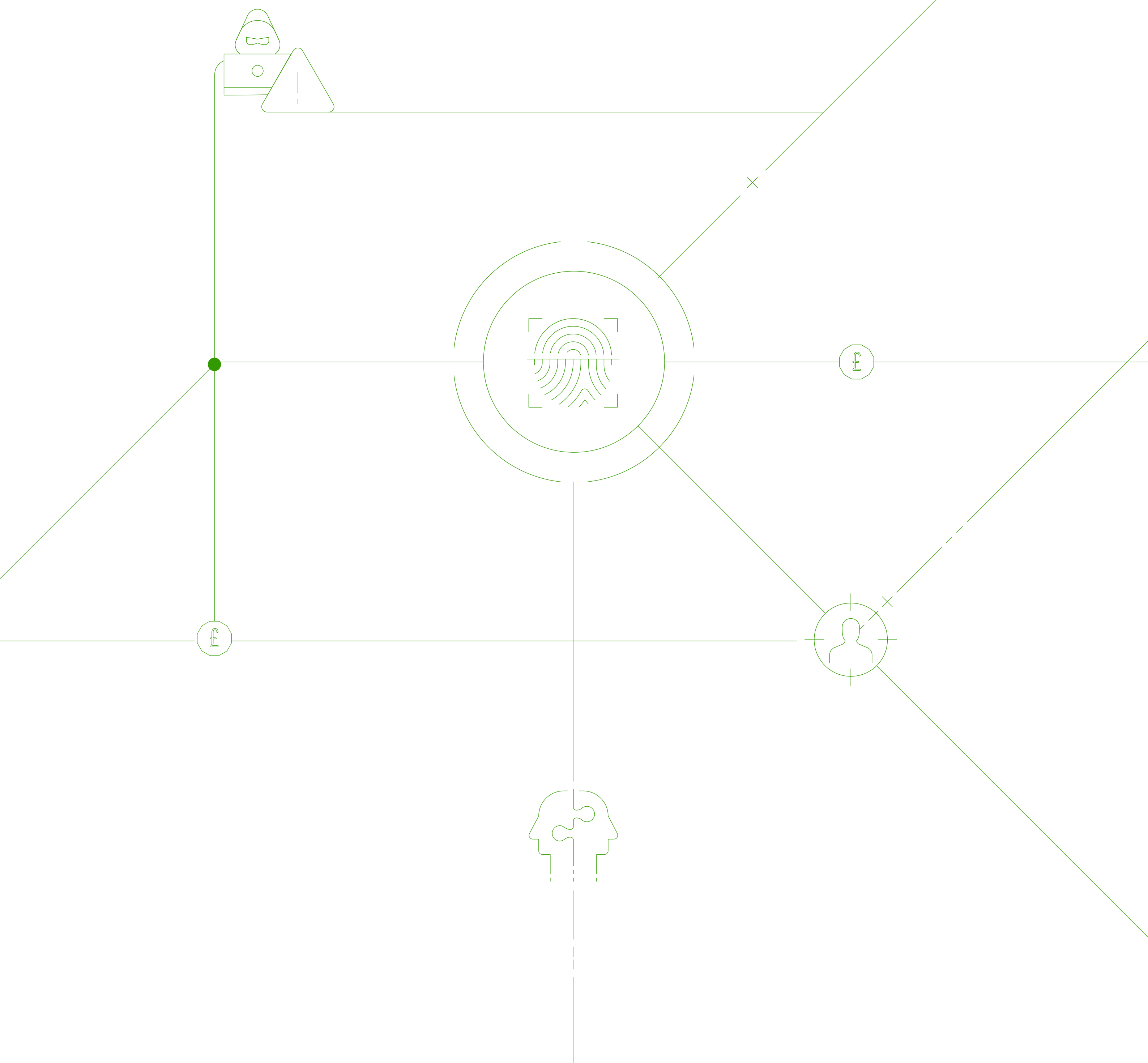
The history of fraud within the UK

Our story in shaping fraud prevention and customer boarding in the UK



Nobody likes to think that they're susceptible to fraud. And that applies to large corporates as much as it does to individual people.

But here's the thing: fraud is the number one crime in the UK.

It accounts for nearly **half** of all recorded crime, and fraud losses cost the UK in excess of £190bn **each year**[1]. Now imagine that number if the UK's FTSE 250 businesses weren't among the best in the world when it comes to the identification and prevention of fraud and financial crime...it would be truly eye-watering.

Whichever global territory you look at it makes for similar reading:

The Canadian Anti-fraud Centre (CAFC) estimates

$98m lost

due to fraud with just under **166,500 INCIDENTS** reported by police in 2019.

In the US losses for IDENTITY THEFT

alone are forecast to increase again in 2021 to

$721.3 billion

KPMG'S FRAUD BAROMETER for New Zealand reports total losses of

$72m

in large fraud cases between August 2019 and July 2020.

And yet these statistics only tell part of the story. They're indicators of **willingness to report crime rather than actual prevalence**. The truth is that, across the globe, fraud and economic crime rates remain at record highs and their impacts are being felt more diversely than ever before.

Today we talk about syndicated data, machine learning, predictive analytics and AI. All critical tools to help identify and prevent financial crime and fraud.

YET NOT SO LONG AGO THE PICTURE WAS VERY DIFFERENT...

1. Cifas – 30 facts about fraud past, present and future

1980s:

Fraud was split between the extremes. At one end it was small scale, mainly opportunistic, and often went undetected. It was both expensive and time consuming to investigate, and so it was largely ignored and seen as a cost of doing business. At the other end of the spectrum there was "Big money crime". Cries of political collusion, insider jobs and organised crime still echo from the savings and loan scandals of 1980s America.

Cifas, a not-for-profit fraud prevention membership organisation, was founded in **1988** with the objective of sharing instances of fraudulent conduct in the country.

It is still operating today and its members – from all sectors – share their data to reduce instances of fraud and financial crime.

With its inception the case for central databases of adverse records, shared within and across sectors, was made.

1990s:

Public bodies were spending billions of pounds of taxpayers' money providing essential services every year. Delivered through complex and wide-reaching schemes, these systems were often open to abuse. But the scale of the problem was hard to quantify whilst all the data sat within separate silos.

It was in **1992** that an "industry-defining" initiative, created on behalf of the Audit Commission, started to overcome this challenge. Beginning with just six inner London Boroughs the scheme had the specific objective of sharing student loan, housing benefit and payroll data to detect and prevent fraud and error across the public sector. This paved the way for public and private sector data sharing in the future.

Whilst these early local data-matching exercises were rudimentary, they provided an initial degree of protection and helped the Boroughs detect and prevent fraud and error with greater speed and accuracy than ever before.

The scheme grew to include all 31 London Boroughs in **1996**. The London Fraud Initiative (LFI) as it was known laid the foundations for the national system we have today, The National Fraud Initiative (NFI). With over 1,200 contributing organisations, The NFI has been helping to identify and prevent fraud for 25 years and has helped to save the tax payer £2Bn to date[2].

The value of shared data within the public sector to help identify fraud and error was recognised.

2000s

2. As at September 2021.

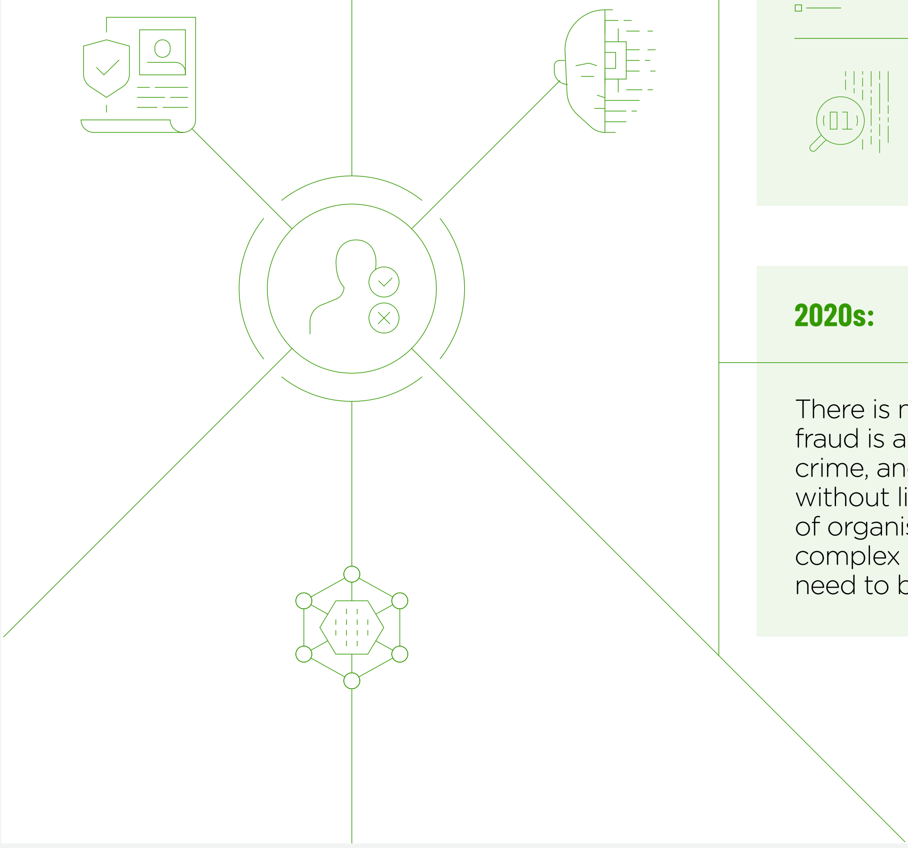
Early 2000s:

Companies began to share data on fraudsters through intelligence sources like The Insurance Fraud Bureau (IFB), National Hunter run by Experian, and National SIRA run by Synectics.

These consortium databases now underpin many fraud detection and prevention eco-systems in the UK.

They contain millions of rows of data and are contributed to by a large proportion of the UK's FTSE 250 companies. Over the years they have helped organisations to identify and prevent billions of pounds of fraud and financial crime.

The power of syndicated data was starting to be transformative.



2010 onwards:

Additional sources of data provided richer 360-degree risk profiles.

Newly accessed data included intelligence on politically exposed persons, sanctions and criminality and deceased individuals. This was combined with email address, mobile phone and other internet-enabled device data. Soon after geographic, social and biometric profiling becomes available.

With this proliferation of data came the need for actionable insight and intelligence. Network visualisation tools, such as Orion from Synectics were developed to do just that.

Drawing on the emerging disciplines of data science and machine learning, fresh skills and approaches were applied to existing datasets to draw incredible new insights and connections. It was this combination that started to change the fight against fraud and financial crime.

ACTIONABLE INSIGHT

ANALYTICS & RULES ENGINE

SYNDICATED DATA

2020s:

There is now widespread recognition that fraud is a predicate activity to financial crime, and that it is rare one exists without links to the other. The networks of organised criminals are now so complex that the tools to identify them need to be increasingly sophisticated.

Current challenges

The move to digital first, heightened by the Covid-19 pandemic and changing customer needs have provided fraudsters with the perfect storm. Onboarding at speed without in-person ID verification presents criminals with numerous vulnerabilities to exploit.

CUSTOMER DEMANDS

Consumers want access to products and services instantly.

CUSTOMER EXPERIENCE

Is prioritised, resulting in fewer questions being asked of prospective customers.

DATA AVAILABILITY

Personal data is more available than ever before.

GLOBAL LOSSES OF FRAUD IN 2021 EQUATE TO £4.37 TRILLION – OR 6.4% OF GDP. THIS IS UP FROM £3.89TN OR 6.05% IN 2019.

Source: The Financial Cost of Fraud 2021, Crowe / University of Portsmouth

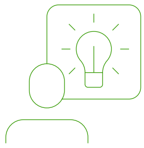
DUE TO COVID-19, FRAUD IN ENGLAND & WALES HAS INCREASED BY 19.8%

Source: ONS

BETWEEN 2019-2020 AVERAGE FRAUD LOSSES INCREASED FROM 4.57% TO 8.58% – AN INCREASE OF 88%

Source: The Financial Cost of Fraud 2021, Crowe / University of Portsmouth

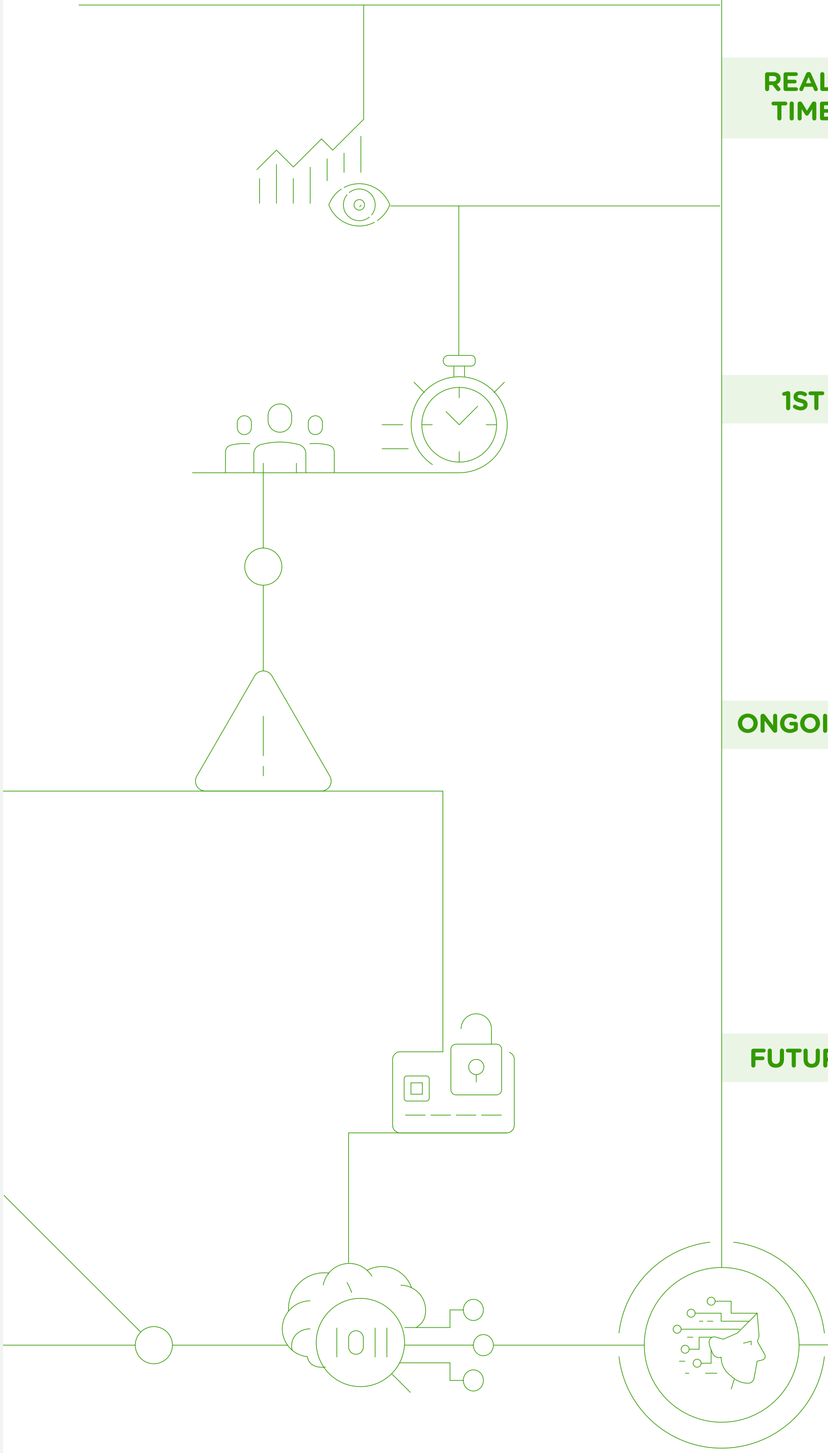
> **"Fraud is one of the great unreduced business costs. Now that the total cost of fraud can be measured, it can be managed and reduced."**



Future Solutions

Fraud and financial crime must no longer be viewed as a single country or sector issue. The problem and the solutions transcend differing legal, cultural and regulatory frameworks.

Criminals operate within complex eco-systems and so must we.



DATA

We need a single enhanced view of a person, augmented by public and private data sources.

REAL-TIME

That view must be available 24/7 and accurately reflect the person's previous activity and current associations.

1ST

The potential for fraud or financial crime to be committed must be highlighted at the first point of engagement.

ONGOING

Hidden risk, often sat dormant within an organisation, needs identifying, and removing before it can be used for criminal activities.

FUTURE

Predictive analytics can help create operational fraud detection models for organisations before they even enter a new market.

What we are doing to help

The history of fraud prevention and detection over the last 30 years has been shaped by, and in equal part, influenced the development of Synectics.

— As fraud became big business so we established the UK's largest database of adverse intelligence.

— When the value of public-private data sharing was recognised we worked with the Cabinet Office to manage the NFI program and support its use in the private arena.

— The proliferation of data sources inspired our experts to develop analytics tools to draw meaning and insight from information.

— We now use our unique databases, industry intelligence, data mining capabilities, machine learning and data science expertise to appraise risk in markets before they are even entered.

We are at the forefront of helping some of the UK's largest organisations identify and prevent fraud and financial crime across the globe. We are confident that we can help your organisation.

GET IN TOUCH

Our world class financial crime experts will be more than happy to complete a proof of concept for you. The results will write their own business case.

Tel: **01782 664 000**

Email: **info@synectics-solutions.com**

and we can arrange a proof of concept for you.