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Breaking the link between online financial harms and mental health problems

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Contents

Executive summary **4**

Introduction **6**

Our work on online harms and mental health 6

This report 7

Section one: The scale and impact of online harms **9**

The impact on people's finances 9

The impact on people's mental health 10

The impact on people's digital confidence 11

The impact on people's relationships 11

Section two: The drivers of online harm **14**

The internet is always on 14

Customer interaction is different 15

Online transactions are less tangible 15

Design of online spaces 16

Use of advertising 20

Section three: Safer online services **23**

Best practice for online services 23

Set safe defaults 23

Offer customer controls 25

Use data to understand your users 25

Prepare for vulnerability 26

Section four: Regulating to reduce online harms **29**

The role of government 29

The role of regulators 32

Conclusion **38**

Executive summary

Online harms and people with mental health problems

- The internet has made shopping, engaging with services and socialising more accessible to many people with mental health problems, but it also exposes us to risks.
- Members of our Research Community – a group of people with lived experience of mental health problems – told us how common symptoms of many conditions like impulsivity and low mood could lead to uncontrolled spending or missing the warning signs of scams.
- But the design and management of online shops, gambling websites and social media can mean that people with mental health problems are at increased danger of damage to both their finances and their mental health.
- In national polling of 2,000 UK adults for this report, we find that people with experience of mental health problems are twice as likely to feel under pressure to spend whenever they go online (22% versus 11% of those without a mental health problem) and nearly twice as likely to say that getting online credit encouraged them to spend more than they could afford (46% versus 24%).

The case for action

- The government has committed to making the internet safer. But under its current plans for an Online Safety Bill and an online harms regulator, most financial harms are not in scope.
- While some of these issues come under the remit of organisations like the Financial Conduct Authority and the Competition and Markets Authority, the evidence we have assembled across a range of sectors suggests there are significant gaps in our network of consumer protection.
- With the pandemic meaning we are all more reliant on the internet than ever before, swift action is required to ensure those of us who experience mental health problems can confidently use the internet and benefit from online services.
- Because of the size and complexity of the internet, there is no quick fix for online harms. But online services – businesses operating on the internet, whether they directly process transactions, for instance retail websites or online credit providers, or platforms which host ads, such as social media – who want to help their customers stay in control can take immediate steps.
- For those that fail to act to reduce harm, and in order to deliver more effective regulation online, there is a clear need for more proactive and joined-up interventions from government and regulators.

Online services should:

- Design default customer journeys that are safe for vulnerable users, including people experiencing mental health problems, to reduce risks to all users.
- Offer opt-in settings to provide greater control online, such as spending limits and the ability to opt out of marketing nudges.
- Use data to understand where and how users are experiencing difficulty and ensure processes to deal with returns and complaints are accessible for people with mental health problems.

The government should:

- Empower regulators to respond to the growing prominence of online services. This can be achieved by building flexibility into regulators' powers and funding arrangements, allowing regulators to apply existing regulation effectively to new threats.
- Quickly fill gaps in regulation and redress, through introducing consumer protection for new types of services which are unregulated or underregulated.
- Use the Online Safety Bill to give Ofcom – as the new online harms regulator – the powers to address inaction by firms on scams.

Regulators should:

- Take an anticipatory approach to regulation, actively reviewing the markets which they oversee to spot emerging trends, particularly those in less-regulated areas.
- Transform and translate existing protections for the digital age, to ensure that regulations designed for the offline world do not prevent necessary interventions today.
- Focus on design in online spaces, including by setting guidelines on the kinds of tactics, nudges and messaging that are unacceptable for websites to use.
- Collaborate and share evidence with other bodies, in recognition of the common challenges involved in regulating online spaces.

Introduction

The internet has become a central part of everyday life in the UK. In 2020, nine in ten UK adults (89%) used the internet, up from three in four (76%) in 2011. The way we get online has transformed over this period too.[1] Smartphones have moved from being a luxury item to become commonplace, with just one in four of us (27%) owning a smartphone in 2011, rising to eight in ten (82%) by 2020.[2] This means people can increasingly go online whenever they want, wherever they are.

This change has been transformational for people with mental health problems, providing access to a new world of information and support. It has allowed people to shop, socialise and engage with key services from the security of their own home, even when so unwell that getting out of bed is impossible. However, this step change in accessibility presents new risks. Someone may be too unwell to physically visit a casino, but still able to visit a gambling website, posing different challenges for those of us with mental health problems, as well as businesses. And there are huge differences between online services and their offline equivalents, which can also drive problems. A billboard is not the same as a targeted, clickable advert, and e-commerce platforms are less and less like high street stores. Pervasive personalised advertising and the speed and ease of transactions online can have a powerful effect on human behaviour and lead to difficulties staying in control online.

As with any major shift in technology, the internet is reshaping the way that people interact with services and each other. This has required government and regulators alike to rethink their approach. The government has announced plans to tackle harmful online content such as misinformation and abuse, and a review of gambling regulation to make sure it is fit for the digital age.[3] Regulators such as the Financial Conduct Authority (FCA) and Ofcom are examining how developments online are affecting their specific sectors.[4] But our research suggests that gaps remain and there is a need for greater action in response to the explosion in internet use.

Our work on online harms and mental health

Our work on online harms to date has focused on features of online spaces that can lead to financial problems for people with mental health problems. Our first three papers looked at people with mental health problems' experiences of online gambling, shopping and scams:

- *A safer bet*[5] explored people with mental health problems' experiences of online gambling. We found that the interaction between common symptoms of mental health problems and the design of online gambling sites often led to difficulties staying in control of gambling. We set out recommendations for an online gambling environment that is safer by design.

- *Convenience at a cost*[6] discussed how online shopping can be invaluable, but the design of shopping sites can make it difficult to control spending, particularly when people are unwell. We set out best practice for responsible retailers and how consumer protection could be updated for the digital age.

1. Ofcom. Online nation. 2020.
2. Ibid.
3. HM Government. Online Harms White Paper. 2019 DCMS. Review of the Gambling Act 2005 Terms of Reference and Call for Evidence. 2020.
4. FCA. The Woolard Review – A review of change and innovation in the unsecured credit market. 2021. Ofcom. Addressing harmful online content. 2018.
5. Holkar M and Lees C. A safer bet. Money and Mental Health Policy Institute. 2020.
6. Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.

- *Caught in the web*[7] focused on online scams. We discovered scams are pervasive, reaching into online spaces that many of us visit every day, and that people with mental health problems are at a significantly increased risk of falling victim. Our research suggested a range of actors could help reduce harm, both through more effective prevention and by improving support for victims.

Across the issues in these three papers, and in other areas of online activity such as online borrowing, gaming and investing, we see a number of recurring issues that harm people with mental health problems. In many cases, the interaction between the design of online spaces and common symptoms of mental health problems can be disempowering, undermining informed choice and making it harder for people to control their behaviour. This toxic combination often leads to financial problems, such as overspending and problem debt, and can have a devastating wider impact on people's mental health and confidence when using the internet.

In this final paper, we bring together lessons learned from our previous papers and new evidence on existing practice. We report findings from polling of 2,000 UK adults, conducted by Opinium over 5–9 February 2021.[8] As with all our work, the experiences of the Money and Mental Health Research Community – a group of people with lived experience of mental health problems – are at the heart of our findings and recommendations.

Using this evidence and insight to help firms across online services to play their part, we set out best practice, outlining steps that diverse websites and platforms can take to minimise risks for people with mental health problems. We also propose an approach for the government and regulators, to ensure that our system of consumer protection evolves with technology and delivers for people with mental health problems into the future.

This report

- **Section one** sets out common problems that people with mental health problems can experience online.
- **Section two** explores the key drivers of online harm for people with mental health problems.
- **Section three** looks at how firms can make online spaces safer for people with mental health problems.
- **Section four** outlines the approach needed from the government and regulators to make a safer internet a reality.
- The **conclusion** discusses the broader context around the pandemic and the role that other organisations can play in reducing online harms.

7. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
8. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.

£
£
£
£
£
DEBT

Section one: The scale and impact of online harms

People with mental health problems are more likely to experience online harms

Our research has shown how anyone can potentially experience harm online. But while the potential dangers involved in using the internet are widespread, people with mental health problems appear to be at greater risk. Section two will discuss in more detail how symptoms of mental health problems can interact with online spaces and lead to difficulties, but the scale of harm that people with mental health problems are experiencing is striking.

This was perhaps most evident in our research on online scams. Despite comprising a minority of the total population, people who have experienced mental health problems made up the majority of those who had been scammed online (defined as unintentionally losing money or giving away personal information).[9] Our polling on online shopping revealed a similar difference: three in ten (29%) people who have recently experienced a mental health problem have spent more than they can afford when shopping online in the last twelve months, more than twice the proportion among people who have never experienced mental health problems (12%).[10] While the difference in relation to online gambling was less stark in our polling, we found that one in three (32%) online gamblers who have experienced a mental health problem feel that it is not easy to stay in control of online gambling, compared to a quarter (23%) of gamblers who have never experienced mental health problems.[11]

> "I have to watch myself that I not spend more than I can afford as it is easy to get carried away"
>
> *Expert by experience*

These problems can cause financial difficulties, directly affecting people's living standards, but can often have an associated impact on people's mental health, their use of the internet, and their relationships.

The impact on people's finances

People with mental health problems face a significant income gap compared to those without a mental health problem, equivalent to £8,400 annually for common conditions like anxiety and depression.[12] This can mean that even small losses, such as the typical (median) loss of £100 for Research Community members who had been scammed online,[13] can have devastating impacts.

> "[After being scammed online] financially I really struggled for a few months, had to borrow money and use food banks, ultimately had to sell my car to pay it off."
>
> *Expert by experience*

Our Research Community respondents shared how a range of online harms could put severe pressure on their household budgets. While it can help spread the cost of purchases, the speed and ease with which credit can be taken out online can lead to people completing the journey without a full consideration of their ability to make the repayments. In recent polling we found that almost three in ten (28%) online borrowers who have experienced mental health problems found it difficult to keep up with the repayments.[14]

9. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
10. Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.
11. Holkar M and Lees C. A safer bet. Money and Mental Health Policy Institute. 2020.
12. Median annual difference in 2019 prices. Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.
13. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
14. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.

"I have got myself into a lot of debt with online loans. They agreed too quickly and I take them out, especially when unwell, thinking I can make the payments. I never can and end up in debt collection which is frightening and stressful."

Expert by experience

These difficulties can lead to wider financial problems, such as having to cut back on essential spending, for example on groceries or bills, or missing debt repayments. This was something that a majority of Research Community respondents experienced as a result of being unable to control spending when shopping online.[15]

"My finances have been hard to manage due to my online shopping."

Expert by experience

"I am very anxious about spending too much and people seeing that I am receiving items."

Expert by experience

Our Research Community participants told us how they can feel guilty when they spend more than they can afford online, with stigma around debt and financial problems adding to their difficulty. In a Research Community survey, more than one in three (36%) respondents said they have felt guilty about the way they gamble.[18] Guilt was also reported by Research Community respondents who had shopped online, often to make themselves feel better, only for the arrival of the parcel to aggravate their symptoms.

"It makes me feel guilty and bad about myself, even when I treat myself after working hard"

Expert by experience

The impact on people's mental health

Beyond the financial impact that not being able to control spending or losing money online can have, many people experience a connected negative impact on their mental health. For some, this is due to anxiety or stress over their spending or financial losses online. Nationally, 31% of people with recent experience of a mental health problem have felt stressed and 22% have felt depressed as a result of online shopping.[16] We found similar figures among online scam victims.[17]

Many people who have been the victim of an online scam feel embarrassed and ashamed for falling for the scam. Nationally, one in three (36%) scam victims who have experienced a mental health problem have felt ashamed as a result of an online scam.[19]

In some cases, these feelings can have a devastating impact. Problem gamblers are more likely to attempt to take their own life,[20] and we heard from Research Community members who felt that losing money to an online scam contributed to suicidality.

15. Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.
16. Ibid.
17. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
18. Holkar M and Lees C. A safer bet. Money and Mental Health Policy Institute. 2020.
19. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
20. Wardle H et al. Problem gambling and suicidal thoughts, suicide attempts and non-suicidal self-harm in England. GambleAware. 2019.

"My depression got worse as I felt so stupid for falling for it and it put me further in debt. I attempted suicide shortly after that."

Expert by experience

"I deleted the ebay app from my phone for a while which was helpful, as I didn't look at ebay in the middle of the night. But I also use ebay to sell and really need the app available for that."

Expert by experience

The impact on people's digital confidence

Beyond the impact on finances and mental health, we heard how online financial harms can also affect people's confidence and use of online services. For many people we heard from, being the victim of an online scam, or even just seeing a scam, could knock their confidence when navigating online spaces for fear that they may become a victim again.[21] Four in ten (41%) polling respondents said that seeing scams online made them less confident when using the internet, while just one in four (25%) disagreed.[22]

"Makes me more nervous to use it and trust it without asking for help."

Expert by experience

For others, financial losses online can lead them to reducing their use of the internet and sometimes withdrawing from certain spaces completely.[23] For example, one in five (21%) Research Community members had spent less time online as a result of not being able to control their spending on online shopping sites.[24]

Both the impact on people's confidence and their use of the internet can cause people to miss out on the potential benefits of many online spaces. With people with mental health problems estimated to be paying up to £1,550 more per year for essential services than people without mental health problems, an inability to use comparison websites or manage accounts online is likely to make this gap harder to address.[25] With the pandemic meaning that work and socialising is increasingly being done online, this may lock people who do not feel confident using the internet out from a range of activities and opportunities.

The impact on people's relationships

Losing money online can also put pressure on personal relationships. There is considerable stigma around gambling and being the victim of a scam, which can lead people to hide problems from loved ones. People can feel ashamed about difficulties with impulsive spending and worry that they will be judged if they open up, even to friends and family.

"Nobody in my family or friends know just how much I owe because I'm too ashamed to tell."

Expert by experience

21. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
22. Ibid.
23. Ibid.
24. Ibid.
25. Rogers C, Poll H and Isaksen M. The mental health premium. Citizens Advice. 2019.

In a Research Community survey, one in five (20%) people who couldn't control their spending experienced a breakdown in a personal relationship as a result.[26]

> "Online gambling has bankrupted me and my relationship broke down as a result"
>
> *Expert by experience*

Being a victim of an online scam can also put strains on relationships and damage trust, as scammers often build up a relationship with the victim.[27]

Summary

- Online harms can have a significant negative impact on people with mental health problems, who appear to be at greater risk of experiencing these difficulties.
- With people with mental health problems typically having lower incomes, periods of uncontrolled spending or losing money to a scammer can leave people struggling financially.
- Online harms can also affect our mental health. Members of our Research Community told us how feelings of shame and embarrassment as a result of online harms could leave them depressed, anxious or suicidal.
- Despite the benefits that online services can bring, the impact of online harms means that some people with mental health problems have withdrawn from using the internet.

26. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
27. Ibid.

CREDIT CARD
CREDIT CARD
CREDIT CARD

Section two: The drivers of online harms

Given the scale of online harm and the consequences it can have, we next turn to what drives these difficulties and why people with mental health problems are particularly vulnerable to harm. We find common factors at play in different online spaces. Often, we find that a combination of design choices made by online services, common symptoms of mental health problems and fundamental features of online interactions can interact to drive harm. Inherent differences between online and offline services, such as the former being constantly available and unmonitored, can create specific problems. But design choices made by online services can worsen outcomes for people experiencing symptoms of mental health problems too.

The internet is always on

The internet is accessible at any time of the day or night, and we can increasingly access online services wherever we are from mobile phones and other devices. This convenience is a real benefit of online services, but it is also a common driver of online harm. Even when people are too unwell to leave home or to get out of bed, it can still be easy to go online and spend money.

This can create particular issues when people are experiencing symptoms of mental health problems that make it harder to regulate their behaviour. In A safer bet, we found that symptoms of mental health problems can sometimes lead people to gamble for problematic reasons, and that the constant accessibility of online gambling can enable this.[28] Some respondents described seeing gambling online as a form of escape, when experiencing depression. Others described gambling online as a form of self-harm, seeking financial losses to confirm negative feelings about themselves when unwell. The internet allows people to gamble for these reasons at any time and gives greater opportunity to keep such behaviour hidden from others.

> "I gamble for the pain of losing as it reinforces my thoughts about myself… I do it to hurt myself."
>
> *Expert by experience*

People often turn to online shopping when experiencing a low mood. Over half (54%) of people who have recently experienced a mental health problem have shopped online to make themselves feel better in the past year.[29] Even among people who have never experienced a mental health problem, one in four (24%) have shopped online for this reason.[30]

Difficulties controlling online spending are also particularly challenging for people who experience increased impulsivity when unwell. This common symptom can make it harder to resist the temptation to spend online.

> "Once in a high mood, I spent £200 on clothes that, when I got them, I didn't really need."
>
> *Expert by experience*

Many Research Community respondents described how they would shop at night, either because they couldn't sleep or to hide their behaviour, and told us how a lack of sleep can compound these difficulties.

28. Holkar M and Lees C. A safer bet. Money and Mental Health Policy Institute. 2020.
29. Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.
30. Ibid.

Customer interaction is different

Serving a customer face to face is different to an online transaction, and online services are often less proactive when customers show signs that they need help. While staff in a bank branch or call centre are often trained to identify signs that a customer is struggling and needs support, online customer service and sales processes are highly automated and there are limited examples of support being integrated into these processes. For example, national polling for this report finds that only one in four (26%) people who have applied for credit online felt the lender supported them with things they didn't understand.[31] This means that opportunities for earlier intervention are missed, and harm is allowed to develop.

In some respects, services have less insight into their customers' experiences in online channels, as they can't observe visual signs that a customer is confused or distressed. But they do have access to a range of additional data points that can help them to understand customers' needs. Services can closely monitor customer behaviour online, mapping every aspect of customer journeys across a website, from the amount of time spent on a page to the precise point where a form is abandoned. This behavioural data can be complemented with other information held about the customer. Historically, this powerful insight has often been used for sales and marketing purposes but less often as a basis for customer support.

We do see occasional examples of online services taking proactive steps to support customers who appear to need support. It is relatively common for websites to present customers with pop-up chat windows when a customer lingers on a page beyond a certain length of time. In the online gambling sector, operators are required to proactively interact with customers in order to minimse the risk of gambling-related harm, including by identifying patterns of gambling that may indicate a problem. There is huge potential for proactive customer interaction in online channels, but this area is underdeveloped and as a result, services often miss out on opportunities to spot problems and offer their customers support.

Online transactions are less tangible

Spending money online feels different to paying with cash – clicking a button is psychologically different to paying with physical currency – and this can affect our behavior online and our perceptions of spending. This is often compounded by the inability to physically see or touch the items that money is being spent on. This can lead to transactions feeling less 'real', especially when people are unwell.

This perception is common when shopping online. Four in ten (37%) people who have recently experienced a mental health problem agree that it doesn't feel like they're spending real money when they shop online, compared to 25% of people without a mental health problem.[32]

> "When I'm not well it's just numbers I can't relate it back to money because I don't stand at a till and hand over money."
>
> *Expert by experience*

31. Ibid.
32. Ibid.

This feeling was also reported by people with mental health problems who had gambled online. In our national polling, four in ten (40%) online gamblers who have experienced a mental health problem agreed that it doesn't feel like they're spending real money when they gamble online, compared to a still significant one in four (26%) of those who have never experienced a mental health problem.[33]

Some Research Community members described gambling online as feeling more like spending "monopoly money", and reported that spending can feel less tangible during periods of poor mental health. The design of online gambling sites can contribute to these feelings, creating immersive environments through the use of colours and sounds.

> "It's too easy to lose your money, because you're only pressing [a] button."

Expert by experience

The design of online spaces

Online spaces will always have intrinsic differences to their offline equivalents, but those who design these spaces can shape the way that consumers use them. These design choices are often done to improve the customer experience, such as making it easier for a customer to navigate through a website. They can, however, profoundly impact consumer behaviour and in effect undermine customer control and drive harm.

Across our previous reports, we explored the effects of a spectrum of design choices that exist on shopping, gambling and credit sites. They range from active 'nudges', that play on our behavioural biases to prompt us to make certain decisions, to reducing 'friction' in key areas of the customer journey that make financial transactions faster, offering less time to pause for thought. While some of the effects are unintentional, designers often use behavioural insights and user testing to make transactions easier and quicker. Many of these design choices exacerbate difficulties posed by common symptoms of mental health problems such as increased impulsivity, challenges processing information and low mood.

Nudges

In our polling on online shopping, over half (54%) of people who have recently experienced a mental health problem felt that online shopping sites make it too easy to spend more money than you can afford.[34] We found that sites often put customers under pressure to spend money through notifications alerting them of low stock or the number of people looking at an item. These can often instill panic and lead to people worrying that they might miss out, which can be harder to ignore and resist when unwell.

> "When you're told x number of people are looking at an item or there's only so many left, irrational panic sets in and I've made foolish purchases."

Expert by experience

Polling for this report found that many of us feel under pressure to spend whenever we go online, with people with mental health problems twice as likely to report feeling this way (22% versus 11% of those without a mental health problem). Nudges are likely to contribute to this pressure.

33. Holkar M and Lees C. A safer bet. Money and Mental Health Policy Institute. 2020.
34. Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.

Gambling sites also make design choices that encourage increased spending, such as providing offers mid-game or bonuses to those who have just lost money. Games are designed to be exciting and can feel addictive; eight in ten (82%) Research Community respondents agreed that online gambling is more addictive than offline gambling.[35]

> "The site is colourful and often times mesmerising (especially the slots). There are offers to try other games for free, which is in their interest because that might just be your game of addiction."

Expert by experience

Many of these design elements use the same behavioural tricks, such as putting customers under pressure to act quickly, that are used by online scammers to force people to give them their personal information or money. This highlights that there are ethical questions about the use of design online and what should be considered fair.

Minimising friction

In our research on online shopping and online gambling, we found that in key parts of the customer journey, including making a transaction, there is limited friction to slow down decision-making. Several Research Community respondents highlighted the ease of making deposits on gambling sites and how this could make it difficult to control impulsive behaviour. Shopping sites use similar design choices, including the ability to pay in one click, that can make it easy to buy items but harder to stay in control of spending, especially when unwell. The combination of quick and easy purchases with nudges can contribute to spending feeling less tangible online.

> "You can purchase items with one click of a button as your bank details are saved from previous purchases. This makes it so easy to buy items without thinking or realising how much you spend."

Expert by experience

Personalisation

As more services have migrated online, designers have been able to access large amounts of data on their customers. This allows them to personalise the experience of individual customers. Shopping sites use this data to suggest items based on previous purchases or what other customers 'like them' have bought. This targeting can make it harder for people to control their spending when unwell, particularly if they are experiencing increased impulsivity or a low mood and are spending to feel better.

> "It's the 'you bought this, you might like this' that keeps me spending when I'm unwell."

Expert by experience

35. Holkar M and Lees C. A safer bet. Money and Mental Health Policy Institute. 2020.

Box 1: Online credit

Credit can be a useful way to smooth expenditure or manage fluctuations in income. The ability to take out a credit product online has allowed those who find it difficult to leave the house when unwell to access these products. In national polling, people with mental health problems were twice as likely as those without a mental health problem to have applied for credit in the last two years (33% to 16%).[36]

Just as with shopping and gambling, the design of online credit journeys can have a significant impact on people's behaviour. Reducing friction to speed up applications can facilitate impulsive decisions. Over half (57%) of people with mental health problems who have applied for credit online feel that it is too easy to borrow online and nearly half (46%) feel that borrowing encouraged them to spend more than they could afford.[37] This was nearly double the percentage (24%) for those without a mental health problem.

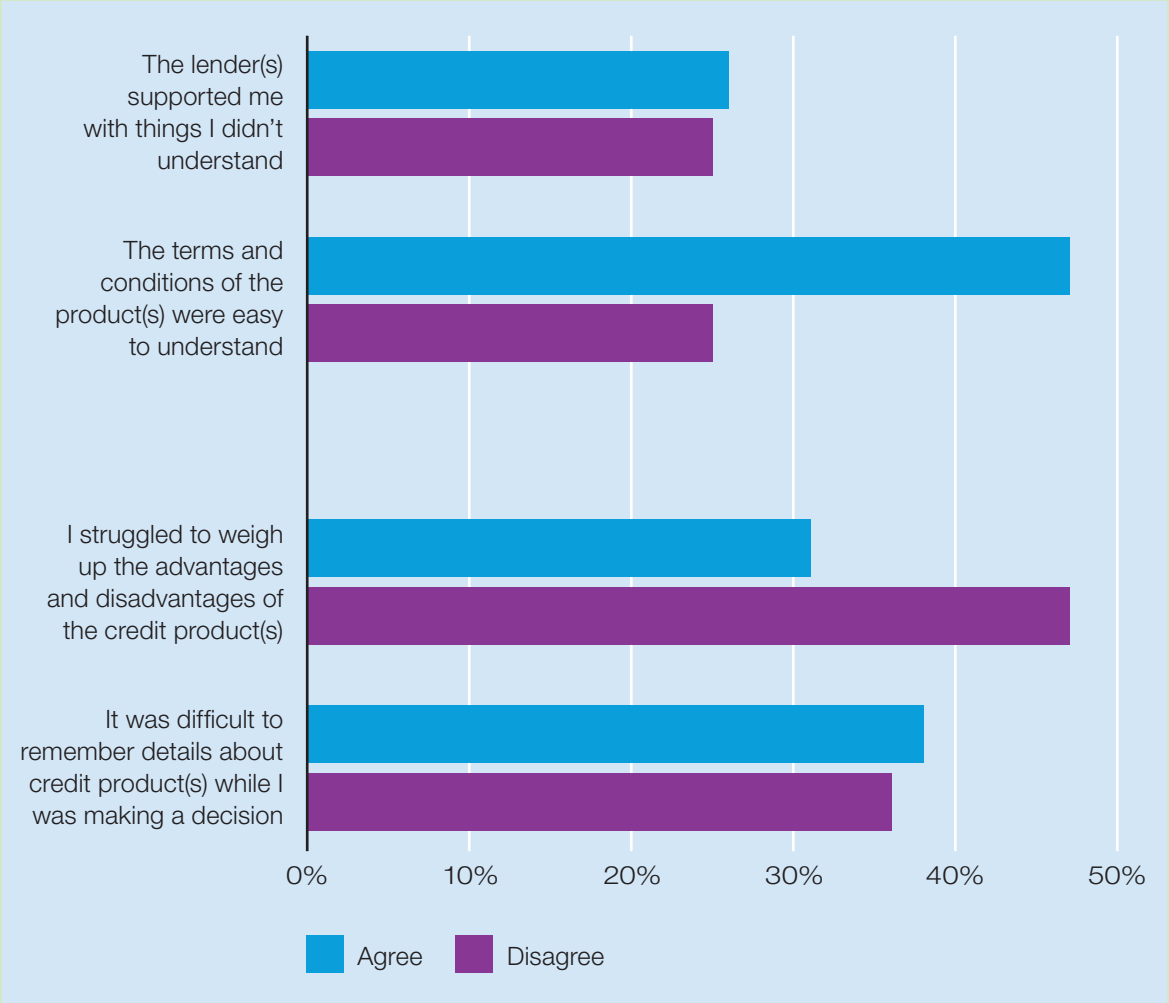
> "It is far too easy. I am in horrendous debt because of these loans. A credit card company gave me a high credit limit which I immediately spent and those payments make me worry and cry."
>
> *Expert by experience*

Online journeys can allow people to apply for credit when unwell and potentially unable to understand the terms of the transaction. FCA guidance on mental capacity states that credit providers should explain agreements in a way that is easy to understand and support customers to make informed decisions.[38] As Figure one suggests, however, this isn't always the case online. A significant minority of online credit applicants disagreed that the terms and conditions were easy to understand (25%) and that lenders supported them with things they didn't understand (25%).[39] While nearly four in ten (38%) agreed that it was difficult to remember details about the credit product when making the decision and nearly one in three (31%) said they struggled to weigh up the advantages and disadvantages.[40]

> "I don't always remember all the information I've been given online in the same way as I would if I had it in writing in a hard copy and I often don't print off all the information that I should, when I should before proceeding and making a decision, relying on everything being included in a confirmation email."
>
> *Expert by experience*

36. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.
37. Ibid.
38. FCA. CONC 2.10 Mental capacity guidance. 2014.
39. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.
40. Ibid.

Figure one: Indicators of support needs when applying for credit online



Source: Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021.
Data is weighted to be nationally representative. Base: 465 people. Those who have applied for credit online in the last two years.

Use of advertising

Advertising is pervasive online and reaches into most areas of the internet. This can lead to people going online with no intention of spending, for example to read a news article or catch up with friends, and then being presented with adverts. In national polling, two-thirds (67%) of people with mental health problems said that ads are impossible to avoid online.[41]

> "The online adverts are horrendous, there feels like there is no escape at times."
>
> *Expert by experience*

Seeing an advert does not automatically lead to someone spending money but we did find that they can have an impact, especially when people are unwell. In national polling, a quarter (26%) of people who have recently experienced a mental health problem agreed that seeing adverts online makes it harder to stay in control of their spending.[42] Personalised adverts based on people's past behaviour online are particularly effective at drawing someone to a different site.

> "[It's] tempting, [you] buy the one thing and all your adverts change to related items."
>
> *Expert by experience*

One way that online adverts are different to those offline is that the journey from seeing an advert to making a purchase is often short, sometimes only in a few clicks. We found that this can facilitate impulsive decisions and can be particularly hard for people who are unwell.

> "I find it really hard to resist the pop up adverts for gambling online. It's really tempting to click and have a go."
>
> *Expert by experience*

It is possible for people to control what adverts they are shown, including being able to stop them from being personalised to their tastes and to block certain categories of advert. In theory, this means that people have control over how their data is used and what they are shown. We found that this wasn't the case in practice, however, with many people either being unaware of these controls or not using them. In national polling, less than half of respondents (48%) agreed that they knew how to block or limit the adverts they see online, with a quarter (25%) disagreeing.[43] Those that have used these controls have often found them to be ineffective at preventing them from seeing any advert. And even if these settings worked well, people would have to adjust control settings across a number of online advertising platforms in order to avoid a specific type of advert.

> "Facebook adverts cannot be turned off for gambling, only reported as spam, so even after you've tried quitting you still get bombarded with them."
>
> *Expert by experience*

41. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.
42. Holkar M and Lees C. Convenience at a cost. Money and Mental Health Policy Institute. 2020.
43. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.

Summary

- What makes the internet particularly valuable for people with mental health problems can also contribute to harm. Its availability at any hour of the day or night means people can use online spaces even when they are unwell. The lack of interaction with customer service means support that might be offered offline is unavailable.
- But more active choices by firms can bring added risks. Nudges that encourage us to spend more are particularly influential on people with mental health problems and ubiquitous advertising makes it harder to control spending when feeling unwell.
- The drive to make customer journeys as quick and easy as possible was also raised by our Research Community as problematic, with a lack of friction in transactions meaning it was possible to lose large sums of money in a short period of time.

Section three: Safer online services

Online services provide huge benefits to us all, including those of us with mental health problems. But using the internet can also expose our finances and our mental health to danger. This should not be treated as an unavoidable trade-off, with greater convenience coming at the expense of greater risk. As the government has made clear, if it is unacceptable offline, it should be unacceptable online.[44]

Delivering a safer internet requires action from a number of different players. First and foremost, there is a responsibility on online services to ensure they are protecting their users and customers from financial harm. As the key organisations profiting from a trusted and accessible internet, the case for improved design and support to help customers stay in control of their finances online is a powerful one.

However, as the experiences of our Research Community demonstrate many leading companies have not been doing what is required. From manipulative design decisions to ineffective monitoring, there remains much bad practice online. That is why improved regulation and enforcement is needed from the government and regulators. This is explored in more depth in the following section. Here, we first set out what companies operating online, be they shops, gambling operators, social media or other platforms, should do to reduce the risk of harm to their users and give customers the ability to protect themselves.

Building safer online services is the right thing to do, but it also makes business sense. Implementing the best practice set out in this section will improve the customer experience for a significant proportion of customers and will allow services to demonstrate that they are socially responsible businesses. There is also a growing focus on both mental health and online safety, from the public and regulators alike, so adopting best practice now may help services to get ahead of future policy change.

Best practice for online services

The evidence in the previous sections of this report shows how some essential elements of online spaces, such as being accessible day or night without requiring interaction, can contribute to harm. But in designing websites, firms make countless small decisions – from the language used to the positioning of buttons and menus – that can have a meaningful impact on our experiences. To help online businesses to protect and empower their customers, particularly those experiencing mental health problems, we present four key areas where action is required.[45]

Set safe defaults

Many online shops and services allow users to customise their experience, from privacy settings to what marketing information firms send. As we explore later in this section, such controls can be valuable. But many of us will lack the time or understanding to find these options and engage with these choices. Doing so may be a particular challenge for those experiencing symptoms of mental health problems, which can make it harder to concentrate and navigate complex processes. With the 'always on' nature of the internet, this means that customers may be using services at a time when they are particularly vulnerable.

Together, this means the default journey a customer takes is vital. When designing web pages, firms need to think carefully about how different types of users,

44. HM Government. Internet Safety Strategy – Green Paper. 2017.

45. Money and Mental Health works directly with services, to help them understand the experience of their customers with mental health problems and make their services more accessible and safer to use. See our Mental Health Accessible programme for more information: https://www.moneyandmentalhealth.org/mentalhealthaccessible/

including those with mental health problems, could be exposed to risks. Effective design can help protect users from the sorts of harm highlighted in this report, while still making customer journeys and experiences smooth and straightforward to complete.

While the specific default considerations will vary from shop to shop and service to service, helping users to understand what they are committing to is a pillar of responsible design. Services should pay particular attention to the way that key information is communicated as part of default customer journeys. Displaying terms and conditions prominently and in simple language should mean more customers grasp the consequences of any action. The way in which that information is communicated is also an important consideration, with options like short videos or interactive webpages helping to adequately inform customers who may find reading and comprehending long documents difficult.

The importance of enabling users to make informed decisions was underlined in the FCA's Woolard Review.[46] It urged designers to think about more than just meeting the legal requirements attached to lending decisions, but rather to evaluate what information would be helpful and how vulnerable consumers can best be supported in the decision-making process.

Another key concept that both the Woolard Review and our research has pointed to is the level of friction in journeys. Design choices, such as 'one click' purchasing or making buy now, pay later the default option at a checkout, were flagged by our Research Community as contributing to impulsive buying. While some users may value the ease that some of these options offer, the risks that highly-streamlined customer journeys present to more vulnerable consumers is significant. Our research suggests that design which provides an opportunity for customers to evaluate their decision and any consequences is particularly beneficial for people with mental health problems.

For simple, low-value transactions, the threshold for appropriate information and friction may be relatively low. That said, our Research Community members underlined that when experiencing increased impulsivity, repeated smaller purchases can accumulate to become problematic. Taking the example of buy now, pay later purchases, while the majority of consumers may complete a payment schedule without incurring debt, appropriate information on what happens if instalments are missed should still be provided. For higher-value, higher-risk or longer-lasting transactions, firms should carefully consider how to make the default journey as safe and informed as possible.

Across their product and service processes, online firms should:

- Make the journeys of vulnerable customers an explicit consideration when designing online products and services
- Carry out user testing, including with vulnerable customers and engaging with organisations representing key user groups, to identify specific potential risks
- Consider whether limits on spending (or in the case of gambling, deposits) are appropriate. Even relatively high default limits, above which the vast majority of customers may never reach, can be vital in supporting those on a 'spree'.

46. FCA. The Woolard Review – A review of change and innovation in the unsecured credit market. 2021.

Offer customer controls

While changes to default journeys can do much to provide a safer, better-informed experience for all customers, additional settings and controls can also play an important part in reducing online harms. As noted, customers who are experiencing mental health problems may find it more difficult to adjust settings on websites. But mental health problems often fluctuate, so there is an opportunity to offer controls that people can engage with when they are well, that will protect them from harm when they are unwell and more vulnerable to harm. For customers who do not feel they need additional controls, it allows them to continue to use the online service as before, while giving choice to those who may find it useful.

As with safer defaults, what is useful and appropriate will vary from service to service. In gambling, 'cooling-off periods' allow people to block themselves from gambling for a set period of time, which can be particularly useful for people experiencing mental health problems. Many of the 'nudges' aimed at customers in online shops, for instance showing the number of people viewing an item or the number of items remaining in stock, were raised by members of our Research Community as playing upon the symptoms of their mental health conditions. Being able to adjust settings so as to prevent information designed to create a sense of urgency or scarcity would be valuable. Advertising can be difficult to resist when experiencing a mental health problem, meaning the ability to opt out of ads related to certain products or services can be of great value.

Almost as important as the option to control your experience online is how easy it is to find and use those controls. Controls such as those identified above may already be in place on many websites, however, our Research Community members told us that the pages on which these setting could be found are hard to locate and difficult to understand. To genuinely empower customers who would benefit from greater control, the option to tailor your experience should be introduced when registering for an account and clearly displayed on the account page.

Use data to understand your users

While the nature of online services can expose users to additional risks, the wealth of data generated also presents opportunities to identify problems and customers in need of greater support. As noted in relation to safe defaults, customer data should be used in the design of services to help firms understand how people interact with websites and services and where common difficulties may arise. More broadly, there is great potential for online firms to take preventative action. This could begin at any point in a customer's journey, beginning from the registration of an account. Proactive use of customer data should help online businesses make changes to design to prevent common problems. They should regularly evaluate outcomes for different products and groups of customers to identify where current defaults are proving ineffective, for instance analysing levels of complaints, returns or arrears.

But data can be used responsively too, enabling firms to proactively reach out to customers who appear to be struggling. The nature of this outreach is likely to vary but some examples include:

- Financial services – there is significant demand for banks and building societies to use customer transaction data, to identify customers at risk of financial difficulty and offer them support.[47]

- Gambling – gambling sites are required to proactively engage with customers at risk of harm, looking at indicators such as time and money spent gambling. The Gambling Commission is pushing to strengthen these requirements and improve the efficacy of action taken.[48]

- Retail – shopping sites can reach out to customers when their behaviour suggests potential vulnerability, for example if a customer makes duplicate orders or a high volume of orders in the middle of the night.

Using data in this way can transform outcomes for vulnerable customers, but services must be careful about how they use insight about vulnerable customers. Legally and ethically, services must be clear about the purpose for using customer data and should not use it to discriminate against customers.[49]

Prepare for vulnerability

While universal measures like safer defaults, improved controls and better use of data from firms should help deliver an improved online experience for everyone, firms still need to specifically consider vulnerable customers. Anyone can experience vulnerability, and this can affect the way that people interact with online services. Ensuring that systems and processes are in place for those who need more support, and that the way firms communicate is accessible, are crucial in minimising harms online.

A recurring theme across our work on online harms has been that when things go wrong online, it is often difficult to find a solution. In some cases, this was because of slow or non-existent customer support, or unwieldy processes for returning items that had been purchased with 'one click'. Systems for dealing with customer problems should be designed with vulnerability in mind. This makes it vital that staff designing these processes and in customer-facing roles understand customer vulnerability and how to respond appropriately. Processes for lodging and managing complaints, reporting problems or concerns such as scams, completing returns or receiving redress all need to be accessible for a broad range of consumers, including those with mental health problems.

Ensuring that customers can use a communication channel that suits them is of particular importance. With more than half (54%) of people who have experienced mental health problems finding the telephone difficult or distressing to engage with, expecting users of an online service to call someone to solve a problem is inappropriate. But similarly, relying solely on a single method of communication, be it webchat, email or any other form risks excluding some customers. Providing a range of communication channels through which customers can engage with firms to raise or resolve issues is vital.

Again, user testing and analysis of consumer data should help firms to identify which of these are working well and where change is required. When it comes to the required change, our Research Community

47. Alpin K and Holkar M. Data protecting. Money and Mental Health Policy Institute. 2019.
48. Gambling Commission. Remote customer interaction – Consultation and Call for Evidence. 2020.
49. Information Commissioner's Office. Guide to data protection. 2019. Fitch C, Bell R and Trend C. Vulnerability, GDPR, and disclosure. Money Advice Liaison Group and Money Advice Trust. 2020.

made clear that small steps can have a major positive impact. The use of data to identify when a customer has been on a page for a long time or is struggling to complete a form could be used to help customers who appear to need support. When engaging with customers, using a supportive tone and simple, clear language help to alleviate the anxiety and concerns that many of our Research Community said they felt when seeking help. Where the issues go beyond what the company can help with, links to appropriate support services should be provided to ensure people get the support they need.

Summary

- As the main beneficiaries of a safe and trusted internet, online firms have a particular responsibility to reduce harm caused by the design and management of their sites.
- Creating safer default journeys and experiences on websites will help to reduce risks to all users.
- Offering opt-in controls that help people to manage what they see and how much they spend would be particularly useful for people with mental health problems.
- Firms should exploit the wealth of data they hold on customers to understand where and how users are experiencing difficulty and factor that insight into both the design of sites and the support offered.
- Processes to deal with returns and complaints must be accessible for people with mental health problems, to ensure they can get problems resolved.

Section four: Regulating to reduce online harms

Meaningful action from firms, particularly giants like Google and Facebook, could transform the online experience of people with mental health problems for the better. But ongoing debates around the world on issues as diverse as freedom of speech, payment for news and anti-competitive practices, suggest that sweeping change is unlikely to occur without action from states.

A technology in need of regulation is not a brand new challenge for governments. But getting the balance right, harnessing the benefits of innovation while ensuring that consumer protections mean vulnerable people aren't exposed to undue harm, is difficult.

As this paper sets out, the shift to online service has led to similar consumer issues in a number of sectors. We have also seen new types of service emerge, such as social media platforms, and new models of service delivery that blur market boundaries, such as services that bundle utilities or manage a portfolio of financial products. To respond to this change effectively, we see a key role for government in ensuring that regulators are equipped to adapt, and a need for greater coordination between regulators, to address common issues they encounter.

The role of government

Government plays a crucial role in managing the national system of regulation and consumer protection. There are around 90 regulatory bodies in the UK, spanning key consumer markets and areas of business conduct.[50] Government usually determines the remit, objectives and funding of regulators, but allows considerable latitude for regulators to interpret their mandate and take action as they see fit. The challenges set out in this paper apply to a range of regulated and unregulated sectors. As such, we see government's ultimate role as ensuring that the system of consumer protection can manage this change and deliver its desired outcomes, in a fast-changing world. Two principal aspects of this role are empowering regulators to respond to the shift online and filling consumer protection gaps that are created as new types of services emerge.

Empower regulators to respond to the shift online

In establishing independent regulation, government faces a delicate balance between creating institutions that are sufficiently specific and limited, while giving regulators the flexibility they need to respond to changes in their sector in order to be effective. The rapid, global shift to online service delivery will likely test how well this balance has been achieved across regulators. There is a considerable risk of consumer detriment if regulators are not adequately empowered to adapt.

Gambling regulation provides a cautionary tale of the harm that can occur if this balance is not achieved. The growth of internet use has enabled huge innovation in the sector, in a short space of time. The way that the regulator was constituted, however, has constrained its ability to respond effectively. National Audit Office (NAO) analysis found that the regulator's ability to protect consumers is constrained by inflexible funding, a lack of powers in specific areas and limited data on how changes in technology were affecting consumer outcomes.[51] The government has recently announced a review of gambling regulation to make sure it is fit for the digital age[52] but, as long as reform lags innovation, consumers will continue to lack protection and be exposed to harm.

50. NAO. A short guide to regulation. 2017.
51. NAO. Gambling regulation: problem gambling and protecting vulnerable people. 2020.
52. DCMS. Review of the Gambling Act 2005 Terms of Reference and Call for Evidence. 2020.

This example highlights the need for flexible design of regulatory frameworks. Technological change is a reality that is affecting consumer outcomes across regulated sectors and will continue to test the design of regulation in the future. Recognising this, we recommend that the government adopts a proactive stance and systematically reviews existing regulatory frameworks, building in mechanisms for regulation to be adjusted as technology changes, where they do not already exist. A more future-proof regulatory framework should include:

- Regulatory powers that are flexible, allowing regulators to apply existing regulation to emergent models, within certain parameters. For example, new 'buy now, pay later' products closely resemble currently regulated products, but the FCA was not able to bring them into regulation without government action.[53]

- Funding arrangements that adjust based on sector data, so that funding is proportionate to the make-up and size of the sector. As noted by the NAO in the case of the Gambling Commission, regulators also need flexibility in how they allocate funding.[54]

- An explicit duty for the regulator to report to its sponsoring department[55] on skills gaps, particularly in relation to digital skills.

- Regular reviews by the sponsoring department of the adequacy of the regulatory framework, as part of the regulatory scrutiny process.

Effective use of data is an increasingly crucial skill for regulators.[56] The shift to digital channels presents huge opportunities, as more data about consumer experiences and outcomes is routinely captured, but also presents a challenge for regulators, to evaluate the impact of changes and identify threats. However, regulators face competing priorities and can struggle to adequately invest in improving their data use and technical expertise. Talent acquisition and improvements to data infrastructure, in particular, can be expensive. We believe that improved coordination between regulators could help to mitigate this problem, and will explore this further below, but we also see a role for government. Given the increasing importance of data use, government should specifically review whether existing funding arrangements are sufficient for regulators to develop their expertise and regulate in a data-driven way.

Finally, the conditions explored in this section are necessary for regulators to respond to the shift online, but they may not be sufficient. Regulators have considerable operational independence and how this agency is exercised will determine how effective the regulator is. For example, NAO analysis found that the Gambling Commission does have considerable power to make changes to regulation but has historically taken a cautious approach, which has contributed to a lag between innovation and consumer protection.[57] There is a considerable risk that cautious regulatory culture inhibits effective proactive regulation. Government should explore how it can encourage a bold regulatory culture, so that regulators feel empowered to take decisive action, proportionate to the level of change and risk of harm in their sectors. They should also engage positively with requests from bodies that are already willing to go further. The Competition and Markets Authority (CMA), for instance, has requested new powers to be able to more effectively enforce consumer protection laws.[58]

53. FCA. The Woolard Review – A review of change and innovation in the unsecured credit market. 2021.
54. NAO. Gambling regulation: problem gambling and protecting vulnerable people. 2020.
55. Regulators and other non-departmental government bodies have relationships with one or more sponsoring departments. While the exact nature of these relationships can vary, in terms of oversight and independence, bodies and sponsors work together to deliver shared aims.
56. NAO. A short guide to regulation. 2017.
57. NAO. Gambling regulation: problem gambling and protecting vulnerable people. 2020.
58. CMA. CMA Annual Plan consultation 2021/22. 2020.

Fill consumer protection gaps

Advances in technology have enabled a range of innovative new products and services, many unimaginable just years ago. This innovation brings huge consumer benefits but also an important oversight role for government. It needs to ensure that consumer protection is developed alongside innovation, so that consumers are not exposed to harm as new products enter the mainstream. In recent years, for example, social media platforms have emerged and flourished, and are now used by the majority of UK adults.[59] The government recognised that these services are underregulated announcing plans to introduce new regulation to protect people from harmful content and activity online.[60]

In our national polling, we found some support for the government's approach to online safety. Eight in ten people (79%) agree with the government's view that if something is unacceptable offline, it should be unacceptable online.[61] However, we are concerned that the government's proposed scope of online harms regulation is too narrow, and that consumer protection from online financial harm remains a significant gap. We have found a clear appetite for government to take more action in this area. Six in ten people (59%) think the government should do more to protect people from financial problems when they go online, with just one in ten (9%) disagreeing.[62]

As a practical first step, we recommend that the government broadens the scope of online harms regulation to include user-generated scam content. Online scams are abundant, disproportionately affect vulnerable people and can be financially devastating.[63] Our latest polling finds that user-generated scams are common. Six in ten people (58%) report having seen a user-generated scam online, for instance a post from a friend or someone they follow on social media, and more than four in ten people (43%) report seeing user-generated scams at least monthly.[64]

The Online Safety Bill presents a golden opportunity to improve consumer protection from user-generated scam content. However, even this expansion would still neglect the harm arising from online advertising. Our polling suggests that more people see scam adverts than user-generated scam content. Six in ten people (63%) have seen a scam advert online and half of people (50%) see them at least monthly.[65] While both the Department for Digital, Culture, Media and Sport (DCMS) and the CMA have recently looked at the system of regulation for online advertising, there has been insufficient focus on scams and there are no concrete plans to improve the prevention of scam adverts.[66] This leaves a gaping hole in the government's online safety framework. We recommend that the government urgently develops plans to improve prevention of online scams adverts.

As the example of online scams highlights, innovative new services can create numerous consumer protection gaps. To keep pace with innovation, we recommend that the government takes a proactive approach to filling consumer protection gaps. This would enable careful consideration of the appropriate balance of regulation for new risks, rather than taking

59. Ofcom. Adults' Media Use and Attitudes. 2020
60. HM Government. Online Harms White Paper. 2019
61. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative. HM Government. Internet Safety Strategy – Green Paper. 2017.
62. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.
63. Holkar M and Lees C. Caught in the web. Money and Mental Health Policy Institute. 2020.
64. Money and Mental Health analysis of Opinium online survey of 2,000 people, carried out 5–9 February 2021. Data is weighted to be nationally representative.
65. Ibid.
66. DCMS. Online advertising – call for evidence. 2020. CMA. Online platforms and digital advertising market study. 2019.

reactive steps quickly after harm has grown. A proactive approach should include actively monitoring the emergence of new types of online services, evaluating the risks that they pose to different consumer groups and introducing new consumer protection where there is evidence of sufficient potential or actual harm. As new services emerge in different areas, there is a risk that monitoring falls between different agencies, so we recommend that DCMS is given a central oversight role. We recommend that DCMS publishes an annual update on its view of emerging consumer protection risks and proactively seeks input from consumer organisations and other experts to support this work.

The role of regulators

Government has a key role to play in ensuring that regulators are empowered to respond to the shift to online services. However, beyond that, regulators do have considerable operational independence and power to shape conduct and outcomes in their sectors. In this section, we explore action that regulators can take now to address the challenges set out in this paper. We have identified four key actions that regulators should focus on:

- Adopt an anticipatory stance
- Transform and translate existing protections for the digital age
- Focus on design
- Collaborate and share.

Adopt an anticipatory stance

The pace of technological change is testing regulators' traditional ways of working and demanding new approaches. Many regulators have started to adopt aspects of "anticipatory regulation" and we see this approach as increasingly essential.[67] Anticipatory regulation involves regulators focusing on the frontier of innovation in their sector, working with innovators to support new approaches that improve consumer outcomes and to understand emergent risks at an early stage. This approach should enable regulators to evaluate the likely impact of changes on consumers and to adjust regulation accordingly, before risks develop and reach the mass-market.

Anticipatory regulation is a new approach and regulators will face similar challenges and questions as they adjust their ways of working. To navigate this efficiently, we recommend that regulators use the Digital Regulation Cooperation Forum – discussed in more detail below – to collaborate and share insight into good and bad practice, including expertise on practical aspects of implementing anticipatory initiatives. Initiatives like the FCA Innovation[68] programme are rightly applauded as bold examples of anticipatory regulation, and will hold numerous lessons for other regulators.

However, while we have seen positive examples of regulators supporting innovators, it is not clear that insight from these exercises is being fed in to test and adjust wider regulatory policy. Effective anticipatory regulation involves using the insight drawn from the frontiers of innovation to evolve regulation and guard against emergent risks. Regulators risk missing out on the biggest potential gains from anticipatory regulation if they do not learn from the process and adjust their approach accordingly. For instance, working

67. Nesta. Renewing Regulation: 'anticipatory regulation' in an age of disruption. 2019.
68. FCA. The impact and effectiveness of Innovate. 2019.

with firms in a regulatory sandbox could uncover a limitation of data protection regulation, a lack of clarity about how existing conduct regulation relates to the responsible use of artificial intelligence, or prompt a new question about the ethical use of data in a certain context. To maximise the value of this insight, regulators should develop a formal process for reviewing lessons learnt from their innovation work and using this to test and adjust existing regulation.

Translate and transform consumer protections for the digital age

A key challenge for many regulators is to ensure that rules and guidance designed before the shift online still achieve their desired outcomes as digital channels come to dominate. Flexible regulation can minimise this risk, but even when pre-existing rules or guidance are flexible and do apply to online channels, this in itself may not be sufficient to ensure good outcomes.

The CMA work on online hotel booking sites is a useful example.[69] This new service emerged and grew quickly, providing a valuable service to consumers. Hotel booking sites are subject to pre-existing consumer protection law, including a ban on the use of misleading or aggressive tactics to make sales. However, a CMA investigation found that a number of sites were likely breaking consumer protection law. In response, the CMA developed a set of principles to help sites understand their compliance obligations. Much of this guidance focuses on the design of online hotel booking sites and the way that information is presented, and clarifies what practices are likely to break the law.

In this case, consumer protection was not effective and people were exposed to harm, partially due to a lack of clarity about how pre-existing protections applied in online channels. There is a clear risk of similar harm across regulated sectors, if it is not clear how pre-existing protections apply for online channels. It may not be obvious, for example, how advertising rules apply to new formats like influencer marketing, or how the requirement for lenders to "treat customers fairly"[70] should be interpreted when designing an online sales journey.

To address this challenge, we recommend that regulators translate and transform existing consumer protections, as appropriate, to ensure that they continue to deliver their desired outcomes:

- Translation: without making a change to regulation, regulators can introduce new guidance to help firms understand how existing protections apply in a new context. This is the approach taken in the online hotel booking site example.

- Transformation: in some cases, translating existing regulation may not be sufficient to achieve the same outcomes, as changes in technology may fundamentally upset the balance of regulation. In this case, regulators should update existing regulation to ensure that it performs in online channels and consumers are adequately protected.

69. CMA. Consumer protection law compliance Principles for businesses offering online accommodation booking services. 2019.
70. FCA. FCA Handbook PRIN 2.1 The Principles. 2018.

Focus on online design

As this paper has demonstrated, the precise design of online spaces can strongly influence consumer outcomes. Online services have the ability to finely tune 'choice architecture' – the different ways in which decisions can be presented to users – and present a different environment for different customers, often drawing on extensive customer data to personalise our experience. This gives firms the power to shape consumer behaviour in a way that is simply not possible offline. To respond effectively, regulators should apply a particular focus to online design. We recommend a two-tier regulatory approach, primarily incentivising firms to make design choices that help customers to stay in control, but also taking direct, decisive action against online design choices that cause significant harm.

As this paper has highlighted, people with mental health problems are particularly vulnerable to harm when online design choices and symptoms of poor mental health combine to undermine their ability to make informed choices or to stay in control of decisions around spending. We do not believe that a prescriptive approach would be an efficient way to address this design challenge, as specific design practices can quickly change. For example, restrictions on specific messaging around the number of items remaining in an online shop could drive firms to create a sense of scarcity in other ways.

Instead, we recommend that regulators clarify the consumer outcomes they would like online design to drive, and allow firms flexibility to interpret and take action on this. For example, across sectors, services should be expected to design online transaction journeys that support informed decision making and customer control. Services should be expected to consider the specific needs of vulnerable consumer groups, rather than designing for the average consumer. For this approach to be effective, regulators must take decisive enforcement action when firms make online design choices that do not achieve the desired consumer outcomes, and particularly when vulnerable customers are exposed to harm as a result.

While digital design has a huge bearing on outcomes for vulnerable customers, regulators should recognise that digital design teams often lack expertise in consumer vulnerability and do not have a clear understanding of how their design choices practically affect different consumer groups. While compliance should be a duty on firms, regulators can support firms in this area by conducting and sharing research into the experiences and needs of different consumer groups.

In many sectors, consumer vulnerability training is recognised as essential for frontline staff that interact with a range of customers, including people with additional needs who may be particularly vulnerable to harm if not treated fairly. People designing digital channels increasingly fit these criteria, creating spaces that are often hugely popular and accessible even when customers are at their most vulnerable. Regulators should consider what level of consumer vulnerability expertise is necessary for digital design teams and should make these expectations clear to firms.

The above steps should help to incentivise frms to make online design choices that help customers to stay in control online and reduce harm. Regulators, however, must reserve the right to take firmer action if harm to vulnerable customers persists. Given the influence that design choices have over consumer behaviour, in some cases it may be necessary and proportionate to intervene directly to tackle elements of online design that drive particular harm. This could include:

- Adding extra steps to customer journeys for high-risk investment or lending products, to increase 'friction'
- Prohibiting 'buy now, pay later' products from being the default payment option on shopping sites
- Requiring that subscription services can be cancelled as easily as they are signed up to, without using the telephone
- Taking steps to make online gambling sites less immersive and appealing
- Requiring advertising platforms to create a simple tool to opt-out of gambling adverts
- Requiring services to introduce simple reporting tools, so that users can flag scam content.

Where possible, regulators should gather granular data on customer outcomes and target interventions where there is clear evidence that an aspect of online design is causing harm. For example, we welcome the Gambling Commission's recent announcement on changes to the design of online slot games to improve player safety.[71] There is clear evidence that various aspects of the design of these games make it difficult for customers to stay in control of gambling and drive harm. However, this case also highlights the importance of swift regulatory action, as these harmful design features were common for some time before action was taken by the regulator. For high-risk products such as gambling, investments and credit products, we recommend that regulators take a precautionary approach when considering intervention on online design.

Collaborate and share

As this paper illustrates, the shift to online services presents similar challenges for regulators across diverse sectors, and regulators may take similar approaches to respond effectively. As regulators navigate this change and adapt their ways of working, there is huge potential for collaboration and sharing of best practice. The CMA, ICO and Ofcom have led the way, establishing the Digital Regulation Cooperation Forum (DRCF) to enhance cooperation on online regulation.[72] The DRCF could play an important role in facilitating collaboration, providing a space for regulators to reflect on common challenges and work together to address them.

Technical expertise is a key challenge for many regulators that could also be addressed through greater collaboration. Data scientists and artificial intelligence experts are increasingly sought after, and regulators compete for this talent, both with each other and the private sector. All regulators face financial constraints and competing priorities, and smaller regulators may particularly struggle to develop the technical expertise they need in this context. Some regulators already struggle to attract and retain technical staff, and this problem is likely to grow as demand for these skills grows.[73]

To address this challenge, regulators should pool their expertise in the DRCF and use this as a specialist body to support them with digital transformation. This approach could help regulators to more efficiently fill skills gaps and would ensure that lessons from one sector are learnt by others. The DRCF could act as an enabler, working with regulators on projects and building their capacity while doing so, similar to the way that the Behavioural Insights Team works with other bodies on behavioural economics. Internationally, there

71. Gambling Commission. Online games design and reverse withdrawals. 2021.
72. CMA, ICO and Ofcom. Digital Regulation Cooperation Forum. 2020.
73. NAO. A short guide to regulation. 2017.

are a number of examples of government's taking a similar approach to digital transformation:

- In Estonia, the Chief Information Officer leads and coordinates digital initiatives across government[74]
- In Saudi Arabia, the National Digital Transformation Unit works with government entities and the private sector on digitalisation[75]
- In Singapore, GovTech is a statutory body responsible for for the delivery of the Singapore government's digital services.[76]

There is a huge opportunity for UK regulators to lead the way on the digital transformation of regulation. This approach could help to reduce duplication, enable regulators to respond to technological change across society more efficiently and ultimately lower the cost of regulation on firms and their customers. We are pleased to see that the FCA will join the DRCF in April 2021 and we recommend that the Gambling Commission and Advertising Standards Authority also join, given the similar nature of issues identified in these sectors.

As this paper has demonstrated, symptoms of mental health problems can profoundly affect the way that people navigate and engage with online services, leaving people vulnerable to harm if online services and regulation are not designed with these needs in mind. We recommend that regulators adopt 'improving outcomes for vulnerable consumers' as a key objective for the DRCF. This would help to ensure that consumer vulnerability is considered from the outset as future collaborative regulation is conceived and that regulators promote innovation that better meets the needs of currently disadvantaged groups.

74. https://e-estonia.com/cio-of-estonia-siim-sikkut-opens-the-countrys-tech-stack-to-the-world/
75. https://ndu.gov.sa/en/
76. https://www.tech.gov.sg/

Summary

- Given the scale of harm experienced across a variety of online spaces, and a lack of sufficient action from firms, government and regulators need to take action to protect all of us – including people with mental health problems – online.

The government should:

- Empower regulators to respond to the growing prominence of online services by building flexibility into regulators' powers and funding arrangements
- Give DCMS an oversight role for online consumer protection, and quickly fill gaps in regulation and redress for new types of service which are unregulated or underregulated
- Give Ofcom, as the new online harms regulator, responsibility for addressing online scams.

Regulators should:

- Take an anticipatory approach to regulation, actively reviewing the markets which they oversee to spot emerging trends, particularly in less-regulated areas
- Transform and translate existing protections for the digital age, to ensure that regulations designed for the offline world do not prevent effective action today
- Focus on design online, including by setting guidelines on the kinds of nudges and messaging that are unacceptable for websites to use
- Use the DRCF to collaborate and share evidence, and adopt 'improving outcomes for vulnerable consumers' as an explicit objective of this body.

Conclusion

Our planning for this project on online harms began before the pandemic. It was already apparent from the experiences of our Research Community, as well as from wider analysis and media coverage, that online spaces were exposing people with mental health problems to significant risk of harm. The evidence we have gathered since launching this work suggests that developments in response to Covid-19 have only made that risk more acute. With social distancing and many face-to-face services unavailable or disrupted, we have all relied more on the internet. While the roll-out of vaccines offers hope that the more positive aspects of our lives will return later in 2021, the last year may have led to more permanent shifts in how people use services and how companies operate. Action now – from firms, government and regulators – could help to ensure that the much-discussed 'new normal' is a better one online.

In our recommendations, we have focused on the role that online services, government and regulators can play to deliver a safer internet. But, with the scale of existing harm and the variety of organisations that are involved in supplying and supporting internet use, they are far from the only bodies who can and should help this cause. In our report on scams, we discussed how internet service providers could partner with social media platforms to more rapidly block fraudulent sites. Much of our past work on financial services and data has shown the positive impact that banks and other financial services firms can have in helping people to better manage their money. Complaint and redress processes can involve a variety of different groups, from the police to ombudsman services to charities. Redoubling their efforts to make sure people with mental health problems can access the services and information they provide would increase the odds that damage caused online can be fixed or addressed.

While these broader organisations can be key contributors to positive change, the forthcoming Online Safety Bill presents an incredible opportunity for the government to protect internet users from financial harms. User-generated content is some of the least-regulated on the internet, so it is understandable that DCMS has made it a focus of the Online Safety Bill. However, this is far from the only online consumer protection gap. Given the scale and severity of harm identified and the broad support for stronger action, a failure to act would be a failure to protect vulnerable internet users in the wake of a pandemic that has had a huge financial and mental health impact. We will continue to make the case for a safer internet and look forward to working with like-minded organisations and individuals to encourage the government to protect people with mental health problems online.

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