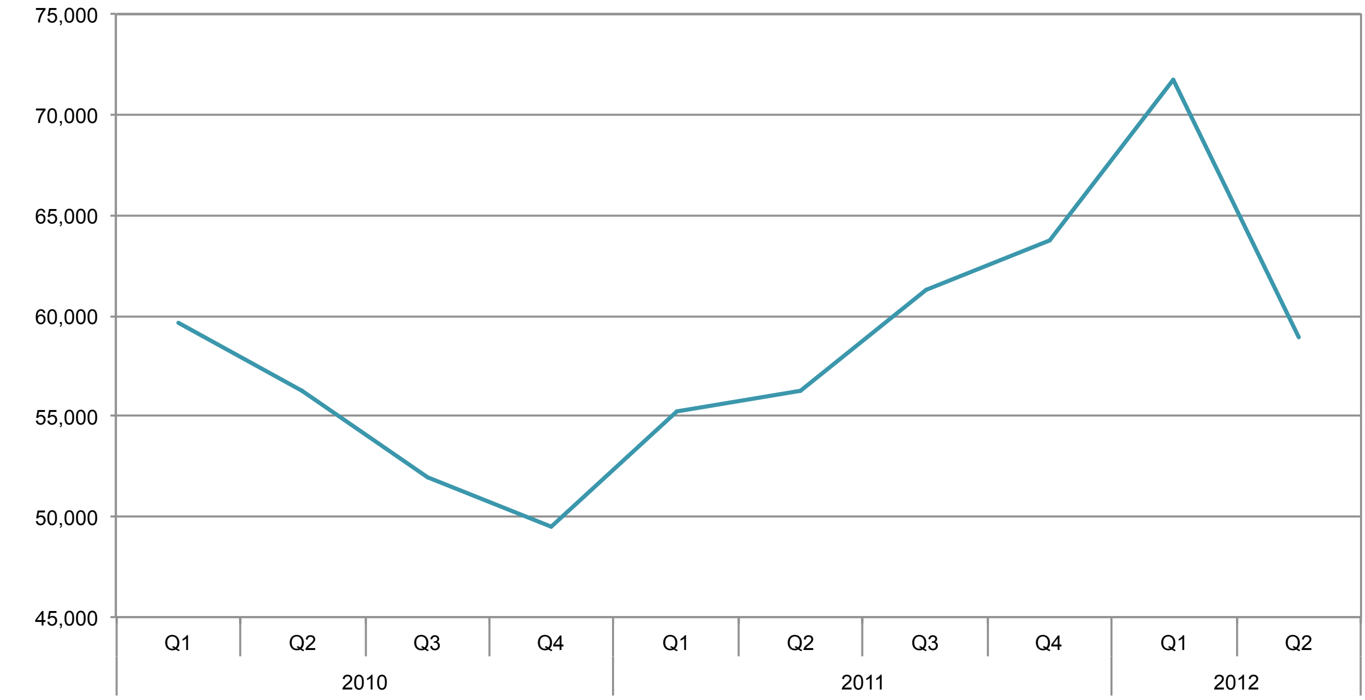
This *Bulletin* presents key fraud statistics for the first six months of 2012. It highlights key fraud trends and serves as a follow-up to the annual *Fraudscape* report. *Fraudscape* also provides some further details and explanations of fraud types and other terms used in this *Bulletin*.

A total of 130,706 frauds were recorded to the National Fraud Database by CIFAS Members during the first six months of 2012; an increase of 5% compared with the last six months of 2011.

The increase in total frauds identified was driven exclusively by surges in Identity Fraud and Facility Takeover Fraud but – interestingly – the second quarter of 2012 saw the first recorded decrease in fraud levels in over a year.

	Number of Frauds		
Fraud Type	Last half of 2011	First half of 2012	% change
Asset Conversion Fraud	259	168	-35%
Application Fraud	21,063	20,484	-3%
False Insurance Claims	189	133	-30%
Facility Takeover Fraud	14,313	19,001	33%
Identity Fraud	61,463	65,119	6%
Misuse of Facility Fraud	27,725	25,801	-7%
Total Frauds Recorded	**125,012**	**130,706**	**5%**

Figure 1 - Total number of frauds recorded to the National Fraud Database by quarter 2010-2012

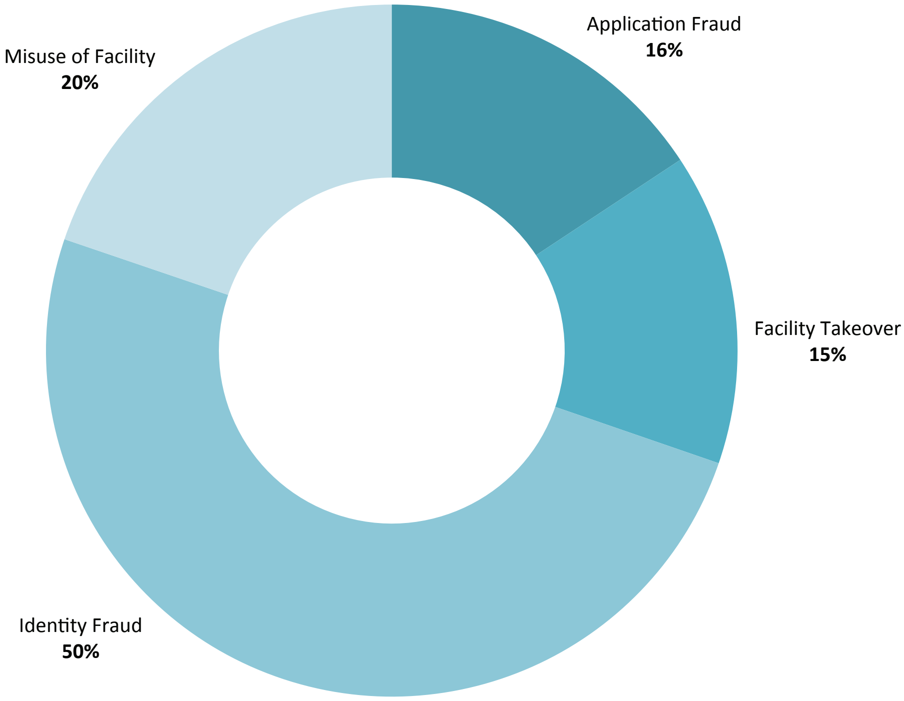


Types of Fraud

Figure 2 - Proportion of fraud types recorded in the first six months of 2012.

NB: Asset Conversion Fraud and False Insurance Claims each account for 0.1% of the total.

Percentages will add up to more than 100% due to rounding.



Identity Related Crime

Identity related crimes are those frauds where the fraudster has created, hijacked or obtained a set of someone else's identity related details (e.g. names, addresses, dates of birth, email addresses and passwords) and used them to obtain or access accounts, products and services using these.

Identity Fraud (50% of frauds)

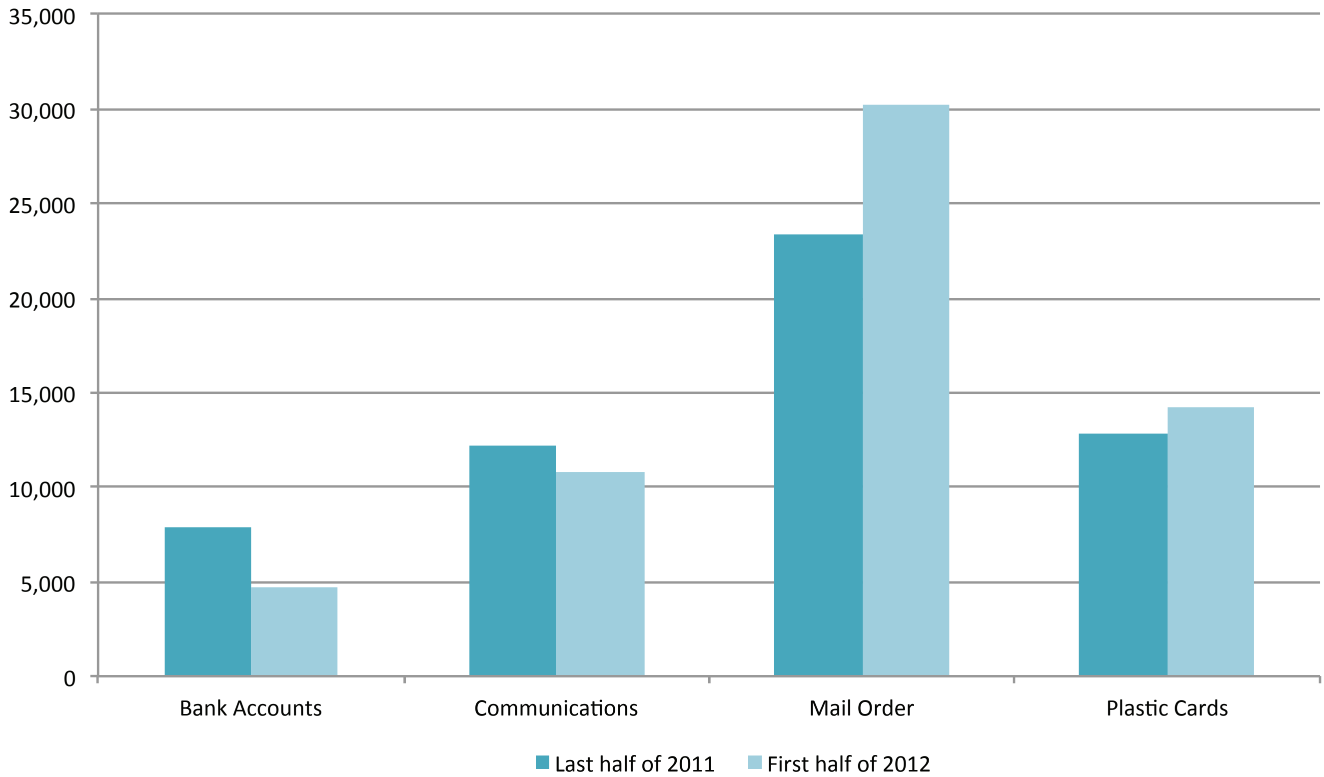
Includes cases of false identity and identity theft

Identity Frauds recorded during the first six months of 2012 increased by 6% compared with the last half of 2011. Current address fraud (where the fraudster uses the genuine identity and current address of an innocent victim) still accounts for the greatest overall proportion; increasing from 68% of all Identity Frauds in the last half of 2011 to 74% in the first half of 2012. Interestingly, the proportion of Identity Frauds perpetrated online also increased, accounting for 60% of all Identity Frauds filed in the first half of 2012, compared with 55% of Identity Frauds in the latter half of 2011. This is further evidence, if any was needed, that fraudsters continue to favour the more 'anonymous' method of committing fraud where the true identity of the fraudster is far more difficult to determine.

Identity Fraud against mail order accounts was a key driver behind the overall rise seen in the first six months of 2012, with a large increase of 29%. The greatest proportion of this increase occurred in the early months of 2012, and may well have been as a result of frauds uncovered after the post-Christmas rush, considering that this time of year is often the busiest for many sectors (particularly mail order).

Identity Fraud against loans and plastic cards also increased; up 66% and 11% respectively. Part of this will be explained by the current economic conditions. As companies appear to be reluctant to lend, many individuals (including those who have every intention of repaying the credit that they are applying for) resort to fraud in order to obtain credit. Furthermore, some loan products (e.g. payday loans) are especially attractive to identity fraudsters, particularly those products which are granted instantly and are generally based on a different type of lending criteria.

Figure 3 - Number of Identity Frauds by product in the last half of 2011 compared with the first half of 2012.



Facility Takeover Fraud
(15% of frauds)

Where a third party fraudulently hijacks and operates the account or policy of the victim for his or her own (or someone else's) benefit.

Facility Takeover Fraud surged by 33% in the first half of 2012, compared with the second half of 2011. Increases were noted across three particular product groups; communications, mail order and plastic cards.

Unauthorised electronic payment instructions (e.g. online banking transfers) remained the most common reason for recording Facility Takeover Fraud (accounting for 30% of all such frauds). Unauthorised facility delivery instructions (where the fraudster attempts to obtain goods by supplying a false instruction to deliver new products), however, increased substantially from 19% in the last six months of 2011, to 28% in the first six months of 2012. This type of fraudulent activity was predominantly related to mail order and mobile phone products.

65% of all frauds recorded by CIFAS Members during the first half of 2012 related directly to the abuse of identity details.

First Party Fraud

First Party Fraud is a term used to categorise any fraud where there is no proof that an account has been subject to identity fraud or an attempted takeover by a third party – and therefore indicates that the fraud is being committed by the account holder or applicant.

Application Fraud
(16% of frauds)

Applications or claims with material falsehoods (lies) or false supporting documentation where the name of the applicant or claimant has not been identified as false.

In the first six months of 2012, Application Fraud fell by 3% compared with last six months of 2011. This decrease was mainly attributed to the reduction in frauds filed involving communications products and bank accounts. Despite still being the product targeted most by application fraudsters, Application Fraud against personal current accounts continued to fall, resulting in a drop of 10% in the first half of 2012 compared with the last half of 2011. This does not necessarily indicate a declining number of application frauds, but more likely a higher level of bank account application rejections for non-fraud reasons (e.g. if more applications are being declined by organisations for reasons such as lending criteria, any falsehoods contained within the applications will remain uninvestigated and undetected).

Despite the overall decrease in Application Fraud, some product groups actually saw a rise in the number of such frauds recorded. After banking, both asset finance and insurance products experienced high levels of Application Fraud: having seen growths of 8% and 3% respectively in the first half of 2012 compared with the last half of 2011.

Misuse of Facility Fraud
(20% of frauds)

Where an account, policy or other facility is used fraudulently by the account holder.

In the first six months of 2012, the total number of Misuse of Facility Frauds decreased by 7% compared with the last six months of 2011. As frauds involving bank accounts made up 79% of Misuse of Facility Fraud cases in the first half of 2012, the overall decline in this fraud type can unquestionably be put down to the overall fall in the misuse of bank accounts (-5%) in the first six months of 2012. With the use of ‘money mules’ (see definition below) most likely to be accounting for a portion of these Misuse of Facility Frauds, this may indicate that individuals are becoming more aware of the implications of allowing their accounts to be used on behalf of third parties (e.g. to launder funds for criminals).

The second most commonly misused product group (communications) also saw a fall in the number of these frauds, with a 32% decrease in the first half of 2012 compared with the last six months of 2011.

In spite of this decrease, the misuse of a facility by the legitimate account holder still accounts for 1 in 5 of all frauds identified by CIFAS Members. This demonstrates that the very real financial pressures facing individuals are having a knock-on effect in terms of fraudulent actions.

Money Mules

The term ‘money mule’ is most commonly used to describe an individual who allows his or her bank account to be used to facilitate the movement of criminal funds. The mule either knowingly helps to move, or is tricked into moving, money through his or her own account and then to a third party, who is often located in another country.

Products

This section presents the current trends identified across the different products that CIFAS Members record to the National Fraud Database.

Bank Accounts

Bank account related fraud decreased by 13% in the first six months of 2012 compared with the last six months of 2011. Frauds involving personal current accounts continued to make up the majority of bank account frauds (86%), despite the 7% decrease in the overall volume recorded.

Frauds targeting current accounts, however, were not the full picture. The upsurge seen last year in frauds involving savings accounts (particularly personal savings accounts) appeared to cease in the first six months of 2012.

Overall, Misuse of Facility Frauds involving a savings account decreased by 22% in this period, compared with the last half of 2011 – a considerable decline when seen alongside the fall of 5% in current account frauds. This suggests that fraudsters were no longer seeing savings accounts as a viable way of transferring illicit funds; as the current account offers an easier way to mask illegal payments in a multitude of other continuing transactions.

Number of Misuse of Facility Frauds			
Banking Product Type	Last half of 2011	First half of 2012	% change
Current Accounts	20,281	19,269	-5%
Savings Accounts	1,528	1,197	-22%
Total	**21,809**	**20,466**	**-6%**

Plastic Cards

Frauds involving plastic cards increased considerably in the first half of 2012; a rise of 15% compared with the last half of 2011. While personal credit cards still accounted for the bulk of the plastic card frauds (94%), some interesting changes were noted in both personal and company store cards, driven by an increase in identity related fraud on these products.

The increase of 66% in fraud on all store cards (albeit from a low base) confirms that fraudsters were perhaps spotting an opportunity to commit fraud where they believed that their actions might not be subject to the same level of scrutiny as for traditional credit cards. Due to the comparative ease of applying for a store card within the shop, it is perhaps not surprising that 16% of fraud committed on store cards in the first half of 2012 was carried out face to face, compared with just 2% on personal credit cards.

The proportion of current address frauds on plastic cards increased substantially in the first six months of 2012 compared with the last six months of 2011: from 53% to 66%. It is clear, therefore, that current address fraud was still seen by fraudsters to be a successful method by which to obtain plastic cards fraudulently. With more applications for credit related products being carried out online (83% of plastic card frauds were perpetrated online in the first half of 2012), it is likely that the only relevant documentation sent out by organisations that a fraudster would need to intercept would be the card and PIN. This, of course, means that there is only a limited need for a fraudster to ‘monitor’ an address and, hence, lowers the chances that the victim would ever become aware of the fraudster’s activity.

Communications

Overall, the number of frauds against communications products decreased by 12% in the first half of 2012 compared with the second half of 2011. This does not necessarily suggest the beginning of a downward trend, but may instead be a symptom of communications fraud levelling out after the higher levels recorded in the last half of 2011.

Of all communications frauds carried out in the first six months of 2012, the majority related to mobile phone products (60%). This comes as no surprise, as modern and expensive products such as smartphones have become increasingly desirable, making them a highly irresistible target for many fraudsters thanks to their small and ‘re-sellable’ nature.

Loans

Frauds involving loans increased considerably in the first half of 2012; up by 30% compared with the second half of 2011. The main driver behind this rise was the 26% increase in frauds against personal unsecured loans – a change which can be associated with the rise in popularity of payday lending. Payday lenders offer low value short-term loans which are often aimed at individuals who may not be able to obtain credit elsewhere. The nature and different lending criteria used by such lenders make this type of product an inevitable target for the attention of fraudsters.

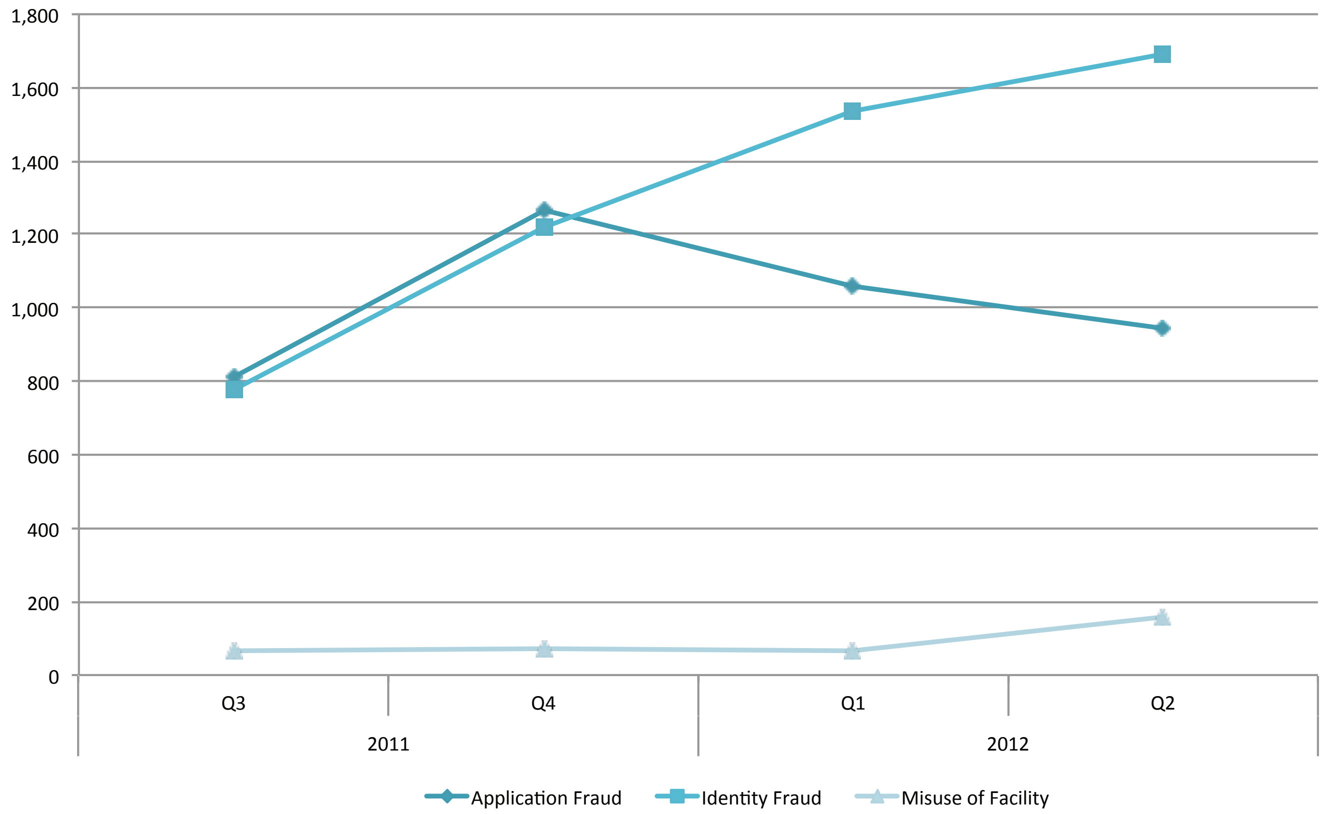
It is, perhaps, unsurprising that Identity Fraud and Application Fraud featured most highly within frauds targeting loans. The most likely course of action for any fraudster wishing to obtain money will be to supply material falsehoods in order to get a loan. Failing that, they will attempt to impersonate an individual whom they know will provide a better chance of securing a loan. It is also worth remembering that economic pressures will lead many to attempt to secure funds fraudulently, even though they may have every intention of repaying the funds; a factor that most likely also explains the spike in Application Fraud recorded during the Christmas period.

Mail Order

Frauds on mail order products rose by 33% in the first six months of 2012 compared with the last six months of 2011. Driving this increase were identity related crimes, including both impersonations of an innocent victim and facility takeovers.

The number of mail order frauds peaked in the first quarter of 2012; most likely as a direct result of the traditionally large number of frauds carried out over the Christmas period. The possible lag time between the committing and recording of the fraud could be due to the delay in the discovery of the fraud by the victim or organisation. This pattern in itself can be directly linked to the financial pressures felt by consumers around what can be traditionally the most expensive time of year.

Figure 4 - Frauds (by type) carried out on loans in the 12 months up to the end of quarter 2 in 2012.



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