



**National Fraud
Strategic Authority**

The National Fraud Strategy

**A new approach to
combating fraud**



The National Fraud Strategy

A new approach to combating fraud 2009-2011

“As the financial, social and personal cost of fraud continues to spiral, the demand for a coherent and uncompromising approach to combating fraudsters is becoming increasingly urgent. The National Fraud Strategy is the Government’s response, developed with organisations across the private and public sectors, to a crime that affects every business, public organisation and person in the country.”

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Attorney General's foreward

“Each year fraudsters rob us all of around £14 billion pounds of hard-earned income. This money could fund essential services for those who need them most; support people in their retirement – and expand our economy through investment.”



The Rt Hon Baroness Scotland QC
Attorney General

Equally, fraudsters rob our peace of mind and confidence to conduct our business safely. And in these challenging times people's confidence in our economy, at home – and abroad, has already been affected. This change of heart needs to be addressed.

Economic confidence is essential for investment, spending – and ultimately – prosperity in our communities. However, given the current situation, it is clear the continued presence of fraud within our economy cannot help in rebuilding this much-needed trust.

This National Fraud Strategy is a key element in the Government's response to fraud. It has been developed by the National Fraud Strategic Authority (NFSA), a newly-established executive agency of my Office, in consultation with organisations across the private and public sector.

Building on the excellent work already underway currently to fight fraud across the economy, this Strategy provides a co-ordinated activity programme, which aims to tackle the underlying factors that allow fraud to be committed by improving the building and sharing of counter-fraud knowledge, tackling the most harmful threats, disrupting and punishing fraudsters, improving victim support – and enhancing our long-term capability to prevent fraud.

The establishment of the NFSA and development of this Strategy are part of the Government's commitment to deliver key recommendations of our recent Fraud Review.

In April 2008, a new National Lead Police Force for Fraud was established within the City of London Police. This Force is already involved in 71 cases across the UK with an estimated cost to victims of some £1 billion. Development work is also well underway to deliver a new National Fraud Reporting Centre later this year, which aims to improve the quality of information and intelligence available to us of fraudsters and their pernicious methods of crime.

However, every single person has a responsibility to fight fraud. From the ways we handle our own personal and financial information, to the security measures we install in our technology, we all need to remember fraudsters have a fierce drive to exploit our weaknesses. We must be equally ardent in our response.

I commend this Strategy to you as a much-needed development in the fight against fraud. Together we can reduce the harm fraud causes us all and strengthen our communities and economy.

The Rt Hon Baroness Scotland QC
Attorney General

Introduction from Sandra Quinn, NFSA Interim Chief Executive

“It gives me great pleasure to present the first National Fraud Strategy for England and Wales.”



Sandra Quinn
Interim Chief Executive

We need to tackle fraud because it makes victims – or would make victims – of us all. And we need to tackle it now. Why? Fraudsters are going to greater lengths to part us all from our money.

Here is an example I experienced recently. A letter arrived at my home, apparently posted abroad, informing me that I had won a major lottery prize – and to receive it they would need me to send a £100 cheque. I didn't reply; no such prize would have existed. But, if I had, someone could have received two prizes – my money and my bank account details.

Fraud costs all of us living in England and Wales around £231 a year. But it also costs us through the stress and inconvenience it causes – and the lack of trust it creates in our communities and our economy. Fraud ranges from major individual international frauds netting billions, through to VAT and benefit frauds which cost us as taxpayers, to what are seemingly small frauds, such as credit card frauds, that are in fact, organised on a mass scale, netting the criminals vast profits at our expense.

Tackling fraud effectively requires us to work together. So, in developing this Strategy, one of our fundamental principles has been to harness the existing work, energy, expertise, resources and opportunities for action provided by our delivery partners across government, business and the voluntary sector. This thinking was at the heart of the Government's 2006 Fraud Review, which clearly stated great co-operation was essential if the efforts and investment made in countering fraud were to have any real impact on a major area of crime which without our joined up efforts will continue to offer opportunities to the criminal.

Fraudsters are adept at adapting. Continuing advances in technology will continue to facilitate new types of fraud and forthcoming major international events such as the 2012 Olympics

have the capacity to offer new opportunities for criminals to profit illegally. So we are working to get smarter at anticipating the fraudster, as well as delivering an emphatic response.

Tightening budgets may tempt some of us to consider reducing resources to fight fraud. But it is vital we create a pan-economic response that removes opportunities for fraudsters – and, at the same time, substantially increases the risk they have to undertake to commit their crimes.

This Strategy describes when, why, how – and who, in the private, public and voluntary sectors, will set about creating a hostile environment for fraudsters that reduces the harm they cause to our economy over the next three years.

With this approach we aim to create wider and more effective co-ordination that will enhance and maximise the impact of current and future counter-fraud efforts and strengthen the safety for every person and every business.

Sandra Quinn

Sandra Quinn
Interim Chief Executive

Introduction from Bernard Herdan, NFSA Chief Executive Designate

“This National Fraud Strategy offers a clear and structured work programme that will be managed by the NFSA over the next three years to reduce the harm caused by fraud and increase the risk for the fraudster.”



Dr Bernard Herdan
Chief Executive Designate

Much of this work programme will be undertaken with our delivery partners across the private, public and voluntary sectors. However, the NFSA will play a range of key roles: facilitating engagement and information-sharing; managing delivery performance; co-ordinating and delivering a range of activities that will strengthen both the counter-fraud infrastructure and public awareness of the fraud threat.

I am honoured and delighted to have been appointed to lead the NFSA. We are facing huge challenges and I am determined to make a difference.

I look forward to working with our delivery partners across the economy to ensure we create the most hostile environment possible for the fraudsters who want to operate in the UK.

A handwritten signature in blue ink, appearing to read 'Bernard Herdan'.

Dr Bernard Herdan CB
Chief Executive Designate

Executive summary



Executive summary

“Ignoring fraud and its effects is not an option. In the UK alone, the annual cost of fraud is estimated at £14 billion¹.”

The threat posed by fraud

That's £231 for every man, woman and child in the country. The changing threat of fraud – driven by increasingly powerful technology and the current global economic downturn, among other factors – demands a new and immediate response.

The fraud threat is evolving as criminals respond to our interventions and adapt to changing societal circumstances. From credit card fraud and bogus share scams to embezzlement, insider dealing, benefit fraud, to tax credit fraud, fraudsters are innovating constantly and developing new tools and techniques. No-one is immune from their criminal ingenuity. The speed at which fraudsters move and adapt makes them a formidable force to combat.

Fraud can have devastating effects on individuals and businesses alike, causing a range of financial and emotional harms which have often remained unrecognised.

Serious organised crime groups are behind many frauds, with some of the illicit profits being used to fund other serious criminal activity such as illegal drug trafficking and the trade in firearms. Fraud has also featured in terrorist cases both in the UK and abroad as a means of financing activity.

Clearly the threat is serious and real.

¹ ACPO 2007 Report: The Nature, Extent and Economic Impact of Fraud in the UK.

How is the issue of fraud being addressed?

Getting personal

In recent years, the world has started to recognise how serious, sophisticated and expensive fraud has become. These figures² give an idea of how much ordinary people are losing to fraudsters:

£2.75 billion was lost by private individuals to fraudsters in 2005

£231 is the price each person in the UK pays for fraud annually

5% is how much fraud adds to the average UK insurance premium

3.2 million people worldwide are defrauded by mass marketing scams annually

£3.5 billion is netted worldwide by mass marketing scams annually.

Establishing the National Fraud Strategic Authority

The National Fraud Strategic Authority (NFSA) was established in October 2008 to provide England and Wales with protection against the damaging consequences of fraud. As an Executive Agency of the Attorney General's Office, the NFSA's role is to take forward the Government's response to fraud, building on the recommendations of the 2006 Fraud Review.

Through the National Fraud Strategy, the Government is calling on all across the business, public and voluntary sectors to join forces as a counter-fraud community to make the nation an even more hostile place for fraudsters. In collaboration with this counter-fraud community, the NFSA will provide the framework for co-ordinated, effective and delivery-focused activity to enable a truly effective response.

Fraud, however, is a global problem, with fraudsters acting across national borders. Therefore, to deliver this Strategy the NFSA will work with its partners in Scotland, Northern Ireland and the wider international community.

Funding and resources

As part of the Comprehensive Spending Review (CSR) for 2008-2011, the Treasury set aside £29 million for the development and implementation of the NFSA, the National Lead Police Force for Fraud (Lead Force), the National Fraud Reporting Centre (NFRC) and National Fraud Intelligence Bureau (NFIB) over the next three years.

Around £10.7 million of the grant will be used to set up and operate the Authority during this period. Approximately £16 million will be used to establish and run the NFRC, NFIB and the Lead Force within the City of London Police. A further £1.6 million is being allocated to fund development and delivery of a national Fraud Measurement Unit. The Corporation of London has also contributed a further £3 million to the development and operation of the NFRC and Lead Force.

Policing fraud

The City of London Police (CoLP) assumed the status of Lead Force on April 1, 2008. The Lead Force will provide consistency and co-ordination in the investigation of fraud, through training and offering advice and expertise. The Lead Force will also be responsible for the NFRC, into which all initial reports of non-emergency fraud will come, and for the NFIB, which will co-ordinate and analyse fraud intelligence. Activities and outputs from these initiatives will build a better understanding of fraud, which will inform the further development of the National Fraud Strategy.

The CoLP, in its Lead Force role, already has 71 fraud cases currently under investigation and 36 arrests have been made to date, representing losses to victims estimated at £1 billion.

² ACPO 2007 Report: The Nature, Extent and Economic Impact of Fraud in the UK.

How will success be measured?

Tracking progress, measuring results

On behalf of the national counter-fraud community, the NFSA will review and report at six-monthly intervals on activities and the progress made against the strategic priorities set out in this document. The NFSA is also responsible for adapting the National Fraud Strategy to meet emerging challenges and evolving threats.

The NFSA will measure and analyse the national incidence and impact of fraud as part of a dedicated function within the Authority. As well as providing authoritative estimates for the total cost of fraud nationally, this function will also help to shape NFSA initiatives and measure success.

Actions and timescales

The NFSA and partner bodies are already taking action to deliver the National Fraud Strategy. Priority areas for 2009 include identity fraud, putting victims first, mass marketing fraud, co-ordinating public awareness, assessing and addressing fraud in the recession – and establishing the NFRC.

Achievements, first phase initiatives and longer-term goals

This Strategy sets out the high-level priorities that must be met to achieve the NFSA's vision of a nation safe from the harm caused by fraud. It sets out how new initiatives – including the creation of the NFSA and the NFRC – are designed to help public and business sector bodies play their fullest part in realising this vision.

Achieving our vision will require long-term change. To support this process, this Strategy also summarises a package of specific initiatives that mark the start of a continuing programme of action involving a range of organisations working in collaboration.

Each initiative is the responsibility of a small number of co-ordinating bodies who are publicly accountable. As part of this role they will act as national champions, taking lead responsibility for assuring and tracking delivery. However to deliver each initiative involves working with a range of partners from across business and the public sector.

Also, a number of bodies are planning to revise their own financial crime strategies in 2009. Through these revised strategies they will provide more detailed information on what steps they are planning to undertake to meet the priorities listed in this document.

In its development stage and first five months of operation, the NFSA has delivered concrete benefits.

- Co-ordinating the UK's first National Fraud Strategy in partnership with over 28 public, private and trade bodies. This delivers a key recommendation of the Government's most comprehensive review of fraud.
- Establishing a radical overhaul of the Government's delivery framework on fraud. New structures to bring Ministers and key agencies together mean that the UK is now better equipped to review progress and direct reform on fraud
- Launching programmes to identify the strategic challenges in key areas of the fraud problem and build joined-up programmes to tackle these
- Establishing a national Mortgage Fraud Taskforce, bringing lenders, law enforcement, regulators and public bodies together. Initiatives under this programme have led to new guidance for industry; new action to ban corrupt mortgage brokers and increased data-sharing to spot and stop fraudulent applications.

In addition, the Government and the wider counter fraud-community has already delivered concrete action to protect the public from fraud by:

- Creating a new specialist Lead Force in April last year to lead complex investigations and strengthen skills nationwide. It has already made 36 arrests, is investigating 71 major cases, representing losses to victims estimated at £1 billion
- Funding a new specialist e-crime unit to build police skills and crack down on on-line offences
- The Dedicated Cheque and Plastic Crime Unit, funded by the UK's financial payments industry, is a partnership that brings together police officers with civilian investigators to tackle crime targeted at the payment system, chiefly fraud. In 2007 alone, the Unit was responsible for £107 million in estimated fraud savings and the disruption of 421 organised crime networks
- Extending the role of Trading Standards to investigate complex consumer fraud cases. Three initial pilots uncovered an estimated £16 million of fraud.

Bringing fraudsters to justice, with effective prosecutors equipped with the right powers by:

- Creating the specialist Fraud Prosecution Service. This was strongly praised in an independent review last year, and has a success rate of 85 percent
- Reviewing the Serious Fraud Office (SFO) and giving it fresh leadership and direction. It is currently pursuing cases valued at £4.8 billion
- Modernising the law. The Fraud Act replaced a swathe of old fashioned offences with modern law to tackle today's threats, such as phishing. Other changes, such as the Consumer Protection from Unfair Trading Regulation 2008 prohibits trading practices which are unfair to consumers
- Protecting the public purse, with £82 million in criminal assets and a 91 percent conviction rate secured by the Revenue and Customs Prosecutions Office.

Strengthening national co-ordination to make counter fraud efforts as effective as possible by:

- Data-sharing services – such as CIFAS, the Association for Payment Clearing Services' (APACS) Fraud Intelligence Sharing System and the Insurance Fraud Bureau – have become vital anti-fraud tools, helping to prevent criminals from victimising one firm after another
- Tackling staged motor vehicle accidents. The NFSA and the Insurance industry have supported the Ministry of Justice to disrupt malpractice and to withdraw the operating licences of those businesses involved in this crime
- Establishing a mortgage fraud task force. Over 20 private and public bodies have been brought together to deliver a joined-up response to mortgage fraud, supported by new guidance and better intelligence sharing. Early results have already led to an innovative pilot scheme between lenders and HMRC which prevented £16m of fraudulent transactions
- Partnerships between police and business. Under Operation Sterling, the Metropolitan Police are working with different business sectors to build awareness, share best practice and target offenders.

To protect the public from a changing threat, the counter-fraud community is upgrading the national response to fraud in the year ahead.

Doing more to support the victims of fraud and help people from becoming victims in the first place

- The Government is on the side of the victims of fraud – who can face real hardship and distress. It has joined up with the Association of Chief Police Officers (ACPO) to research what additional practical help is needed most. It is working with key agencies such as Victim Support to ensure that it gets delivered. Pilots to test new approaches will start this year.

Helping victims report fraud and turning reports into arrests

- Fraud often involves more than one offence committed in more than one place against more than one victim. Victims are often unsure about how and where to report fraud
- The Government is working with the police to develop the NFRC, which will make it as easy as possible for victims to report fraud and ensure that intelligence is captured to drive arrests. Backed with major new funding, the NFRC will be piloted in 2009 and rolled out in 2010.

Building and sharing knowledge about fraud

- Exchange of information often plays a major part in our ability to stop fraud. In contrast, when information is not shared or provided in a timely manner, this can be a major obstacle to detecting fraud and taking action. Therefore, the NFSA, Ministry of Justice (MoJ), and SOCA will sponsor an ongoing programme to identify and challenge the critical blockages that obstruct the flow of appropriate information between organisations
- In 2009, the NFSA will launch a collaborative programme to measure fraud loss across the economy. This will help to track the changing nature of fraud more accurately and encourage organisations to implement their own counter-fraud controls internally. This will also provide a benchmark against which progress can be measured.

Joined up action to crack down on the enablers of fraud

- We need action to tackle fraud at its root causes. In the year ahead, the Government will work with police and business to ensure comprehensive steps are taken to tackle the vulnerabilities that make fraud possible. This includes identity crimes, the criminal exploitation of technology and the abuse of mail services
- In these areas and others, the result will be:
 - A clear understanding of the threat
 - Activities by individual agencies that add up to a co-ordinated response
 - Barriers to progress removed.

New powers to help bring more fraudsters to justice

- New measures are being brought forward to rebalance the justice against fraudsters in favour of victims
- New guidelines will encourage discussions about pleas in fraud trials to happen earlier and be more transparent
- New powers will be given to the Crown Court to tackle fraud more effectively, for example by:
 - Barring fraudsters from professional practice and winding up their companies
 - Widening the range of fraud victims who are eligible for criminal compensation
 - Strengthening the powers of the courts to preserve and recover fraudsters' assets in order to pay compensation orders.

Helping the UK's community of counter-fraud partnerships deliver their full potential

- Everyone has a part to play in combating fraud. In the UK, an extensive and diverse network of private and public sector partnerships play a vital role in fraud prevention. This network needs support so they can fully contribute towards making the UK a tougher target for fraud
- In the year ahead, priority will be given to work that helps the UK's network of counter fraud partnerships work better together – for example, by sharing data and good practice.

Here is an outline of what will be delivered in the first phase of initiatives within this Strategy.

Each initiative is the responsibility of a small number of co-ordinating bodies who are publicly accountable for ensuring success. As part of this role they will act as national champions, taking lead responsibility for assuring and tracking delivery. However to deliver each initiative involves the support and input of a range of partners from across business and the public sector.

Strategic priority

Building and sharing knowledge about fraud

Focus

- Enhance the sharing of fraud knowledge and intelligence.

Results

- Marked improvement to the nation’s knowledge-base on fraud
- More effective fraud prevention driven by the removal of obstacles to information-sharing
- Fraud loss measurement work integrated into future targeting
- Evidence that organisations have, and act on, the knowledge they need to make a difference.

Delivery	Co-ordinating agencies	Timescale
National Fraud Intelligence Bureau Proof of Concept	CoLP, Home Office (HO)	April 2009
Establish National Fraud Reporting Centre Pilot	CoLP, HO	May 2009
Establish a programme of Joint Intelligence Work	NFSA, SOCA	June 2009
Identify and remove significant obstructions to effective information-sharing	NFSA, MoJ, HO	October 2009
Fraud loss measurement used routinely for benchmarking success and future targeting	NFSA	October 2009

Strategic priority

Tackling the most serious and harmful fraud threats

Focus

- Identifying and communicating the most serious risks underpinning today’s most serious threats of fraud
- Delivering prioritised, co-ordinated action to tackle the most damaging types of fraud and the factors that enable fraud, such as false identities
- Tracking the impact of efforts to manage the changing threat and learn from what works.

Results

- Shared commitment and clear individual responsibilities for directing resources and activities towards tackling the most serious threats of fraud
- Reduction in the national exposure to the most serious fraud risks.

Delivery	Co-ordinating agencies	Timescale
Launch and ongoing management of a National Fraud Threat Dashboard	NFSA	Launched May 2009
Launch first national mass-marketing fraud control Strategy	SOCA, BERR, OFT	Action plan by June 2009
Publish assessment on highest fraud risks in a recession	NFSA	May 2009
Strategic review of the national response to identity crime and associated fraud	NFSA, ACPO, IPS, SOCA	July 2009
National efforts against share sale frauds leads to more arrests and fewer victims	CoLP, FSA	Significant progress by October 2009
Mortgage Fraud Report progress review	FSA, CML, NFSA, CoLP	Delivered Nov 2009

Strategic priority

Disrupting and punishing more fraudsters while improving support to their victims

Focus

- Increasing the risk to fraudsters by building the nation's capability to investigate fraud
- Fostering an enabling, challenging environment for prosecution and enforcement bodies so that more fraudsters are held to account for their actions
- Improving victims' access to support.

Results

- A clear increase in the level of disruption and sanction posed to fraudsters, with enforcement, prosecution and regulatory bodies playing their part
- Victims receive the support they need through channels that work.

Delivery	Co-ordinating agencies	Timescale
Enhance legal powers and processes for prosecution agencies	NFSA, MoJ	Ongoing Programme
Prosecution landscape review designed to help groups work together more effectively	NFSA, SFO, AGO	Completed by April 2009
Results of research into fraud victims' needs published	NFSA, OFT, ACPO	July 2009
Pilot scheme launched for improved victim support activity	NFSA, ACPO	January 2010
Evaluation of pilot scheme on improved victim support activity completed	NFSA, ACPO	June 2010
Building police fraud capability	ACPO	Ongoing
Police service for businesses	ACPO, NPIA, HMIC	Ongoing

Strategic priority

Improving the nation's long-term capability to prevent fraud

Focus

- Harnessing the counter-fraud community's considerable potential by building strong, mutually supportive partnerships
- Raising public awareness of risks and responsibilities associated with fraud, running campaigns that learn from what works.

Results

- National counter-fraud community acts to meet local needs on fraud and strengthen the national approach
- Public behaviour denies fraudsters opportunity to commit fraud against citizens.

Delivery	Co-ordinating agencies	Timescale
Build effective fraud partners	NFSA, ACPO	Ongoing programme
Publish joint threats and lessons learnt to protect the public sector from fraud	NFSA	March 2009
Raise public awareness and responsibility	NFSA, Get Safe Online, FSA	Ongoing programme

The future

This Strategy establishes a programme for the future and will set the groundwork for encouraging the concerted effort needed to fight the fraud battle. We simply cannot allow fraudsters to flourish.

The determination to see that more is done to deter and punish fraudsters is at an all-time high, as is the need to better prepare the public against being duped by those looking for easy targets.

This is the task before all of us, and we need to ensure we work together effectively to improve the nation's long-term capability to prevent fraud.

Chapter one The real cost of fraud



The real cost of fraud

“The speed at which fraudsters move and adapt makes them a formidable force to combat. Factors such as increasingly powerful technology and the global economic downturn are creating new reasons to commit fraud – and new methods to commit it.”

Paying the price of fraud

The scale, speed and sophistication of fraud make it one of the most serious criminal threats facing the international community.

In the UK alone, the annual cost of fraud is estimated at £14 billion³, around two-and-a-half times more than the combined cost of burglary, theft and robbery. Nationwide, hundreds of thousands of fraud victims continue to suffer.

The full price of fraud is not just financial or economic. It causes emotional and psychological harm to individuals and damages businesses. The impact may be even more marked when tougher economic conditions prevail. Fraud also undermines public confidence and fairness, and provides a revenue stream for organised criminal networks, including terrorist groups.

³ ACPO 2007 Report: The Nature, Extent and Economic Impact of Fraud in the UK.

The cost to individuals

Whether we realise it or not, we are all victims of fraudsters.

SOCA hits the lottery

In 2007, the Serious Organised Crime Agency (SOCA) searched business premises it believed were connected to an international sweepstake and lottery scam. The raid seized an estimated 20,000 replies from victims to the fraudsters, along with cash, cheques and other evidence.

Each reply enclosed a typical payment of £20. The fraud is believed to have dealt with around 5,000 replies a day, up to six days a week, suggesting a turnover of more than £500,000 per week – potentially, more than £25 million per year.

The Office of Fair Trading's (OFT) 'Research on the impact of mass marketed scams' revealed almost half of the UK adult population (48 percent) is likely to have been targeted by a mass marketing scam, with an estimated 6.5 percent of the UK adult population falling victim to these scams every year.

Estimates of the cost of fraud vary, but the following figures⁴ provide an indication:

- £2.75 billion was lost by private individuals to fraudsters in 2005
- Fraud adds five percent to the average UK insurance premium
- 3.2 million people worldwide are defrauded by mass marketing scams annually
- £3.5 billion is netted worldwide by mass marketing scams annually.

Many of us pay for fraud through higher mortgage repayments, insurance premiums or council tax bills. Victims of bogus share sale frauds lose an average of £20,000 each, with losses sometimes rising to over £1 million.

Even when individual losses are relatively small, they can form part of wider frauds involving thousands of victims at a time. Mass marketing frauds involving around 3.2 million victims are believed to generate around £3.5 billion annually from people's personal savings and investments. The harm caused to individuals by these frauds can be much wider than just financial loss. Many victims, often the most vulnerable of our society, suffer severe emotional and psychological effects, to the point where some individuals have even taken their own lives.

⁴ ACPO 2007 Report: The Nature, Extent and Economic Impact of Fraud in the UK.

The cost to taxpayers

Measured purely in financial terms, the UK's public sector is the biggest victim of fraud in the country.

In 2005/2006, it lost an estimated £6.5 billion to fraud⁴, much of it through VAT fraud involving goods imported into the UK from the EU. This loss caused significant damage to public revenues and left taxpayers to pick up the bill.

Protecting taxpayers

No part of our public sector is safe from fraudsters, however progress has been made. Since it was launched in 1996, the National Fraud Initiative (NFI), a scheme operated by the Audit Commission (AC) that helps to detect risks of fraud by matching data from the different public authorities it audits, has led to savings of over £400 million and also:

- Stopped council tax evasion by matching claims for single person discounts against the electoral roll
- Identified possible procurement corruption by matching payroll, Companies House and trade creditor data
- Intercepted overpayments to private care homes by matching data with the Department for Work and Pensions' records of deceased persons.

NFI takes the initiative

The AC's NFI played a central role in identifying a nursing assistant who had made fraudulent benefit claims worth £35,000 over six years.

By matching housing benefit claims with payroll data, the NFI revealed that the fraudster was using two different National Insurance numbers. When interviewed, she claimed she was an unemployed single parent living in a rented house. She also claimed she had a cousin with the same date of birth who looked like her.

But further investigations and surveillance revealed that, while claiming housing benefit, the nursing assistant had been working for an NHS Trust and a Housing Association while running a catering business from home. The assistant had also received a grant of £2,000 for being a full-time student.

After pleading guilty to 15 offences of benefit fraud, the fraudster was sentenced to 12 months in prison suspended for one year, and ordered to carry out 260 hours of unpaid community work.

The cost to business

Small businesses and publishing frauds

While there are many reputable publishers, there are some fraudsters posing as publishers who are attacking small businesses. Cold-calling and using aggressive tactics, these fraudsters pretend to produce publications to aid charities or good causes, such as drug-awareness or road safety. Fraudsters offer sponsorship or advertising opportunities, often claiming that the small business has already agreed to sponsor or advertise and that the materials have been published.

Victims often pay to make the fraudster, 'go away' but, sadly, this just guarantees entry onto the fraudster's database.

The Companies Investigation Branch (CIB), an arm of BERR, has been targeting these operators, closing down over 70 such companies with a combined turnover in excess of £60m. Thirty directors of such companies have been disqualified for an average of eight years. Small business owners should never agree to taking out an advertisement over the phone, always ask for written details and check all invoices received properly.

Fraud inflicted from inside and outside businesses, undermines profits and drives up costs. One global survey⁵ has estimated that, over a two-year period, those companies that responded suffered an average loss from fraud of £1.58 million.

Banks are critical to keeping our economy running. In the first six months of 2008, the level of bank fraud brought before the UK courts was the highest for 20 years. This may indicate that banks have become more successful at combating fraud by spotting and pursuing it. It also demonstrates how attractive they have become to fraudsters.

In the wake of the recent credit crunch, some of the biggest frauds in business history have come to light, indicating how crime can undermine savings and investment on a massive scale.

⁵ 2007 Global Economic Crime Survey, PriceWaterhouseCoopers and Martin-Luther University.

The changing threat

Fraud is hardly a new phenomenon. But in recent years, the world has started to recognise how serious and sophisticated it is.

Factors such as increasingly powerful, easily accessible technology and the global economic downturn continue to push the threat in new directions, making it capable of inflicting even more serious damage.

Technology

Powerful, accessible technology allows fraudsters to:

- Find and exploit huge numbers of victims at low cost
- Operate across national borders, keeping a greater distance from the authorities while complicating their pursuit and investigation efforts
- Operate within sophisticated global markets that provide access to niche criminal contacts.

Recession

Tougher economic conditions will change the nature of fraud risks confronting the business, public and voluntary sectors. For example, otherwise law-abiding people facing increasing financial pressures may be driven to commit fraud or corruption out of desperation. As more people find themselves unemployed, some might be tempted to defraud the benefits system. Inevitably, fraudsters will find new ways to exploit the vulnerabilities and pressures people suffer during a recession.

Early analysis is building a picture of how the recession is already changing the profile of financial fraud risks and how it may:

- Divert resources away from vital anti-fraud controls inside organisations
- Create opportunities for fraudsters to acquire business assets at low prices for use in fraud
- Increase the number of potential targets for various scams or deceitful offers as more people struggle financially
- Encourage fraudsters to change their behaviour. For example, as new credit becomes harder to obtain, fraudsters target the takeover of existing credit facilities held by legitimate businesses and individuals, rather than trying to establish new credit facilities on false pretences.

Chapter two Setting priorities, taking action

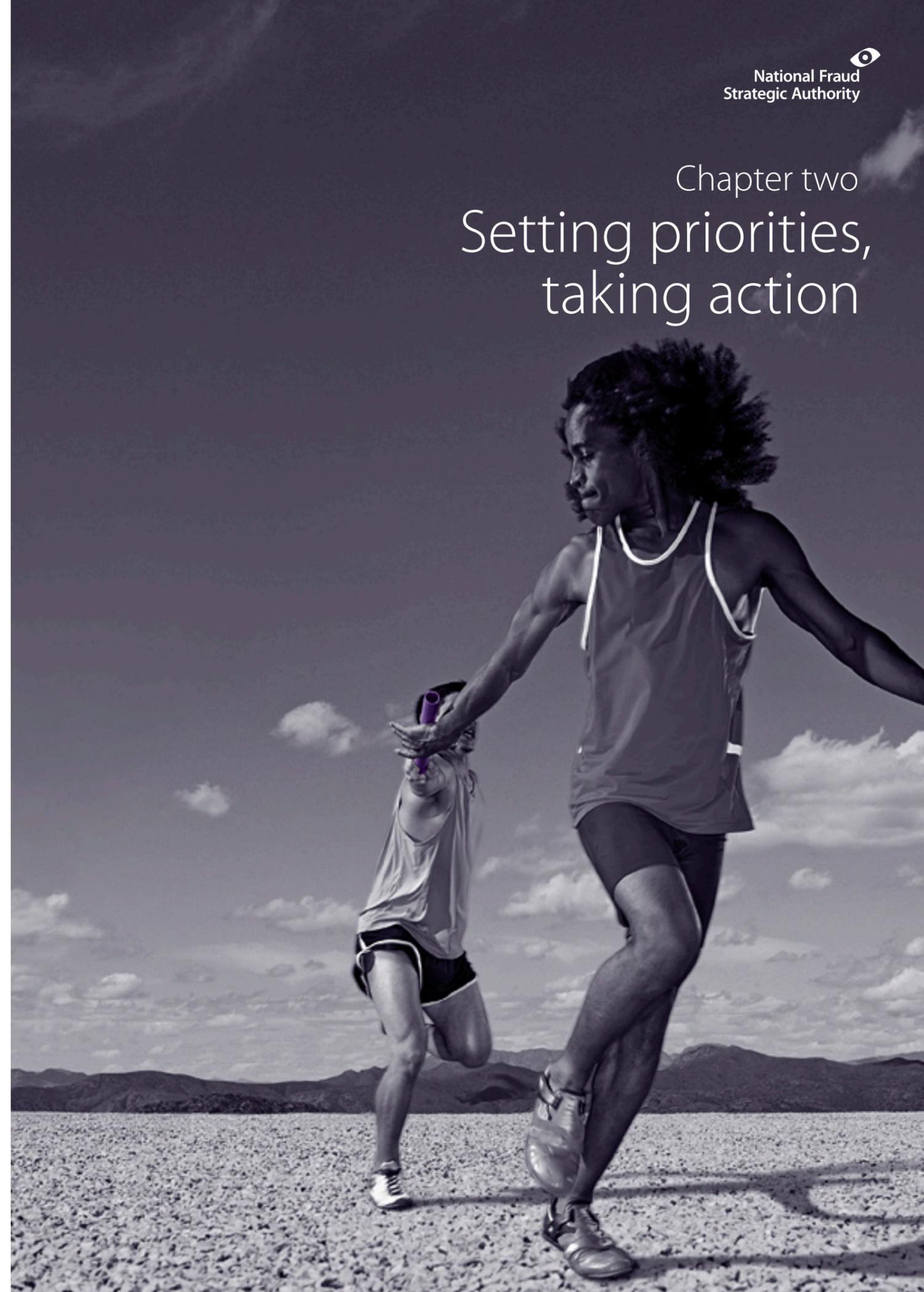
Frauds that may have gone undetected previously will come to light as the economic downturn continues. Fraud also places additional strain on businesses with balance sheets that are already under stress.

An economic upturn will create new opportunities for fraudsters to exploit, such as:

- Growth in innovative products and services
- Increased consumer demands and needs
- False perceptions that fraud decreases as economic conditions improve.

This Strategy will ensure we deepen our knowledge of the fraud-related problems that may be caused by the economic downturn while preparing for new risks that will emerge as the economy recovers.

As the constantly changing threat of fraud continues to inflict increasingly serious damage, the time has come for the business and public sectors to join forces with the criminal justice community to create an even more hostile environment for fraudsters. Along with everyone in England and Wales, these counter-fraud partners have a shared interest in each other's success.



Setting priorities, taking action

“There are numerous organisations working to combat fraud in England and Wales. The National Fraud Strategy will maximise the impact of their work by focusing it towards a shared vision by creating a more hostile environment for fraudsters.”

The various organisations involved in combating fraud have already achieved a great deal, as set out in the ‘Achievements to date’ section of this Strategy. But there is still the scope and need to achieve even more by building on their successes.

To maximise the impact of their work, these organisations need a shared framework that shows how their individual efforts can best contribute to reducing the harm caused by fraud.

The National Fraud Strategy marks the start of a new approach to the way fraud is addressed in England and Wales. With the focus on developing a robust network, linking all those who are able to counter fraud, it will galvanise action around four priorities:

- **Building and sharing knowledge about fraud**
- **Tackling the most serious and harmful fraud threats**
- **Disrupting and punishing more fraudsters while improving support to their victims**
- **Improving the nation’s long-term capability to prevent fraud.**

Within each priority area, the National Fraud Strategy outlines the high-level objectives to be achieved, highlights where progress has already been made and sets out the first phase of priority initiatives.

In key areas, the NFSA will undertake intensive strategic reviews with partner agencies taking a fresh, evidence-based look at key areas of concern. On other issues, the Authority will co-ordinate action to address the areas where change is most required.

On many occasions, the lead role on addressing a fraud threat or risk will sit with the counter-fraud community. Here the NFSA’s role will be to provide the support needed to combat the threat, and monitor progress. To encourage agreement and action between counter-fraud organisations, the NFSA will also act as the central point for brokering agreements on key fraud issues when required.

The National Fraud Strategy has a three-year time horizon and progress against the four strategic priorities will be reviewed on a half-yearly basis. Work on implementing the National Fraud Strategy has already started. But as the damage fraudsters inflict grows more serious by the day, there is an urgent need to implement the new Strategy with minimum delay, so it becomes integral to our counter-fraud efforts as quickly as possible.

Strategic priority

Building and sharing knowledge about fraud

These priorities target actions against fraudsters more effectively by collaborating across the economy to build, share and act on what is known about fraud.

There are a significant number of organisations holding, developing and using information on fraud and fraudsters. Working in close partnership with these organisations, the NFSA will seek to further develop and exploit this knowledge to increase the balance of risk for the fraudster. To achieve this, the NFSA will work across the public sector, business community, law enforcement and intelligence agencies, to establish a better co-ordinated and more inclusive counter-fraud community.

High-level objectives

Success at meeting these priorities will be measured according to how effective fraud knowledge and intelligence is shared, with measurable increases in the quality, quantity and timeliness of the fraud reports and assessments produced.

Capability is increased through:

- Stronger prioritisation of information-gathering and the avoidance of any duplication of effort
- Joint working to share intelligence techniques and knowledge management across the counter-fraud community
- Measurable increase in the number of interventions informed by timely and accurate intelligence reports
- An enhanced understanding of the nature, precursors and enablers of fraud
- Improved ability across all sectors to identify and record losses due to fraud.

Achievements to date

Higher quality intelligence

Strong criminal intelligence has already proved vital for effective action against fraudsters. For example, over the last year, an intelligence-led approach has successfully targeted fraud in the UK postal system through measures including:

- A partnership between SOCA and the Nigerian authorities to identify documents earmarked for use in fraud
- Royal Mail is working closely with CIFAS to share intelligence relating to suspected fraudulent redirection applications that have already been cancelled through Royal Mail's fraud detection processes. This co-operative approach has provided an early warning to CIFAS members, preventing a substantial amount of subsequent fraudulent activity – with over £900,000 worth of fraud savings reported across just four CIFAS members.

A more co-ordinated approach to sharing information

Sharing data within a framework that safeguards people's privacy is critical to identifying and preventing fraud. Recent successes in this area include:

- An innovative pilot scheme to help financial lenders check whether HM Revenue and Customs (HMRC) documentation used to prove identities is genuine. This has already prevented over £16 million worth of fraudulent transactions
- A national exercise, led by ACPO and involving SOCA and CIFAS, to target houses and other addresses identified from business sector data as identity crime hot spots
- The establishment by CIFAS of a Staff Fraud Database. This data-sharing scheme enables responsible employers to file identified cases of staff fraud in order to prevent the perpetrator moving unchallenged to a new employer and committing further fraud
- Legal changes in The Serious Crime Act, providing a clear legal gateway where it is needed for public sector bodies to identify fraud by sharing information with business sector partners through Specified Anti-Fraud Organisations⁶.

At a national level, the correct information must flow from the organisations that possess it to those who should have it. This demands a co-ordinated approach to filling the gaps in the fraud knowledge so that organisations do not duplicate efforts.

⁶ Specified Anti-Fraud Organisations in section 68 of the Serious Crime Act 2007:
 (a) CIFAS
 (b) Experian Limited
 (c) Insurance Fraud Investigators Group
 (d) N Hunter Limited
 (e) The Insurance Fraud Bureau
 (f) The Telecommunications United Kingdom Fraud Forum Limited.

No ticket to ride

In 2007, over 290,900 UK passports were reported stolen.

The cost to business in fraudulent passports being used as proof of identity has risen to more than £1 billion.

In its commitment to supporting UK business, the Identity and Passport Service (IPS) introduced the Passport Validation Service (PVS). Following a successful pilot, financial services organisations began using PVS on a continuous basis. PVS confirms the validity of UK passports presented as proof of identity.

For example, in one case, a customer applied for a business bank account, with a lending facility of £500,000. The applicant passed all of the credit checks. The account was set to be approved subject to ID checks. The application and identification documents were submitted to the central lending department for approval. Staff contacted PVS to have the passport verified. PVS flagged the passport as counterfeit, and the application was declined. Although no arrest was made it prevented a potential loss of £500,000.

Productive partnerships

To combat fraud effectively, appropriate information needs to flow between the business and public sectors. When communication flows both ways, important breakthroughs are possible, as these examples demonstrate:

- The intelligence shared from a SOCA operation which intercepted over 4,000 false identity documents led to one high street bank identifying 868 accounts where customers were obtaining tax credits by fraud. As a result, HMRC recovered £750,000
- Operation Amberhill, an initiative led by the Metropolitan Police Service (MPS), has shared the details of over 12,000 false identities with financial institutions to help identify and prevent identity-related frauds.

Public sector successes

In the public sector, the AC has strengthened the NFI and, as highlighted earlier in this document, achieved some significant successes. In 2009 it plans to build on these successes by revising and publishing recommendations on protecting the public sector from fraud.

The Suspicious Activity Reporting (SAR) regime also legally requires industry to alert the UK's Financial Intelligence Unit in SOCA to possible cases of money laundering and evolving types of financial crime.

Business sector successes

As the following examples demonstrate, businesses are already playing an important role in gathering intelligence and investigating fraud:

- Project Genesis, an innovative partnership between the MPS and the UK printing industry, builds intelligence about the supply of printing equipment that could be used to create false identity documents
- Data-sharing services – such as CIFAS, the Association for Payment Clearing Services' (APACS) Fraud Intelligence Sharing System and the Insurance Fraud Bureau – have become vital anti-fraud tools, helping to prevent criminals from victimising one firm after another.

First phase of initiatives

To deliver this priority, the initial focus will be on:

- **Establishing the National Fraud Reporting Centre (NFRC) and National Fraud Intelligence Bureau (NFIB)**
- **Improving the co-ordination of fraud assessments**
- **Eliminating the top data-sharing blockages obstructing progress against fraud**
- **Strengthening our ability to identify losses caused by fraud across the economy.**

Establishing the National Fraud Reporting Centre and National Fraud Intelligence Bureau

Fraudsters thrive on exploiting the difficulties in gathering and sharing information about their criminal activities. Fraud often involves many offences committed in more than one place against more than one victim. Victims are often unsure about how and where to report fraud. For law enforcement, this means reports may not be investigated because intelligence and responsibility is split across different organisations.

Backed by new Government funding, a major shake-up is now underway to reform the way victims' reports of fraud are managed through the NFRC and developed into investigations through the NFIB.

The NFRC and NFIB will be managed and operated by the City of London Police (CoLP), who became the police force with lead responsibility for fraud in England and Wales in April 2008. (To carry out this role, the force received additional three-year funding from the Government and the Corporation of London to recruit a further 48 police and civilian fraud investigators and support staff.)

Establishing the NFRC and NFIB will be among the National Fraud Strategy's most important achievements. Building on the lessons of the Joint Terrorism Analysis Centre (JTAC) and the Child Exploitation and Online Protection Centre (CEOP), the NFIB will bring together teams of intelligence analysts from different agencies to assess individual fraud reports.

The NFRC and NFIB will build a more detailed picture of fraudsters and their techniques, and develop more effective ways of bringing them to justice. The NFRC and NFIB will deliver:

- An improved service that puts victims first and gives them the opportunity to use easily accessible facilities for reporting fraud. This service will be supported by systems that link the NFRC to the UK's wider network of major fraud databases
- Stronger and more reliable crime statistics by linking different reports associated with the same crime
- Specialist intelligence skills capable of turning fraud reports into investigations and arrests
- More effective disruption techniques, with intelligence delegated to the organisations best placed to counter the crime in question.

A specialist group within ACPO's Economic Crime Portfolio has been established to develop protocols between organisations to ensure that they are equipped to take full advantage of the NFRC and NFIB's capabilities.

Co-ordinating fraud assessments

Removing duplication and closing gaps in our knowledge is vital to our success. The NFSA will work with the intelligence community to establish a co-ordinated approach to the production of fraud assessments which will involve:

- An annual assessment of the biggest gaps in our understanding of fraud to shape knowledge-building activity in the year ahead
- A senior fraud intelligence committee that will commission, manage and distribute a programme of fraud intelligence assessments
- A programme to enable all organisations developing criminal intelligence on fraud to work together more effectively.

Eliminating the top data-sharing blockages that obstruct progress against fraud

Exchange of information often plays a major part in our ability to stop fraud. In contrast, when information is not shared or provided in a timely manner, this can be a major obstacle to detecting fraud and taking action. Therefore, the NFSA, Ministry of Justice (MoJ), and SOCA will sponsor an ongoing programme to identify and challenge the critical blockages that obstruct the flow of appropriate information between organisations.

Strengthening our ability to identify losses caused by fraud across the economy

The fact that fraud often goes unreported or undetected can limit our efforts to learn more about fraud and fraudsters. This lack of knowledge of the scale of the problem also hinders our ability to secure the priority and resources needed to tackle it. Therefore, expanding our knowledge of fraud helps to build our understanding of the problem at the national level. Also, organisations that routinely audit their own losses are far better able to protect themselves from fraud in the first place.

In 2009, the NFSA will launch a collaborative programme to measure fraud loss across the economy. This will help to track the changing nature of fraud more accurately and encourage organisations to implement their own counter-fraud controls internally. This will also provide a benchmark against which progress can be measured.

Strategic priority

Tackling the most serious and harmful fraud threats

Organisations must act together to disrupt fraudsters and their support networks. To do so effectively, they require a clear and shared framework that gives them a national overview of the most serious frauds.

Without a clear and shared understanding of the specific areas where change is needed most, there is a risk of undermining the counter-fraud response through duplicated or conflicting effort.

To do this, the harm from fraud will be assessed using criteria such as:

- Volumes of crime and financial losses
- Impact on the victims
- Damage to public confidence
- Links to serious crime
- Systemic effects, such as disruption to markets.

The NFSA will manage a programme across the counter-fraud community to identify and understand the most harmful fraud threats. In key areas, the NFSA will undertake intensive strategic reviews that take a fresh, evidence-based look at key areas of concern. In other areas, the NFSA will co-ordinate action between partners to address the issues preventing progress.

High-level objectives

Success at meeting this priority will be measured according to how effectively we:

- Identify and communicate the most serious risks of fraud so that the organisations involved understand where change is needed most – and why
- Prioritise and deliver co-ordinated action that tackles the most damaging types of fraud and the factors that enable them, while expanding the scale of disruptive action
- Track the impact of these actions, challenge obstacles to progress with authority, and learn from what works.

Achievements to date

In recent years, the counter-fraud community in England and Wales has made significant progress towards tackling serious and harmful fraud threats such as organised mortgage fraud, share sale frauds and staged motor vehicle accidents.

Organised mortgage fraud

The downturn in the housing market has shed significant light on the extent to which criminals have exploited the mortgage process to defraud lenders. While the losses involved represent only a small fraction of the overall mortgage market, they form one of the most significant elements of the nation's overall exposure to serious fraud.

In 2008, the NFSA launched a programme to bring together regulators, law enforcement agencies, professional bodies and industry players in a common approach. This programme involved over 20 private and public bodies and promoted a shared view of the threats, and the actions needed to mount a more integrated defence against them. This dialogue identified four strategic priorities for achieving a more co-ordinated approach:

- Designing out fraud risks from different mortgage products and processes
- Enhancing preventative controls inside firms
- Safeguarding the integrity and cleanliness of key professional sectors
- Targeting enforcement activity to increase the risk to perpetrators.

Over the next year, the NFSA will build on the good work of the mortgage community to sustain momentum in all four areas, so the mortgage process continues to be made more robust against fraud. The NFSA will perform a follow-up review, planned for November 2009. Three key outcomes are expected:

- Intelligence sharing across the mortgage community that enables trends to be identified, counter-measures to be enhanced and fraudsters to be shut out of the financial system
- Financial institutions are better able to identify and prevent mortgage fraud attempts through greater sharing of good practice and the use of the most effective fraud prevention tools and techniques
- An increased capability to root out corrupt or criminal individuals who infiltrate the legal, accountancy or surveying professions so that they face a credible threat of detection and sanction.

Mortgage fraud in action

To raise funds for his criminal enterprises, Mr U, a known criminal, recruits a number of 'mortgage mules' (people with clean credit records, able to obtain a mortgage without difficulty). These mules then apply to different lenders for mortgages on the same address, with the funding going into Mr U's pocket.

Often the property is a new build, yet to be constructed. With mortgage applications being submitted simultaneously, it is difficult for the lenders to spot anything amiss.

Even if some of the lenders suspect fraud and decline the business, inevitably, others will process the mortgages.

Once the mortgages complete, the mules pass the funds to Mr U in exchange for their cut. The mules have committed fraud by misrepresenting to the lenders their intention to purchase the property, a criminal offence.

Information from Lenders scheme

An industry-wide initiative to root out fraudulent brokers was seen as a necessary step to protect all lenders, as well as minimising potential reputational damage that could have a negative impact on the vast majority of honest brokers.

In 2006 the Financial Services Authority (FSA) and the Council of Mortgage Lenders (CML) launched the Information from Lenders scheme (IFL). This allowed lenders to provide information to the regulator whenever they remove a mortgage intermediary firm from their panel for suspected or proven fraud. The FSA regulates mortgage intermediaries and, as such, has powers ranging from the issuing of private warnings to fining or revoking a firm's registration.

In early 2008 the FSA and CML undertook a review of the IFL process, looking at ways of improving the successful collaboration between industry and regulator. This resulted in the re-launch of the IFL scheme in July 2008. Initial results were very positive with a significant increase in reports. The FSA has also launched a similar scheme for intermediaries called the Information from Brokers scheme, where brokers can report if they have suspicions or become aware of fraudulent activity by other brokers. Brokers can also use the scheme to report concerns about a lender's Business Development Manager – such as instances where the broker may have been encouraged to favour certain products which may not be suitable, or to manipulate client details to fit criteria.

Mass marketing frauds

In recent years, high-volume frauds against individuals (such as advance fee frauds, lottery frauds and 'special' deals for non-existent goods and services) have emerged as one of the most serious aspects of international crime. The UK has played a major role in building the international coalition against these crimes.

- At a tactical level, a joint operation with Nigerian authorities to intercept mass marketing materials destined for the UK prevented nearly £8 million of crime in just one month in 2007
- At a strategic level, a multinational working party of law enforcement experts agreed a Joint Threat Assessment in 2008 that emphasised the need for stronger international co-operation.

During 2009, SOCA and the OFT will draw up a national control strategy that defines, co-ordinates and tracks action to reduce the harm inflicted by mass marketing frauds on UK citizens.

Share sale fraud

Unlike most high volume frauds, the aggressive and deceptive sale of bogus shares typically targets specific individuals. These frauds often target people repeatedly, with some criminals passing around what they call 'suckers' lists and deliberately seeking out victims who have already lost money to provide them with false 'make your money back' offers. Since 2008, action against share sale frauds (also known as 'boiler room' frauds) has been intensified through a multi-agency taskforce led by the CoLP's Operation Archway.

Serving as a focal point for building national intelligence and co-ordinating action, Operation Archway has led to multiple arrests and the recovery of assets in the USA, Canada, Belize, Nevis, Cyprus, Tanzania, Lebanon, Spain and Latvia.

The CoLP, in partnership with the FSA, SOCA and the NFSA will build on and track the success of Operation Archway to maximise its disruptive impact on share sale fraud networks.

In parallel, co-ordinated action by the FSA has shown the pivotal role played by supervisory bodies in building a more hostile environment for fraud. As well as distributing its intelligence reports to law enforcement bodies, the FSA has:

- Used its powers to shut down websites and UK firms linked to share sale fraud
- Worked with its sister agencies overseas, recovering over £1 million of UK victims' funds

- Hosted the first ever international share sale fraud conference
- Provided substantial advice on share sale frauds through various channels, including a contact centre sending 11,500 letters to consumers whose contact details were held by a Canadian share sale fraudster.

Through 2009, the NFSA will continue to co-ordinate law enforcement, regulators, the banks and the telecommunications industry to prevent this type of fraud and to help protect those who have been targeted from becoming repeat victims.

Staged motor vehicle accidents

In recent years there has been a significant growth in staging or faking traffic accidents in order to defraud motor insurance companies. This crime combines fraud and a real risk of physical injury to members of the public.

The NFSA has targeted this type of fraud by more effectively co-ordinating action between law enforcement, regulation and the private sector. The NFSA and the insurance industry have supported the MoJ to disrupt malpractice and to withdraw the operating licences of those businesses involved in this crime. Early indications are that the stricter regulation of accident management companies, introduced in 2007, is weeding out criminal enterprises. In 2009 the NFSA will continue to monitor the progress made in this area.

First phase of initiatives

The National Fraud Strategy will build on the progress already made against the most serious fraud threats to launch a new phase of counter-fraud measures. Initial focus will be on:

- **Co-ordinating the national response through a Fraud Threat Dashboard**
- **Fraud and the recession**
- **Identity crime.**

Co-ordinating the national response through a Fraud Threat Dashboard

Starting in 2009, the NFSA will develop and maintain an authoritative and consolidated picture of the nation's top fraud risks on behalf of the counter-fraud community. The Fraud Threat Dashboard will:

- List recent or planned activities by stakeholders and highlight areas of particular concern
- Give public, business and voluntary sector organisations a focal point to contribute to, and learn from, national efforts against fraud and highlight new or emerging risks
- Enable organisations with a role in tackling fraud to see how their activities can best support the delivery of national priorities while tracking progress
- Help translate assessment into action by providing a focal point for decision-making about where co-ordinated action is needed most and where resources and activities should be switched from one area to another.

Fraud and the recession

The current economic situation is already revealing significant frauds and it is likely that this will continue to rise.

It is essential to identify changes in the way fraudsters behave and operate and how these changes impact on different fraud threats. It is equally important to prepare for economic recovery, so that we are equipped to anticipate the fraudsters' next moves once the global economy eventually begins to pick up.

The NFSA is leading research that will assess the impact of different economic cycles on the levels of fraud and the behaviour of fraudsters. This will inform the prioritisation and targeting of our future activities.

Identity crime

The fraudulent exploitation of our identities inflicts considerable harm. It is a key enabler of fraud through the trade in false documents, the abuse of mail services and the theft of personal data. Identity (ID) crime underpins a range of serious criminal activities and is also used to conceal criminal identities to avoid detection and facilitates other criminal acts such as terrorism, human trafficking and the illegal drugs trade.

Significant progress has been made in combating ID crimes. The Identity Cards Act 2006 prohibited the use of all false identity documents. This has been supported by new measures to help businesses verify whether passports are genuine. Also, from October 2008, the General Register Office has provided updated death records on a weekly basis to vetted organisations to combat the theft of identity from the deceased.

More action is planned with the emphasis on law makers and law enforcers collaborating with their partners to assess the future direction of ID crimes and identify opportunities to reinforce measures to combat it.

In the first half of 2009, a strategic review will be undertaken to examine the overall national response to ID crime and related fraud. The NFSA, SOCA, IPS and ACPO will work together on pursuing this as an early priority. The strategic review will:

- Build our knowledge of the evolving nature of ID crime and related fraud
- Assess the current national response to ID crime, identifying strengths and weaknesses in our current capability
- Develop appropriate and achievable plans to close the gaps identified.

False identity documents

In just over a year, the MPS has successfully disrupted 10 separate criminal networks involved in the production of false identity documents in London while intelligence has been disseminated across the UK and abroad.

The MPS has also been engaging with the printing industry over the past year, meeting with UK and International sales managers alongside commercial directors to establish a voluntary code of conduct to raise industry standards around the sale of equipment. This is essential work that is fully supported by the NFSA, as false ID documents are a key enabler to many frauds.

Strategic priority

Disrupting and punishing more fraudsters while improving support to their victims

Fraudsters will not stop committing fraud unless they face a credible threat of detection or sanction when prevention fails. Moreover, the general public will never trust a system that fails to address this challenge.

Therefore, a strategic priority for the National Fraud Strategy is to pursue fraudsters more effectively, hold them to account, and improve the support given to their victims.

High-level objectives

Success in this area will be measured by marked progress in the following areas:

- Increasing the disruption and risk of detection and sanction that fraudsters face
- Regulatory and law enforcement agencies making best use of all tools in their armoury by collaborating more effectively
- Delivering swifter justice for victims.

Achievements to date

Solid legal foundations

In England and Wales, the Fraud Act 2006 radically streamlined previously diverse laws and created new offences that modernised the statute book.

For example, a new prohibition against making or supplying materials for use in fraud makes it illegal to buy or sell material to launch 'phishing' attacks. For most offences, the Act carries an increased maximum sentence of 10 years.

The Fraud Act is complemented by specific legislation that criminalises the exploitation of the business and financial sector. This legislation includes:

- The Companies Act, which, with the Fraud Act, makes it illegal for sole traders and companies to operate a business as a vehicle for fraud
- The Financial Services and Markets Act, which bans market abuse, such as insider trading
- The Enterprise Act, which makes it illegal to operate a cartel.

Also:

- The Business Protection from Misleading Marketing Regulations 2008 make it illegal to mislead businesses in advertising
- The Consumer Protection from Unfair Trading Regulations 2008 prohibits trading practices which are unfair to consumers.

The Serious Crime Act 2007 introduced new civil orders, Serious Crime Prevention Orders (SCPO), that enhance and tailor anti-fraud sanctions.

SCPOs were first used against a fuel fraud conspiracy, as part of a package of measures that included suspended prison sentences and confiscation orders valued at over £1 million.

These measures prevented the four defendants from dealing in oils, either as individuals or employees, for five years and required three of the defendants to submit affidavits declaring their assets.

The Proceeds of Crime Act has consolidated existing laws on confiscation and money laundering, improving the efficiency of the recovery process and making it easier to recover illegally obtained assets.

Backed by these laws, regulations and other powers, investigating and prosecuting bodies in England and Wales now have a stronger legal basis to pursue and punish fraudsters.

Solid foundations – specialist prosecutors

England and Wales already have an established network of specialist anti-fraud prosecutors, some of whom also play a major role in investigation. They include:

- The Fraud Prosecution Service (FPS), part of the Crown Prosecution Service (CPS), includes a group of specialist prosecutors with the skills to prosecute cases of complex fraud and provide specialist advice and assistance to the police. Although it only makes up a small part of the CPS, the FPS completed (to verdict) 132 cases, 118 of which resulted in convictions against at least one defendant
- The Serious Fraud Office (SFO) specialises in investigating and prosecuting the most serious and complex frauds. In the year 2007-08, it worked on 81 cases, with ongoing cases at year end representing around £4.8 billion (sum at risk)
- The FSA has statutory objectives to reduce financial crime, maintain confidence in the financial system, promote public understanding of the financial system and protect consumers. These statutory objectives are backed by a range of civil and criminal powers

- The Revenue and Customs Prosecutions Office (RCPO) prosecutes cases investigated by HMRC and SOCA. The RCPO conducts a range of specialist prosecutions, from income tax and VAT fraud, excise and duty fraud on oils, tobacco and alcohol, to money laundering and drugs. Since its formation the RCPO has recovered over £82 million in criminal assets and has a 91 percent conviction rate
- The Department for Work and Pensions Fraud Investigation Service undertakes criminal investigations for offences relating to national benefit fraud.

Other bodies, such as the Solicitors Regulation Authority, play an important role in safeguarding the integrity of different sectors and professions.

Establishing the National Lead Force

In 2008, the Government set up a National Lead Force on Fraud for England and Wales to achieve the balance between centralised expertise and successful fraud investigation across British policing. The force's remit involves acting as the centre of national excellence and providing highly specialised support on complex cases. It is backed by £8 million of new funding over three years from the Government and the Corporation of London.

The CoLP, in its Lead Force role, has 71 fraud cases currently under investigation and 36 arrests have been made to date, representing losses to victims estimated at £1 billion.

Specialist investigative and policing skills

The fight against fraud draws on specialist investigative skills that target and build the capability to handle complex cases. Among other places, these skills are found in:

- SOCA's e-Crime Unit, which provides the UK's response to serious and organised e-Crime causing harm to the UK and its citizens. It works closely with international partners to handle complex technical investigations
- An MPS-managed Police Central e-Crime Unit (PCeU) is being established to provide a centre of excellence and a co-ordinated UK law enforcement response to e-Crimes committed within the UK

- The Dedicated Cheque and Plastic Crime Unit, funded by the UK's financial payments industry, is a partnership that brings together MPS and CoLP officers with civilian investigators to tackle crime targeted at the payment system, chiefly fraud. In 2007 alone, the Unit was responsible for £107 million in estimated fraud savings and the disruption of 421 organised crime networks
- The Companies Investigation Branch of the Insolvency Service investigates aspects of company fraud and other corporate behaviour that might harm the business community or the general public
- Trading Standards, and in particular nine Business, Enterprise and Regulatory Reform (BERR)-funded Regional Trading Standards Scambuster Teams, now investigate complex consumer fraud cases that cross traditional local authority boundaries throughout the UK. Three initial pilots uncovered an estimated £16 million of fraud.

First phase of initiatives

The National Fraud Strategy will build on the progress already made towards meeting this priority by launching a new phase of anti-fraud measures that will involve:

- **Putting victims first**
- **Building police capability to deal with fraud**
- **Holding more fraudsters to account**
- **Enhanced policing service for businesses.**

Putting victims first

Supporting the victims of fraud is just as important as taking effective action against fraudsters.

Anyone can fall victim to fraud. The emotional and financial cost to individuals can be devastating; recovery can be difficult and lengthy, and support can be hard to find. Fraudsters can also inflict crippling losses on businesses, which often have a direct impact on employees' wages and job security.

Yet, previously, there has never been a national scheme dedicated to helping people who fall foul of fraudsters.

The Government and the police are determined to put this right by focusing their support efforts on individuals and small businesses⁷ that have been hit by fraudsters. To support their efforts, the NFSA will join forces with ACPO during 2009 to establish:

- The effectiveness of current support for victims
- What additional support for victims is required
- The most effective ways of delivering this support to victims.

Too often, there is a stigma of blame and guilt attached to victims of fraud, with victims being labelled 'greedy' and made to feel embarrassed or foolish. The NFSA and ACPO wish to overturn these misconceptions, and harness the potential power of information and feedback from victims to help repair the damage fraudsters do.

The objective is to develop a coherent and easily accessible source of support, tailored to the needs of fraud victims and responsive to different fraud threats.

Among other factors, success of this programme of work will be measured according to how confident the support makes victims feel about recovering from their ordeal.

Building police capability to deal with fraud

The Lead Force is boosting the UK's investigative capability. This is the first step in a longer-term programme to ensure effective fraud investigation remains a mainstream part of British policing.

This programme must go beyond increasing the availability of specialist fraud officers. It also needs to build the skills and capabilities needed to help police forces deliver the best response to fraud and react to local priorities.

Therefore, ACPO is an essential partner in the delivery of the National Fraud Strategy.

In 2009, ACPO's approach to fraud will deliver a stronger focus on capability building. A number of specialist work streams are designed to:

- Develop the guidance, support and national doctrine needed to integrate new police resources, such as the NFRC, into national policing structures
- Promote and build financial investigation and asset recovery skills so police can track more fraud and take advantage of new opportunities created by recent legal reforms. This involves developing the first fraud investigation manual for police officers
- Build the policing response in priority areas, such as identity crime, cheque and plastic card crime, intellectual property crime and international corruption
- Strengthen the relationship between police and businesses to help identify where they need to work together most closely.

⁷ BERR defines a small business as having a turnover not exceeding £5.6 million, a balance sheet not exceeding £2.8 million and not more than 50 staff.

Holding more fraudsters to account

England and Wales have strong legal foundations to hold fraudsters to account before the law. The challenge is to ensure strong legal foundations translate into effective action against fraudsters.

Powers are applied by a number of different agencies, each with their own particular specialisations, objectives and priorities. This group of prosecuting and supervisory bodies will face intensifying demands as fraudsters become more serious about committing fraud and police become more serious about pursuing fraudsters.

In the years ahead, the prosecution system will need to evolve further to meet these challenges. This process will involve:

- Giving prosecutors the flexibility to use a range of different powers to deliver the maximum level of enforcement action against fraudsters
- Equipping individual prosecution agencies with the processes and capabilities they need to deploy their powers to best effect
- Giving the agencies with a role in punishing fraud a clear vision of how best they can work together to make the counter-fraud systems as effective as possible and avoid duplicated efforts.

The Government is already progressing two measures to increase the effectiveness of fraud prosecutions.

The first is a new framework from the Attorney General's Office to encourage the parties to discuss the options for a guilty plea at a much earlier stage in proceedings. This new framework would allow suitable proceedings to be resolved more quickly, sparing victims and witnesses from further anxiety and saving public funds. A full record of the discussions would be kept, and the matter would be open to scrutiny by the court to ensure that any agreed pleas were fair and reasonable, and reflected the full gravity of the offending.

The second measure strengthens the ability of the Crown Court to tackle fraud and to help prevent it. This would include:

- Barring fraudsters from professional practice and winding up their companies
- Widening the range of fraud victims who are eligible for criminal compensation,
- Strengthening the powers of the courts to preserve and realise fraudsters' assets in order to pay compensation orders.

Such powers are already available to civil courts and regulatory bodies, and this new approach will reduce the need for costly and time consuming parallel proceedings.

Enhanced policing service for businesses

The business community has a particular interest in the policing of fraud and in recent years a number of major trade associations have pressed for stronger police involvement in tackling it.

These calls highlight the need to extend the benefits of local accountability, dedicated resources and reassurance that have transformed community policing in areas with large business communities. By their nature, these communities are particularly vulnerable to fraud.

In association with the National Police Improvement Agency (NPIA), Her Majesty's Inspectorate of Constabulary (HMIC) – and a number of business sector representatives, ACPO is now undertaking a programme of research and development to establish the right structure for providing dedicated and professional policing services for businesses. This initiative will cover a number of high priority areas, such as counter-terrorism and economic and business crime, including fraud.

Strategic priority

Improving the nation's long-term capability to prevent fraud

Improving the nation's long-term capability to prevent fraud is a highly complex challenge that will involve sustained collaboration between a broad range of partners over many years.

The focus for this priority is on establishing solid foundations in the areas where change is needed to ensure the best preparations for future improvements. These foundations will be based on the principle that the most powerful way of tackling fraud is to eliminate the opportunities that allow it to happen in the first place.

High-level objectives

Success at meeting this priority will be measured according to how effectively:

- The individuals, businesses and public organisations are able to prevent fraud
- Are able to do so, with access to appropriate advice from an authoritative source
- Take responsibility for doing so
- There is growing awareness of how preventing fraud results in more frauds being detected and prevented at an earlier stage
- Counter-fraud partnerships are helped to make the best possible contribution to the UK's counter-fraud efforts.

Achievements to date

The National Fraud Strategy is about making progress, not reinventing wheels. It draws together the formidable, yet disparate, counter-fraud capability that already exists in a coherent framework designed to make England and Wales even more hostile to fraudsters.

Supportive partnerships

England and Wales already have a strong community of organisations and networks dedicated to tackling fraud. They include:

- Regional Fraud Fora, developed by local stakeholders from industry, Government Offices law enforcement agencies and academia
- Industry partnerships with law enforcement agencies, established to address fraud issues within specific sectors of the economy
- Industry groups, including financial crime committees run by the major trade associations
- Existing networks of crime reduction partnerships some with statutory roles spanning the full spectrum of public safety issues.

Preparations are underway in Scotland to establish a national office that would bring the expertise of several agencies under one roof to tackle serious fraud cases. The body will combine the resources of the police, Crown Office, Procurator Fiscal Service, Scottish Government, as well as representatives from the business and financial sectors. Its main aim will be to develop a response to major fraud in Scotland but it will also work closely with English bodies, such as the National Fraud Strategic Authority.

Fraud prevention tools and techniques

CIFAS has a membership base of over 270 member organisations, spread across banking, credit cards, asset finance, retail credit, mail order, insurance, savings, telecoms, factoring and share dealing. Through CIFAS these organisations share fraud data to prevent further fraud occurring.

In 2008, by sharing fraud data, its members reported total prevented fraud losses during the year of over £840,000. In the 20 years since its establishment, CIFAS members have prevented fraud losses of £5.85 billion.

As CIFAS is a Specified Anti-Fraud Organisation under the Serious Crime Act, public sector bodies may also share data reciprocally through it.

First phase of initiatives

Our immediate priorities in this area are:

- **Building and enhancing effective counter-fraud networks**
- **Developing, delivering and improving public awareness and responsibility**
- **Assessing joint threats and sharing best practice**
- **Increased use of horizon scanning to enhance our capability to prevent fraud.**

Building and enhancing effective counter-fraud networks

Over the next year, the NFSA will work with the range of different counter-fraud networks to establish:

- How they can best contribute to building a wider and more active counter-fraud network
- How we can ensure that the NFSA provides them with the support that they need from the centre.

Developing, delivering and improving public awareness and responsibility

High-quality advice is available on fraud through numerous channels, but it needs to be effective and targeted, encouraging people to behave in a way that denies criminals the opportunity to commit fraud.

Therefore, our efforts to raise public awareness must:

- Build on past successes
- Target areas that need changing most
- Encourage people and organisations to take responsibility for protecting themselves.

Many organisations have already established a strong track record for reinforcing public awareness and responsibility. In particular, the FSA's Financial Capability programme has been very successful at promoting financial skills and knowledge among various groups, including school children.

Similarly, Get Safe Online, a public-private partnership, has proved to be a highly authoritative source of advice that has helped raise public awareness of computer safety.

A host of other organisations, including banks, credit reference agencies, voluntary organisations

and government agencies put out public messages and warnings about fraud prevention.

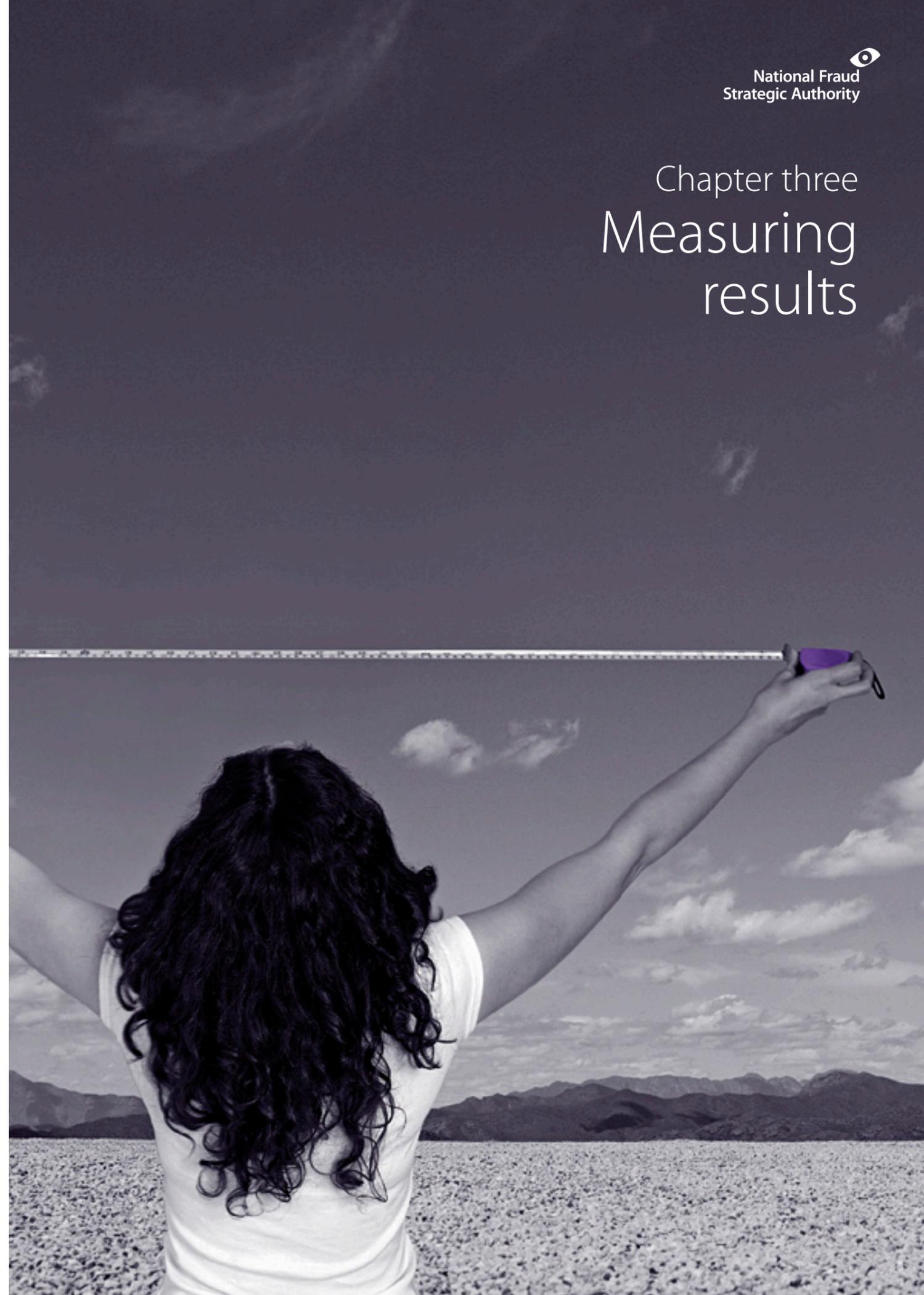
To reinforce the public's capability and willingness to prevent fraud these different initiatives must be brought together to deliver a clear, simple message on what stops fraud. We also need to learn from successful initiatives and develop better understanding what makes a successful campaign and how messages can be made relevant and targeted.

The NFSA has commissioned market research that will focus on what messages individuals receive on fraud, what would make these messages more accessible and what would make them take action.

The findings will help us to develop recommendations for improving our approach to public awareness and prevention initiatives.

The NFSA is also developing and delivering a programme of ongoing public communications, including the release of fraud prevention information through publications and leaflets and consumer awareness campaigns.

Chapter three Measuring results



Measuring results

“Monitoring progress is vital to ensuring the National Fraud Strategy succeeds in making England and Wales a more hostile environment for fraudsters. Adapting the Strategy to meet emerging changing threats is equally important.”

On behalf of the national counter-fraud community, the NFSA will report twice a year on activities and progress against the strategic priorities laid out in this document.

This process will involve:

- Reviewing the delivery of the measures set out in the National Fraud Strategy and assessing how effectively they have produced positive results
- Outlining what actions are required to sustain the Strategy’s delivery, building on what has worked and adapting to changing threats.

This document has set out the high level objectives that must be met to achieve the NFSA’s vision of a nation safe from the harm caused by fraud. It has also set out how new initiatives – including the creation of the NFSA and the NFRC – that are designed to help public and business sector bodies play their fullest part in realising this vision. This chapter details how we will measure success for each strategic priority.

Achieving our vision will require long-term change. This will involve working with the counter-fraud community to continue to develop the specific indicators and measures needed. The NFSA’s work on better measurement of fraud losses will also be a key component of measuring success.

The first step in taking this work forward is to perform an initial mapping of the economy to gain a better understanding of the current situation. It is recognised that any figure produced will be an estimate and subsequent iterations of the measurement methodologies developed will provide more precise figures.

Deliverables from this work will provide an increasingly detailed picture of the fraud landscape, including:

- An assessment of the availability of robust fraud data
- Standardised definitions of fraud specifically relating to each sector of the economy
- A report detailing the suitability of published collated estimates of fraud
- A gap analysis of areas not currently covered
- Initial ideas on mechanisms for filling these gaps.

Set out here are the examples of indicators that highlight the degree to which the priorities of this Strategy are being met.

Strategic priority

Building and sharing knowledge about fraud

High-level objectives

Measures

Enhances sharing of fraud knowledge and intelligence

Impediments removed and opportunities taken, to share data between organisations to reduce fraud

Better prioritisation of information-gathering and the avoidance of any duplication of effort

Prioritised list of top intelligence requirements across the intelligence community
Examples that demonstrate where resources have been saved due to avoiding duplication of effort

Enhanced sharing of intelligence techniques and knowledge management across the counter-fraud community

Measurable increase in the number of interventions informed by timely and accurate intelligence reports
An enhanced understanding of the nature, precursors and enablers of fraud measured through increased performance against the National Intelligence Requirement

Strategic priority

Tackling the most serious and harmful fraud threats

High-level objectives

Measures

Identify and communicate the most serious risks of fraud so that the organisations involved understand where change is needed most – and why

Best practice is increasingly shared and recycled, leading to increased levels of fraud prevention.
The counter fraud community indicates they understand how their efforts contribute to the National Fraud Strategy
Examples demonstrate the ability to identify and take rapid, co-ordinated action on emerging risks
Improved understanding of the top fraud risks across the counter fraud community

Prioritise and deliver co-ordinated action that tackles the most damaging types of fraud and the factors that enable them, while expanding the scale of disruptive action

The top threats on the Fraud Threat Dashboard have action plans in place that deliver outcomes which increase our ability to tackle the threat
The NFSA's programme of work is balanced between tackling specific threats and tackling the enablers of fraud

Track the impact of these actions, challenge obstacles to progress with authority, and learn from what works

The top barriers and gaps to tackling fraud are identified and removed
Progress across the counter-fraud community is reviewed regularly and best practice highlighted and shared

Strategic priority

Disrupting and punishing more fraudsters while improving support to their victims

High-level objectives

Measures

Increasing the disruption and risk of detection and sanction that fraudsters face

Increased frequency and breadth of successfully used powers indicates an increased disruption to fraudsters

Indicators demonstrate that prosecutors use a range of different powers to deliver the maximum level of enforcement action against fraudsters

Encouraging regulatory and law enforcement agencies to make best use of all tools in their armoury by collaborating more effectively

Increased examples of joint action to disrupt fraudsters

Reviewing prosecution powers and processes to deliver swifter justice for victims

Victims of fraud indicate they receive a fair deal in comparison to other crimes

Giving the agencies with a role in punishing fraud a clear vision of how best they can work together to make the counter-fraud systems as effective as possible and avoid duplicated efforts

Strategic priority

Improving the nation's long-term capability to prevent fraud

High-level objectives

Measures

The individuals, businesses and public organisations that are able to prevent fraud:

- are able to do so, with access to appropriate advice from an authoritative source
- take responsibility for doing so

Measurable increase in the public's awareness of fraud prevention

Research indicates key fraud prevention advice is increasingly acted on

Increase in the levels of fraud prevented

Growing awareness of how to prevent fraud results in more frauds being detected and prevented at an earlier stage

Best practice is increasingly shared and recycled, leading to increased levels of fraud prevention

Contributors to the National Fraud Strategy

“The NFSA is extremely grateful for the support, commitment and enthusiasm that our partners across the private and public sectors have provided in helping develop this Strategy and to establish the National Fraud Strategic Authority.”

We're looking forward to working with these partners and others to deliver the National Fraud Strategy and in achieving the aim of protecting the public from fraud and the threat of fraud, by making the UK a more hostile environment for fraudsters.

Our thanks go to:

ABI
Association of British Insurers

AC
Audit Commission

ACPO
Association of Chief Police Officers

APACS
Association for Payments Clearing Service

BBA
British Banking Association

BERR
The Department for Business Enterprise and Regulatory Reform

CIFAS
Fraud Prevention Service

CML
Council of Mortgage Lenders

CoLP
City of London Police

CPS
Crown Prosecution Service

DoH
Department of Health

DWP
Department for Work and Pensions

FPS
Fraud Prosecution Service

FSA
Financial Services Authority

HM
Land Registry

HMT
Her Majesty's Treasury

HMRC
Her Majesty's Revenue and Customs

HO
Home Office

ICAEW
Institute of Chartered Accountants England and Wales

IFB
The Insurance Fraud Bureau

IPS
Identity and Passport Service

Law Society

MoJ
Ministry of Justice

MPS
Metropolitan Police Service

NAO
National Audit Office

NPJA
National Policing Improvement Agency

OFT
Office of Fair Trading

Regional Fraud Fora

RCPO
Revenue and Customs Prosecutions Office

RICS
Royal Institute of Chartered Surveyors

SFO
Serious Fraud Office

SRA
Solicitors Regulatory Authority

SOCA
Serious Organised Crime Agency

TUFF
Telecommunications Fraud Forum

Victim Support

Abbreviations

AC
Audit Commission

ACPO
Association of Chief Police
Officers

APACS
Association for Payments
Clearing Service

BERR
The Department for
Business Enterprise
and Regulatory Reform

CEOP
Child Exploitation
and Online Protection Crime

CIB
Companies Investigations
Branch

CIFAS
Credit Industry Fraud
Avoidance System

CML
Council of Mortgage Lenders

CoLP
City of London Police

CPS
Crown Prosecution Service

DWP
Department for Work
and Pensions

FIU
Financial Intelligence Unit

FPS
Fraud Prosecution Service

FSA
Financial Services Authority

HMIC
Her Majesty's Inspectorate
Constabulary

HMRC
Her Majesty's Revenue
and Customs

IFL
Information from
Lenders Scheme

IPS
Identity and Passport Service

JTAC
Joint Terrorism Analysis Centre

MoJ
Ministry of Justice

MPS
Metropolitan Police Service

NFI
National Fraud Initiative

NFIB
National Fraud Intelligence
Bureau

NFRC
National Fraud Reporting
Centre

NFSA
National Fraud Strategic
Authority

NPIA
National Policing
Improvement Agency

OFT
Office of Fair Trading

PceU
Police Central E-crime Unit

PVS
Passport Validation Service

RCPO
Revenue and Customs
Prosecutions Office

SAR
Suspicious Activity Reporting

SFO
Serious Fraud Office

SOCA
Serious Organised
Crime Agency





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