



The UK's Fraud Prevention Service

# Press Release

January 2009

## 2008 Fraud Trends

### Fraud on the increase

The analysis of fraud trends during 2008 by CIFAS - The UK's Fraud Prevention Service - reveals an unsettling 16% growth in fraud throughout the UK. Particular trends include:

- a shocking surge in facility takeover frauds,
- a simultaneous upward trend in misuse of facility frauds, and
- escalations in the levels of identity and application fraud being logged by the 270 Members of CIFAS.

(Numerical tables are included in the Notes for Editors below).

### 207% rise in facility takeover fraud

CIFAS has commented throughout the past year upon the sharp increase in facility takeover (also known as account takeover) frauds - where a third party gains access to, and fraudulently uses, a legitimately obtained account of an innocent victim. Year on year, this type of fraud has risen by an unprecedented 207%. Frauds of this kind are enabled through email ('phishing'), telephone scams, or by the interception of credit cards and statements (for example) in order to take over an account, divert or fraudulently order goods or facilitate fraudulent transactions.

CIFAS Head of Communications, Kate Beddington-Brown, comments: "We have seen fraudsters using this method increasingly during 2008, but the sheer scale of the increase is truly alarming. Fraudsters are clearly adapting to current conditions. They know that lending criteria have become more stringent as a result of the credit crunch, and that application fraud is likely to be unsuccessful. They are, therefore, turning their attempts elsewhere with no thought for the profoundly damaging effect this has on victims. With this type of fraud, the impact goes far deeper than any financial losses, as the feeling of uncertainty inflicted upon victims often undermines their sense of security and well-being."

### 69% increase in misuse of facility

Fraudsters have also been turning to misuse of facility fraud during 2008. Misuse of facility is where the fraudster fraudulently uses an existing account, policy or other facility. Bank account products are the most commonly misused (e.g. paying in false or altered cheques or the receipt of fraudulently obtained benefits) with plastic cards, communications and mail order accounts also proving to be popular with fraudsters.

There is an endemic link between misuse of facility and facility takeover frauds. Fraudsters frequently use both methods: for example, taking over accounts for the purpose of withdrawing funds (facility takeover) and siphoning off the proceeds of these transactions into other accounts (misuse of a facility).

## The unwelcome reappearance of identity fraud

The welcome decline in the numbers of victims of impersonation seen over the past 2 years has continued, with a further 3.7% decrease in 2008 from 2007 figures. Less welcome, however, is the overall increase in successful identity frauds (i.e. identity frauds spotted after the granting of an account, card or policy), with CIFAS Members recording a 5.7% increase during 2008.

These two facts may appear to be contradictory, but reveal an interesting development. The scarcity of credit being offered means that fraudsters are attempting to create creditworthy fake identities (explaining the rise in successful identity frauds) rather than impersonating genuine people who may still have applications rejected by lenders. This explains the decrease in the number of victims recorded, as fake identities do not involve victims.

## Application fraud figures continue their ascent

Attempts to commit fraud by including material falsehoods (lies) on application forms (e.g. for loans, credit cards or insurance products), remain high. The most frequent lie told remains the failure to disclose, when asked, a previous address where the applicant's credit or insurance history has been impaired.

Kate Beddington-Brown sounds a note of caution: "The true scale of application fraud may be disguised by the current economic conditions. Due to tighter lending criteria, many applications are rejected outright before the fraud checking stage. It is, therefore, likely that the number of attempted application frauds is even higher. Above all else, therefore, what this rise demonstrates is that lenders must remain vigilant."

## Protective Registrations up by 49%

The number of CIFAS Protective Registrations - the service offered to individuals to help protect those whose identity is at risk due to crime or loss of data - increased by 49% compared with 2007. While this may underline the increase in fraudulent activity, this can also be explained by the use of the CIFAS Bulk Protective Registration Service by companies who have experienced mass data breaches. More positively, this demonstrates the increasing awareness that businesses and the public share about the threats of identity fraud and their need to protect against it.

## Comment from the CIFAS Chief Executive

Peter Hurst, CIFAS Chief Executive, warned: "With Britain now in recession, a significant rise in fraud is inevitable, as people turn to crime to make ends meet. These figures are just the beginning. They also show very clearly that fraudsters adapt their methods in response to changes in the financial markets.

"Organisations must acknowledge this by arming themselves against the onslaught. Those of us who were around during the 1992 recession know that the organisations that fared best were those that switched their resources from front-end application processing into fraud and collections teams. The same will be true today. Now is the time for businesses to *expand* the teams working on fraud prevention and detection to deliver real value against falling bottom line profits. After all, as these figures demonstrate, fraudsters are not using the current downturn in the economy as a reason for scaling back *their* activities".

For further information, contact: [press@cifas.org.uk](mailto:press@cifas.org.uk)

## Notes to Editors:

1. CIFAS is the UK's Fraud Prevention Service with over 270 Member organisations spread across banking, credit cards, asset finance, retail credit, mail order, insurance, investment management, telecommunications, factoring and share dealing. Members share information on identified frauds in the fight to prevent further fraud. CIFAS is unique and was the first data sharing scheme of its type in the world. Other schemes modelled on CIFAS have been set up in Southern Africa and Germany.
2. The following tables show a summary of the statistics and the number of fraud cases recorded by CIFAS Members during 2008, broken down by the type of fraud identified. Definitions are given below the table.

	Jan to Dec 2007	Jan to Dec 2008	% Change
<b>Fraud cases identified</b>	185,003	214,342	15.86%
<b>Financial Benefit/Losses avoided</b>	£987,829,077	£848,304,084	-14.12%

**Fraud Cases Identified** refers to each proven instance of fraud identified by CIFAS Members and filed to the CIFAS database. Members must have sufficient evidence to take the case to the police although it is not mandatory that they do so. A fraud case can involve multiple subjects and multiple addresses.

**Financial Benefits**. This is the amount of money that Members of CIFAS reported that they have saved through being alerted to previous frauds by CIFAS warnings.

Fraud Type	Jan to Dec 2007	Jan to Dec 2008	% Change
<b>Identity Fraud – Granted</b>	32,175	34,011	5.71%
<b>Identity Fraud – Not Granted</b>	45,418	43,631	-3.93%
<b>Identity Fraud - Total</b>	77, 593	77,642	0.06%
<b>Application Fraud – Granted</b>	14,515	15,055	3.72%
<b>Application Fraud – Not Granted</b>	62,355	61,968	-0.62%
<b>Application Fraud - Total</b>	76,870	77,023	0.02%
<b>False Insurance Claim</b>	390	433	11.03%
<b>Facility Takeover Fraud</b>	6,272	19,275	207.32%
<b>Asset Conversion</b>	478	522	9.21%
<b>Misuse of Facility</b>	23,400	39,447	68.58%
<b>Victims of Impersonation</b>	65,066	62,658	-3.70%
<b>Victims of takeover</b>	6,106	19,290	215.92%
<b>Protective Registrations</b>	32,982	49,061	48.75%

**Identity Fraud** cases include cases of false identity and identity theft.

**Application Fraud/False Insurance Claim** relates to applications or claims with material falsehood (lies) or false supporting documentation where the name has not been identified as false.

**Facility Takeover Fraud** occurs where a person (the 'facility hijacker') unlawfully obtains access to details of the 'victim of takeover', namely an existing account holder or policy holder (or of an account or policy of a genuine customer or policy holder) and fraudulently operates the account or policy for his own (or someone else's) benefit.

**Asset Conversion** relates to the sale of assets subject to a credit agreement where the lender retained ownership of the asset (for example a car or a lorry).

**Misuse of Facility** is where an account, policy or other facility is used fraudulently.