

Growing levels of fraud - what are you doing to protect yourself?

I recently read this article on BBC News, and needless to say was filled with disappointment, but was also not entirely surprised at the general attitude (which some may regard as apathy) towards victims of fraud.

While I do not wish to dwell in detail on the content of this article, I feel it is relevant to highlight some statistics highlighted therein, taken verbatim:

1. There has been a 15% rise in cases (reporting period not stipulated)
2. Fraud now accounts for one-in-three crimes - but just 2% are detected.
3. Fewer than 1% of police officers directly investigate fraud.
4. Despite nearly 2,000 fraud offences being committed daily in England and Wales, just one in 50 is prosecuted (while it is assumed that these are successful prosecutions, this is not specified)
5. It is estimated 86% of fraud is committed online and around 78% of cases involves offences where suspects and offenders do not live in the same area
6. Over the past 12 months, reporting of fraud has jumped by 500,000 cases - a rise of 15%

The point 6 above is of course the most alarming. This would suggest that the number of reported cases exceeded 3.8 million in 2019, up from circa 3.3 million in 2018. There are however inconsistencies in this data if one considers point 4 above, which suggests only about 730k reported fraud offences annually. Further research

suggests that as little as 1/5 of all fraud events are reported. It is inconceivable that whole fraud accounts for 1/3 of all crimes committed in England, that only 1% of police officers directly investigate fraud cases – a huge disparity considering the impact fraud has on individuals, organisations and the economy has a whole.

This can leave us in no doubt that the rapidly growing rate of fraud offences being committed is alarming to say the least, and with the authorities showing little interest in following up on and investigating all reported cases, there is a much greater responsibility on the private sector to address this problem. This responsibility is strengthened by the growing regulatory focus on the fraud risk management, and especially measures banks must implement to detect and prevent fraud such as defined by the EBA 2nd Payment Services Directive (PSD2) among others. Additionally, there is increasing responsibility on banks and other Payment Service Providers (PSPs) to make good fraud losses to their clients.

One of the most common fraud typologies affecting many commercial enterprises is broadly referred to as CEO Fraud. CEO Fraud essentially occurs when email servers of firms are hacked and fraudsters generate high value payment instructions, which seem to be authorised by senior executives in firm via email. Many of these events may also go undetected even through the most sophisticated of detection programmes. Payment redirection is also quite common in organisations, while individuals are most often defrauded by being conned or duped on the promise of an unusually high return on their 'investment'.

It should go without saying that it is not enough to depend heavily or entirely on the banks and other PSPs to look protect their clients and service users from the risk of fraud. Part of the reason for this is that not all fraudulent transactions are processed through banks; and as banks and PSPs strengthen their defences, fraudsters will also move quickly to find methods to bypass these measures.

Organisations regardless of their size or nature should ensure that they have modern technical controls in place to protect and defend their infrastructure. It is important however to note that such technical capabilities are within themselves insufficient if they are not supported by robust procedural controls.

As individuals we need to be a lot more vigilant, both within our jobs as well as in the way that we protect our personal data, in particular on social media by applying the "need to know" principle; and when faced with unsolicited calls offering a return, question whether such return is 'too good to be true'.

This discussion barely scratches the surface on the topic of fraud, and unquestionably warrants much more visibility through robust but constructive discussion. Please feel free to share this article, and any comments would be also welcome.

This article is written and published independently and does not necessarily represent the views and opinions of the author's employers.

Sources: [BBC News](#)

Gerald De Villiers

Client Partner

Alexander Hughes UK & Ireland

g.devilliers@alexanderhughes.com

