



The UK's Fraud Prevention Service

Press Release

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Insider fraud on the increase

Analysis of the staff frauds filed during the 12 months from July 2008 to June 2009 reveal some interesting shifts in the frauds identified by Members of the CIFAS Staff Fraud Database. Of particular note are:

- Dishonest actions by staff to obtain benefits by theft and deception increased by 69% in the first half of 2009 compared with the last half of 2008
- Dramatic increases in the numbers of women being identified as staff fraudsters, and
- Customer vigilance and alertness is increasingly valuable to businesses in the fight against fraud.

Effects of the recession

The effects of the recession are clearly demonstrated by the number of frauds filed by CIFAS Staff Fraud Members during the 12 month period to June 2009. Cases filed for 'Dishonest action by staff to obtain a benefit by theft or deception' (for example, the falsification of expenses or time sheets and targets) increased by 69% in the first six months of 2009 (when compared with the last six months of 2008). This demonstrates that, as the effects of the recession cut deeper, more people are turning to fraudulent activity that they would not have considered before. In contrast, this is counterbalanced by a dramatic reduction of 74% in the number filed for including serious falsehoods in application information or supporting documents. The scale of the reduction reflects the drop in vacancies and recruitment activity throughout the economy, however, rather than a change in morality.

Commenting on this, CIFAS Chief Executive Peter Hurst notes: "As the economy improves, the challenge for public and private sector employers will be how to weed out the people who apply for the new jobs, who are willing to do anything to escape from unemployment even if that means providing false statements about their employment histories and qualifications."

The gender gap

Of particular interest, in the 69% increase of dishonest actions by staff, is that the number of women filed for this reason during the first half of 2009 more than doubled when compared with the last half of 2008. CIFAS Staff Fraud Adviser, Arjun Medhi, comments: "Fraud is traditionally seen as more of a male activity, but the cases filed this year by CIFAS Staff Fraud Members prove that this difference has been eroded by the recession. As wallets and purses get squeezed, it is surprising to see how many more women feel compelled to attempt fraud against their employer."

Fighting against fraud

The ways in which staff frauds are being identified also reveal some interesting trends:

- In the last half of 2008, customer warnings accounted for just over 1 in 5 cases filed to the database. The first half of 2009 has seen this increase to just under one third of all cases filed: showing, beyond doubt, the vital role played by customers.
- In the first half of 2009, 2 in 5 frauds were identified through internal processes and audit procedures, demonstrating the continued importance of business having robust checks in place.
- The role that staff can play in preventing fraud taking place inside a company cannot be overestimated. It is vital for businesses to adopt formal processes to encourage those who witness fraud in the workplace (before customers or internal audit procedures might spot fraud) to step forward without fear of reprisals.

CIFAS Staff Fraud Adviser Arjun Medhi states: “Anyone who thinks that stopping fraud inside a company is an impossible task will need to examine these trends. The importance of customer awareness – regarding the running of their accounts and identifying transactions that are not theirs – and robust internal controls will always make the workplace a hostile environment for fraudsters.”

Comment from the CIFAS Chief Executive

CIFAS Chief Executive, Peter Hurst, concludes: “While it remains true that most employees are completely trustworthy, these figures do show that the impact of the current recession has been severe. Desperate times do, indeed, lead to desperate measures, and businesses need to put in place all possible controls to ensure that they, their employees and customers are not subjected to fraud risks that can be avoided.”

For further information, contact: press@cifas.org.uk

Notes for editors:

1 - CIFAS is the UK's Fraud Prevention Service with 260 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. In 2006, CIFAS launched a Staff Fraud Database – the establishment of which has been welcomed by the CIFAS Membership, Financial Services Authority and Chartered Institute of Personnel and Development.

2 – CIFAS Members must investigate and reach a ‘burden of proof’ (i.e. obtain enough evidence to allow criminal prosecution) before filing to the Staff Fraud Database. Reasons for filing to the database are defined as:

Account Fraud – Unauthorised activity on a customer account by a member of staff knowingly and with intent to obtain or attempt to obtain a benefit for himself or others.

Dishonest action by staff to obtain a benefit by theft or deception – Where a person knowingly, and with intent, obtains or attempts to obtain a benefit for himself and/or others through a dishonest action, and where such conduct would constitute an offence.

Employment application fraud (Successful) – A successful application for employment or to provide services with serious material falsehoods in the information provided. This includes the presentation by the applicant of false or forged documents for the purpose of obtaining a benefit.

Employment application fraud (Unsuccessful) – An unsuccessful application for employment or to provide services with serious material falsehoods in the information provided. This includes the presentation by the applicant of false or forged documents for the purpose of obtaining a benefit.

Unlawful obtaining or disclosure of commercial data – The use of commercial/business/company data where the data is obtained, disclosed or procured without the consent of the data owner. This includes the use of commercial data for unauthorised purposes that could place any Member at a financial or operational risk.

Unlawful obtaining or disclosure of personal data – The use of personal data where the data are obtained, disclosed or procured without the consent of the data controller. This includes the use of personal data for unauthorised purposes that could place any Member at a financial or operational risk.

3 – The table below details the numbers of cases filed by CIFAS Members and the reasons for filing during the 12 month period of July 2008 to June 2009.

Type of fraud	July to Dec 2008	Jan to Jun 2009	% change
Account Fraud	11	14	27.27%
Dishonest action by staff to obtain a benefit by theft or deception	59	100	69.49%
Employment application fraud (Successful)	4	6	50.00%
Employment application fraud (Unsuccessful)	58	15	-74.14%
Unlawful obtaining or disclosure of commercial data	0	2	-
Unlawful obtaining or disclosure of personal data	11	19	72.73%

4 – The table below shows the numbers of men and women filed to the CIFAS Staff Fraud Database – and the reason for filing – during the twelve month period commencing July 2008.

Type of fraud	Men		Women	
	July to Dec 2008	Jan to Jun 2009	July to Dec 2008	Jan to Jun 2009
Account Fraud	7	8	3	6
Dishonest action by staff to obtain a benefit by theft or deception	39	55	25	62
Employment application fraud (Successful)	2	3	1	4
Employment application fraud (Unsuccessful)	35	10	25	9
Unlawful obtaining or disclosure of commercial data	0	2	0	0
Unlawful obtaining or disclosure of personal data	10	9	6	8

(In some cases filed to the database, the gender of the fraudster has not been recorded)