



# The impact of Covid-19

On Serious Organised Crime in Scotland  
and the threat towards your business

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# The impact.

Over recent months, scams and other acquisitive crime have significantly increased throughout the UK as a result of Serious Organised Crime Groups (SOCG's) using COVID-19 as a theme for fraud and other associated crimes.

COVID 19 is a prime opportunity for Serious Organised Crime Groups in Scotland because it plays on the fear, anxiety and uncertainty of the general population. This can cause private sector businesses and their employees to lower their guard and fall victim to various types of criminality.

This trend looks set to continue as SOCG's evolve and seek increased opportunities to exploit an organisation's vulnerabilities, their employees and the downturn in the economy. Going forward, this will affect all sectors including Scotland's Small Medium Enterprises (SMEs).

Police Scotland judge it highly likely that Scotland's SMEs will become a target for SOCG's and experience an increase in fraud and other criminality over the next 12-18 months.

A short to long term assessment of the threat from Serious Organised Crime (SOC) in Scotland may be a useful way of considering what lies ahead and how best to prepare organisations to combat this.

## Impact of Covid-19 on SOC in Scotland



### SHORT

- There were immediate effects of lock down
- Crime trends closely followed the spread of the pandemic and evolved quickly



### MEDIUM

- The easing of lock down saw criminal activity quickly returning to pre pandemic levels
- Add new SOC tactics developed during the crisis
- Add new organisational vulnerabilities to exploit



### LONG

- Post Covid - SOC model will evolve and thrive at expense of legitimate businesses affected by the economic downturn

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Let's look more closely:

# Short.



## SHORT

- Cyber enabled crime
- Counterfeit goods
- Frauds
- Property crime
- Drugs

Lock down impacted on the SOC operating model affecting drugs supply chains, County Lines, prostitution, Human trafficking / Modern slavery and money laundering opportunities. Internationally, lock down caused a sharp drop in crime rates but SOC were quick to recover through diversification in other ways. This manifested itself in several ways, many having an impact on Scotland's SMEs.

### CYBER ENABLED CRIME

The pandemic has been widely used as a propaganda tool by SOC to capitalise on the anxieties and fears of members of the public. Cyber criminals have been very quick in devising tactics and tools to exploit the current crisis using Coronavirus-themed malicious apps and websites and obtaining victims personal / bank details. New and adapted attacks appeared almost immediately from the onset of the crisis and have been among the most visible types of criminality during the COVID-19 pandemic. In part, this is due to our reliance on digital and online solutions during the lock down to work remotely and maintain contacts with

work colleagues, friends and family. In doing so we risked unfamiliar platforms to find solutions. Initial phishing and malware has given way to more sophisticated attacks.

### COUNTERFEIT GOODS

Another highly visible phenomenon has been the proliferation of scams promoting fake COVID-19 test kits and treatments. New variations of these COVID-19 related scams appear every day. However, it is expected that once the current pandemic subsides, the number of these types of scams will diminish over time.

### FRAUDS

The unprecedented demand for PPE led to ineffective, counterfeit, overpriced and non – existent goods

### PROPERTY CRIME

Empty Businesses, Pubs and shops targeted by criminals for the purposes of theft. A notable increase of fly tipping due to civic amenity sites being closed and significant clear up costs attributed to this.

### DRUGS

Users struggling to obtain their supply, taking risks, drug prices starting to increase. Dealers struggling to get commodities out.

Let's look more closely:

# Medium.



## MEDIUM

- Cyber enabled crime is a dominant threat
- Fraud, SOC target businesses reopening or expanding online resources
- Illicit trade/waste/construction
- Financial impact
- Drugs
- HTMS

### CYBER ENABLED CRIME THREATS

Are likely to continue to be the dominant threats from serious and organised crime during the pandemic. Sporadic lock downs and social distancing measures will only enhance the reliance on digital services to continue to work and interact.

However, the current focus on the distribution of malware and ransomware on targeting particularly affected sectors such as healthcare and education may shift back to attempts to exploit regular businesses as they reopen either physically or continue expanding their business online.

### FRAUD

Frauds continue in variety of guises. These range from fraudulent business grants to exploiting further opportunities for scams. Business grants are proving to be a challenge for the Public Sector. The tactics are ingenious with some examples of phishing attacks and

malware being installed on computers and monitoring victims communications with authorities and attempting to circumvent and collect grants. In the drive to get local businesses and the economy going again we need to be mindful of the domestic and SOC sponsored fraudsters. Due diligence should not dip under pressure and SMEs should maintain previously well thought out routine processes or controls to maintain vigilance against fraud – particularly during the Pandemic. Several factors assist SOC during business scams – the overriding of normal anti-fraud controls by companies desperate to keep their services and supply chains moving and the inability for face to face meetings. SOCG's will capitalise on any dysfunction and vulnerability. One example highlights a professional person' linked to SOC, gathered information from unsuspecting businesses and manipulated information on Companies House to claim numerous business grants, causing problems for genuine applicants.

### ILLICIT TRADE

The trade of counterfeit and substandard goods especially those related to healthcare such as pharmaceuticals and PPE equipment has boomed during the pandemic. As demand for these products remains very high, counterfeiters will continue to provide counterfeit and substandard versions of these goods and this extends to fake vaccines and unauthorised home testing kits. Large scale procurement of sub standard PPE to meet demand.

Families with less money to spend will result in an increase in the market for counterfeit / illicit trade over a wide spectrum of goods. Though tempting for many, consumers often overlook that the market for counterfeit goods impacts on legitimate businesses, increases modern slavery and is a key income stream for terrorism and Serious Organised

# Medium.

# cont.

Crime. Shops being closed over lock down has resulted in an increase in on line purchasing and raises the risk of purchasing illicit goods. The long term impact of this change in shopping trends may result in financial difficulties for many retailers, and another attractive proposition for SOC to purchase struggling businesses at knock-down prices.

Families exercising more during lock down has led to a significant increase in the demand for puppies. There is no shortage of online platforms selling designer puppies for several thousand pounds. Potential purchasers will be talked into meeting the buyer 'half way' and offered discounts for cash. SOC will continue to fill this gap with illicit puppy farms as long as the demand is there.

## IPTV

(Internet Protocol TV). As sporting events come back on line but remain spectator free, expect an increase in purchase of illicit apps / equipment to circumvent IPTV rights. The growing instance of redundancies and families under financial pressure will add to that.

## WASTE

The COVID-19 pandemic has led to a notable increase in the output of medical and sanitary waste across the EU. The trafficking and inadequate disposal of medical and sanitary waste is a notable crime risk, both in terms of generating proceeds for the criminals involved in this activity and the potential associated harm to public health. The investment of Serious Organised Crime in waste companies continue to grow given the potential for significant tax evasion, illegal dumping, fraud and money laundering opportunities. Waste is closely connected to construction and other associated industries such as road transport and plant hire.

It is assessed that construction will be particularly hard hit during any easing of lock down with a 30% increase in current costs and future product price increases further suppressing growth in this sector. Given the interconnected relationship with other industry, there is a possibility that SOC will take this opportunity to invest in struggling businesses in these sectors.

## FINANCIAL

Many types of businesses associated with Serious Organised Crime and used for money laundering, face continued disruption through further lockdowns. Legitimate businesses will struggle to recover, whereas the SOC business model has the advantage of financial support from wider criminality within Scotland.

Economic hardship also lowers the barrier of some people to accept off-the-book transactions and other illegal conduct when criminal investors are the only accessible providers of money or employment.

Are those self-employed businesses who relied on cash as a source of income currently being drawn to illegal activities? Overall, economic developments as the result of the pandemic will be a key factor in determining the changing picture of the Serious Organised Crime landscape in the EU and whether organised crime stands to make long-term gains from the pandemic.

It is expected that the economic impact of the pandemic and the activities of those seeking to exploit them will only start to become apparent in the mid-term outlook and will likely not fully manifest until the longer term.

As organisations struggle to recover and their focus is upon the end point of service delivery, the routine processes and controls are relaxed or overlooked, and therefore pose an opportunity for those unscrupulous businesses linked to Serious Organised Crime.

Third sector finances start to suffer as a result of many families feeling the financial impact of the pandemic and donations drop. There will be an increase in charitable appeals and Serious Organised Crime Groups will exploit this opportunity to defraud victims and harvest data.

## DRUGS

As a result of continued lockdowns, there may be an increase in illicit or prescription drug use, which in turn pushes prices up and lack of availability. Like toilet rolls, the pandemic may induce 'panic buying' from different suppliers and stockpiling, leading to increased drug taking and consuming substitute / contaminated drugs and the risks that brings. This is evidenced through seizures of unfamiliar drugs indicating shifts in the market to satisfy demand.

The importation of controlled drugs using the fast-parcel system is also being exploited by SOCGs and subsequently the on-line purchases of controlled drugs have increasingly become popular across Scotland.

## HUMAN TRAFFICKING / MODERN SLAVERY

The National Human Trafficking Unit (NHTU) report that the total number of National Referral Mechanism forms received initially reduced significantly (45% fewer than this time last year), but this has steadily increased as the lock down progresses. This is set against a backdrop of

passenger numbers through airports, ferry ports and the Eurotunnel having reduced dramatically. The number of referrals submitted across the rest of the UK has not reduced in line with this trend. Police are continuing to engage with vulnerable persons who have become, conversely, more visible during this period of social isolation and distancing. Two crime types are becoming more visible as the number of people travelling has reduced - \*County Lines and Prostitution. A number of persons who have been stopped by police and engaged with to pass the Covid-19 non-essential travel messaging, have been found or suspected to be involved in these crime types

It is a realistic possibility that SOCGs will move around victims to fill suitable labour needs or seek to traffic victims to the UK to meet the growing demand for labour during easing of lock down by the UK Government. SOCG linked businesses that depend on the exploitation of migrants may be temporarily forced to consider vulnerable members of Scottish local communities. This makes the transition from exploitation of foreign labour to vulnerable Scottish nationals.

*\* County Line is a term used to describe gangs and organised criminal networks involved in exporting illegal drugs into one or more importing areas (within the UK), using dedicated mobile phone lines or other form of "deal line". They are likely to exploit children and vulnerable adults to move (and store) the drugs and money and they will often use coercion, intimidation, violence (including sexual violence) and weapons.*

Let's look more closely:

# Long.



## LONG

- Cashless society?
- Corruption, fraud, cyber enabled crime
- Vulnerabilities exploited
- Durgs use / supply
- SOC Business model adapts
- Economic hardship a push factor for HT
- Illicit trade and property crime
- SOC Prevention?

### FINANCIAL

Global economic depression affords SOC the opportunity to extend their reach deep into the legitimate economy. While the previous economic crisis confirmed cash as the preferred medium for criminal transactions, this may be different in the wake of the pandemic as cashless payment options are becoming increasingly prevalent and online payment options including cryptocurrencies are increasingly accessible to all users. While cash may remain prevalent in some sectors, an overall shift to non-cash payment options is expected and this will have an impact on criminal businesses models. Is there an opportunity to invest in property and other real world businesses as a means to make investments and also disguise / launder criminal money? I.e. your business?

A slump in industry will lead to reduced employment and training opportunities and a negative impact on local apprenticeships and training schemes. This increases the pool of young disaffected youth and a potential opportunity for SOC seeking to attract new members and a route into crime for the vulnerable youths within our society.

### CORRUPTION

Economic crisis often result in increased susceptibility to corruption by individuals occupying key positions in all business sectors. SOC will utilise this well known tactic to increase their financial advantage. Organisations should ensure related policies and employee training is up to date to mitigate this risk.

### FRAUD

Reduced incomes and fewer employment opportunities in combination with low interest rates may also make spurious investment opportunities more attractive. This has the potential to enlarge the pool of potential victims for investment, advance fee, and other types of fraud.

### CYBER ENABLED CRIME

This type of crime is unlikely to diminish. The lock down and quarantine measures introduced during the pandemic have significantly enlarged the attack surface and the Cyber Security vulnerabilities open to Cyber criminals, as both private citizens and businesses are using digital and online solutions more than ever to arrange all aspects of their lives and activities.

### VULNERABLE COMMUNITIES

Communities, especially vulnerable groups, tend to become more accessible to Serious Organised Crime during times of crisis. Economic hardship and unemployment makes communities more receptive to certain offers, such as cheaper counterfeit goods 'Loan Shark' type finance, recruitment to engage in criminal activity, for example, cannabis cultivation, the sex industry, drugs courier and other SOC activity.

### DRUGS

During the pandemic, SOC have adapted their business models in order to survive. Looking forward, will there be much more reliance on postal and delivery services for the final mile delivery of criminal commodities such as drugs?

### THE SOC MODEL

Organised crime does not occur in isolation and the state of the wider economy plays a key role in directing the activities of Serious Organised Crime Groups. Crises often result in changes in consumer demand for types of goods and services. This will lead to shifts in criminal markets. Criminal groups are flexible and adaptable and will identify and exploit new opportunities during crises. Remember - SOC is a business model except their commodities are illicit and harm Scottish Communities. They do not play by the rules and so competition for contracts is not transparent and is unfair to legitimate companies. They need SMEs to launder their illicit cash.

### HUMAN TRAFFICKING / MODERN SLAVERY

Economic hardship around the world will have an impact on the migratory flow of human beings. If the pandemic is

followed by a recession, there may be an increased demand for labour and sexual exploitation and a potential increase in trafficking of victims. Besides traditional fields of exploitation (prostitution, begging and theft, textile and agricultural sectors), sectors such as construction, tourism, catering, nursing and domestic services are increasingly affected by human trafficking. The closure of businesses with lower profit margins due to an economic crisis will leave the market open to those with illegal or cheap labour at their disposal. This feeds into the SOC business model as they seek to maximise margins at the expense of vulnerable human beings.

### ILLICIT TRADE

Recession may further stimulate demand for cheaper daily consumer goods, which may be met by SOCG's offering counterfeit or substandard alternatives. The success of SOC involvement in supply of illicit or counterfeit goods and taking advantage of the sharp rise in on line shopping may prompt further investment in this type of criminality.

### PROPERTY CRIME

Demand for personal protective equipment (PPE) and medical supplies will remain high, which means pharmacies, hospitals and suppliers of such goods will continue to be targeted.

### SOC PREVENTION

As all business sectors struggle to deal with the aftermath of this crisis, care must be taken to avoid SOC Prevention falling to the bottom of the agenda. SOC will be quick to exploit opportunities and profit from this. Throw into the mix, the impact of Brexit which at this stage is the forgotten crisis. Stable management is further disrupted and the opportunities for SOC again increase.

To combat these threats - SBRC, in conjunction with Police Scotland, have developed a suite of documents, designed to highlight the current / future threats from SOC and have supported this with some useful target hardening advice for Scotland's SMEs. To prevent you and your business becoming a victim

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