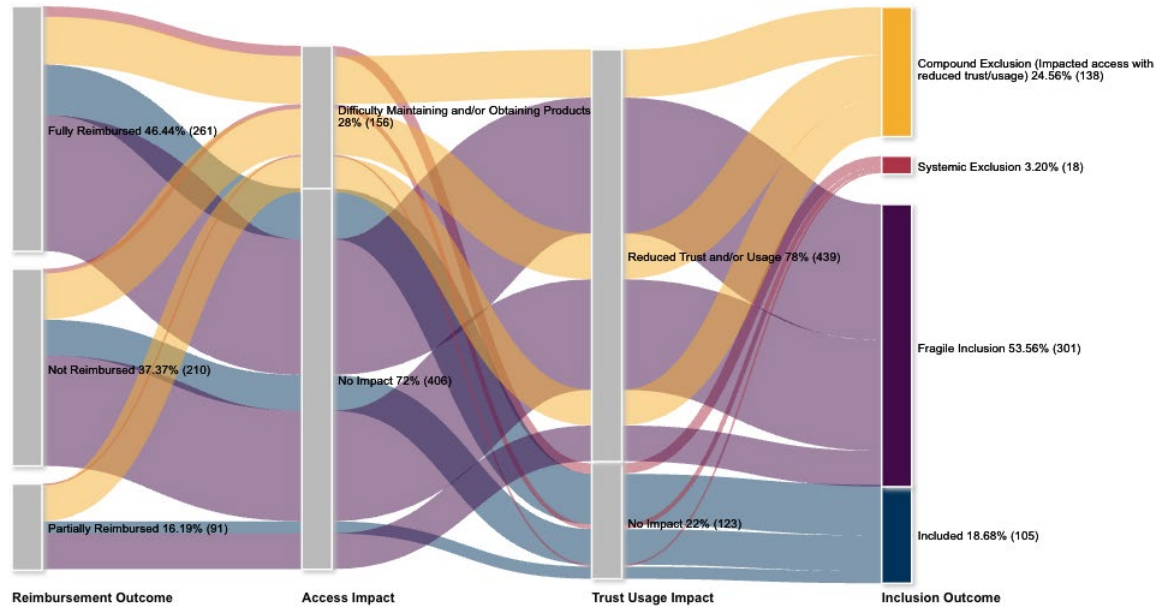
65. Peterson K Ozili, 'Financial Inclusion, Financial Crime, and Fraud Detection', *Safeguarding Financial Data in the Digital Age*, 2024, pp. 1–14, <https://mpr.aub.uni-muenchen.de/121566/1/MPRA_paper_121566.pdf>, accessed 10 December 2025.

66. Marry-Anne Karlsen, *Migration Control and Access to Welfare: The Precarious Inclusion of Irregular Migrants in Norway*, First Edition (Abingdon: Routledge, 2021). pp. 1–15.

67. Lindsey Appleyard, Karen Rowlingson and Jodi Gardner, 'Beyond the Binary of Financial In/Exclusion: Towards a Spectrum of Unsecured Credit Use', CHASM, April 2016, <<https://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/briefing-papers/2016/bp4-2016-beyond-the-binary.pdf>>, accessed 13 December 2025.

Figure 5: Victim Pathways from Reimbursement to Financial Inclusion Outcomes

Victim Pathways from Reimbursement to Financial Inclusion Outcomes



Source: The authors.

- 1. Inclusion:** 19% (105) of victims remained formally included in financial services without reported behavioural change, loss of trust or disengagement from digital payments. ‘Inclusion’ in this context means that they did not report adverse impact on service use or trust.⁶⁸
- 2. Fragile inclusion:** 54% (301) of victims remained formally included but experienced loss of trust, reduced confidence and disengagement from digital payments. This form of inclusion is considered ‘fragile’ as loss of trust or disengagement may lead affected individuals to behave in ways that increase their vulnerability to repeat fraud and more adverse exclusion (for example, increased use of informal finance).
- 3. Systemic exclusion:** 3% (18) of victims reported no loss of trust or disengagement, yet still experienced exclusion (for example, through account closures, impact on credit profiles or increased friction associated with fraud prevention and consumer protection measures). As this group reported no loss of trust or reduced use,⁶⁹ their exclusion can be explained as largely due to systemic frictions.
- 4. Compound exclusion:** 24% (138) of victims were formally excluded and reported loss of trust or disengagement from digital payments or financial services. This subgroup faces a complex set of issues requiring a combination of interventions to restore their financial access, in addition to holistic redress such as psychological support and financial education and rehabilitation.

68. In addition, this paper does not assess quality of services offered or other aspects of financial inclusion, such as financial literacy and capacity.

69. Measured in this paper by whether victims reported increased use of cash.

This paper emphasises the link between reimbursement and impact on financial inclusion to assess if there are signs of mandatory reimbursement leading to increased risk aversion among financial providers for clients who fall victim to fraud. The data shows that fraud reimbursement is not a direct determinant of financial exclusion, suggesting that exclusion occurs through a more complex set of factors. Consistent with this, similar proportions of reimbursed and non-reimbursed victims experience negative consequences for their financial inclusion due to impacted financial access or trust.

Table 4: Share of Reimbursement Outcomes by Financial Inclusion Status

	Inclusion	Fragile Inclusion	Systemic Exclusion	Compound Exclusion
Fully Reimbursed	21%	56%	4%	20%
Not Reimbursed	18%	56%	2%	23%
Partially Reimbursed	14%	42%	2%	42%

Source: The authors.

These findings support a conceptualisation of financial inclusion as a spectrum rather than a binary state. The four distinct outcomes reflect different ways in which individuals engage with, or are constrained within, the financial system. This framework illustrates an approach to differentiate victim outcomes for better support and policy measures. The next chapter explores this further with a view to bridging fraud and financial inclusion agendas for better consumer outcomes.

Key Findings

- Over 80% of LMI victims experience reduced financial inclusion after fraud due to loss of access to services, loss of trust, disengagement or a combination of these.
- Reasons for issues with maintaining or obtaining accounts or credit include: worsened credit scores post-fraud, enhanced verification, de-banking (possibly due to witting or unwitting money mule activity), and victim-reported suspicions of ‘blacklisting’.
- Reasons for loss of trust in financial services and digital payments include: fear of repeat fraud, confusing / intrusive bank safeguards, and the lasting financial and emotional strain of fraud.
- Fraud outcomes extend beyond financial loss. Even where losses are reimbursed, trust is not consistently restored.
- Financial inclusion ‘outcomes’ for victims are more nuanced than mere ‘de-banking’, requiring a new conceptual framework to describe victim experiences with ‘inclusion’, ‘fragile inclusion’, ‘systemic exclusion’ and ‘compound exclusion’.

Implications for Policy and Practice

This paper's findings on inclusion outcomes point to the need for a multilevel response in which fraud resilience and financial inclusion are treated as mutually reinforcing rather than competing goals. The implications can be grouped across three levels: systemic, institutional and individual / community.

Systemic Level: Joining Up Vulnerability, Fraud and Inclusion

At the systemic level, the paper underlines the absence of a shared framework to monitor how fraud and fraud response affect financial inclusion. The latest UK Fraud Strategy acknowledges the need for increased proactive monitoring and victim support (care and strengthening support services) beyond viewing fraud as a monetary or reimbursement issue.⁷⁰ However, it does not explicitly address financial inclusion and more can be done to bring this to the forefront.

The conceptual framework introduced in this paper offers an illustrative way to connect fraud and financial inclusion to support more systematic measurement and monitoring of policy impacts. It highlights the value of incorporating post-fraud measurement of inclusion into existing regulatory approaches and policy impact assessment. This, for example, can be achieved by:

- integrating post-fraud measures of access, usage and trust into the UK regulatory framework;
- evaluating whether and how fraud policies or interventions contribute to a deterioration of financial inclusion across the UK;
- establishing evidence-based oversight and victim support that links fraud governance to financial inclusion outcomes, moving beyond metrics of loss prevention alone.

70. HM Government, *Fraud Strategy 2026–2029*, p. 42.

Beyond measurement and monitoring, joining up the fraud and financial inclusion agendas requires increasing financial resilience for LMI households. As detailed earlier, low financial buffers can amplify the impact of fraud. Existing research highlights a range of approaches that may support resilience in this context. For example, a 2024 study commissioned by the Financial Inclusion Commission points to the potential of expanding partnerships between credit unions and employers to provide short-term loans repaid through salary sacrifice.⁷¹ It also identifies repayment flexibility as an important factor, noting that mechanisms, such as allowing recipients of Universal Credit to pause deductions from their payments, could help mitigate financial strain during periods of vulnerability.⁷²

Institutional Level: Inclusive Fraud Policies and Preventing Repeat Victimization

Financial institutions play a central role in determining whether customers remain included following fraud. Yet, they face increasingly difficult decisions in cases where customers are repeatedly socially engineered into authorising fraudulent payments.⁷³ At the institutional level, banks and payment service providers already deploy tools aimed at preventing victimisation. UK Finance's Banking Protocol,⁷⁴ for example, enables police intervention if they suspect a customer is being coerced or socially engineered to refuse bank advice. The PSR has also allowed firms to slow payments for up to four business days under some circumstances to enable more time to respond to fraud concerns.

Decisions about when to freeze accounts, how to minimise disruptions while applying protections (cancelling and reissuing a card), and assessing eligibility and authentication required for different financial products all shape victims' financial trajectories. More inclusive fraud responses would involve providing clear explanations and appeal routes and considering alternative arrangements that maintain access for essential spending while still mitigating fraud risk (such as through issuing temporary virtual cards).

High repeat victimisation rates among LMI households underline the critical role of fraud-related data-sharing for consumer protection across institutions. At the same time, variation in how firms use data – such as fraud markers and internal grey- or blacklists, including in credit decisions and AI-based risk monitoring – alongside differing appeal

71. Adele Atkinson and Louise Overton, 'Financial Inclusion in the UK', CHASM, University of Birmingham, 2024, p. 37, <<https://www.birmingham.ac.uk/news/2024/achieving-full-financial-inclusion-in-the-uk-current-realities-and-potential-solutions>>, accessed 26 March 2026.

72. Atkinson and Overton, 'Financial Inclusion in the UK'.

73. Authors' anonymous interview with I6, a public sector representative, online, 27 March 2026.

74. City of London Police, 'Specialist Victim Care Unit Rolled Out Across the UK', 3 August 2023, <<https://www.cityoflondon.police.uk/news/city-of-london/news/2023/august/specialist-victim-care-unit-which-supports-thousands-of-vulnerable-fraud-victims-rolled-out-across-the-uk/>>, accessed 10 February 2026.

and remediation processes, can contribute to uneven access and inconsistent customer outcomes. While this research cannot fully evidence the drivers of victims' access issues based on self-reporting, it suggests the need for closer examination through industry metrics and further research on consumer experiences and outcomes.

Individual / Community Level: Victim Care and Trust

At the individual and community level, it is important to examine the breadth of victim support offered and that delivery is targeted. The UK's Report Fraud Victim Care Unit is a targeted service providing victims of fraud and cybercrime with a national standard of care and support, including a tiered approach to identifying, triaging and supporting vulnerable victims.⁷⁵

However, 'vulnerability' is a broadly defined cross-cutting issue with inconsistent application. The FCA's sector-wide guidance defines vulnerable customers according to four key drivers of vulnerability (health, life events, resilience and capability).⁷⁶ Yet, these characteristics do not expressly consider vulnerability to repeat victimisation or financial exclusion. This paper shows that financial exclusion can increase vulnerability, for example due to increased reliance on cash or turning to unsafe lending due to losing access to credit products.

Thus, holistic victim support should, in addition to physical and psychological support, help restore stable financial inclusion. The research's conceptual framework shows how measuring inclusion in victim journeys could help better target support:

- **Fragile inclusion:** Support should include direct attempts to rebuild trust, confidence and safe re-engagement with the financial system.
- **Systemic exclusion:** Support should include identifying and helping victims challenge suspected unfair account closures or blacklisting, meet identity requirements and access affordable credit and providing advice on and awareness of predatory lending.
- **Compound exclusion:** Support should include a combination of psychological support, financial education and rehabilitation, focusing on improving long-term financial resilience.

Tackling fraud requires thinking beyond fraud as a crime to protecting financial resilience, sustaining trust and ensuring that victims are not pushed further towards exclusion because of victimisation and institutional response.

75. *Ibid.*

76. FCA, 'Finalised Guidance: Guidance for Firms that Enables a Risk-Based Approach to Payments', 22 November 2024, <<https://www.fca.org.uk/publications/finalised-guidance/fg24-6-guidance-firms-enables-risk-based-approach-payments>>, accessed 10 February 2026.

Conclusion

Drawing on a survey of 2,000+ respondents, this paper presents preliminary findings showing that the impact of fraud on LMI households can extend beyond a one-time financial shock, affecting their subsequent financial inclusion.

The paper first establishes that the socioeconomic vulnerabilities of LMI households lead to an outsized impact of fraud due to low financial buffers. Those who are unemployed or unable to work due to illness or disability are more frequently victimised. Repeat victimisation rates are also higher among victims in this research than national estimates for the overall population.

Analysis of bank reimbursement, on the other hand, points to the need for greater consistency in reimbursement and awareness of reimbursement entitlements. This paper shows preliminary results of how fraud (victimisation and bank responses) leaves victims struggling to maintain continued access to the financial system or produces a reduced willingness to engage with the financial system. The underlying mechanisms causing these impacts are a combination of psychological and systemic factors, due to excessive (unintended) friction from fraud and consumer protection measures.

This paper proposes a conceptual framework to better reflect victim outcomes, which allows policy thinking to graduate beyond binary inclusion/exclusion outcomes.

This paper cautions that exclusion may further increase victims' vulnerability to fraud. It uses the conceptual framework to illustrate how inclusion objectives can be embedded into the fraud framework at the systemic, institutional and individual / community levels. It calls for further examination of how fraud interventions affect financial inclusion, oversight to monitor and mitigate excessive friction, and the development of proportionate, inclusion-informed redress mechanisms and support. It concludes that fraud victimhood, fraud policy interventions and financial inclusion are linked.

Beyond its findings, the paper also identifies areas requiring future research. These include: the need for deeper evidence and analysis on how and why victims may experience reduced access; variations in outcomes across different cross-sections (such as by financial provider, region or income group, including high-income victims); and the quality of financial services provided to victims following fraud.

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