



National Fraud
Authority

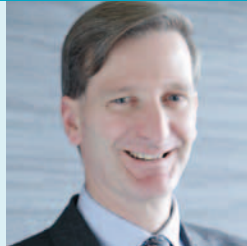


Achievements
in 2009/10



Messages

**The Rt Hon Dominic Grieve QC MP
Attorney General**



The National Fraud Authority (NFA) has been established to make the UK a more hostile environment for fraudsters addressing, with its partners, every type and scale of fraud in every sector of the economy.

It provides balanced advice to organisations and individuals on the best approach to countering fraud, wherever and however it occurs. I am particularly pleased to see the NFA balancing activities focused on increasing deterrents and punishment for fraudsters with those designed to prevent fraud occurring. Raising awareness of the steps we can all take to avoid becoming victims and providing additional support for those who are vulnerable is an important part of the NFA's work.

This year, the NFA revealed that fraud costs the UK economy over £30 billion a year. Quantifying the scale and nature of fraud was a vital first achievement and it highlighted the need for the whole counter fraud community to galvanise activity to tackle the range of fraud threats this country faces. This review highlights the results and key achievements of the NFA and all those involved in reducing the harm caused by fraud to our citizens, businesses, public services and public finances.

The review demonstrates the drive and commitment that exist across all the sectors of the economy and shows what can be achieved when we work together to tackle common threats and to learn from each other's experiences.

I thank all those in the National Fraud Authority and its partners in the public, private and voluntary sectors for their many and varied contributions to the successful outcomes achieved this year. Without you, none of this would have been possible.

Dr Bernard Herdan CB
Chief Executive
National Fraud Authority



Fraud is often a highly organised crime and it funds other types of serious crime. Fraud does not discriminate and it can have devastating effects on individuals and businesses. Combating this crime is one of our biggest challenges and the National Fraud Strategic Authority (NFSA) was established in 2008 to draw together the counter fraud community and focus their excellent efforts to greater effect.

In 2008/09 the NFSA's focus was on setting up governance and infrastructure and creating the National Fraud Strategy.

I joined the NFSA as Chief Executive on 1 April 2009 and oversaw the development of a strategic programme with clear objectives, to be delivered by a range of projects led variously by the NFSA and other agencies in the counter fraud community.

At the same time the NFSA changed its name to the National Fraud Authority (NFA), marking a transition from strategy development in 2008/09, to the leadership and co-ordination of projects with tangible, measurable outcomes that strengthen the UK's counter fraud response.

Over the past year, the projects which the NFA and the UK counter fraud community have undertaken have made significant progress. We now have a more accurate picture of fraud and wider access to data which makes it easier to prevent fraud through information sharing. Inroads have been made into some of the most harmful

types of fraud including mortgage fraud, mass marketing fraud and ID crime. And victims now have improved support. NFA has launched Action Fraud, the first national centre for fraud reporting and advice, to increase awareness of fraud prevention measures, provide support for victims and build a more complete picture of fraud. NFA led the review of public sector fraud as part of the Smarter Government initiative, which resulted in the report *A fresh approach to combating fraud in the public sector*, published on budget day. Work has also been done to progress increased global co-operation and share best practice. This is a vital element in the fight against fraud as fraudsters do not respect international borders.

These are just some of the highlights. This document describes in greater detail the activities and progress made since April 2009. It has been a busy year for the NFA and the UK counter fraud community. By working together, we have been able to achieve some significant milestones. However, we are fully aware there is much more to be done and look forward to the challenges ahead.

An integrated response to fraud

The 2006 Fraud Review recommended four major developments designed to fight fraud more effectively and create a more hostile environment for fraudsters. Funding for these developments was provided in the Comprehensive Spending Review 2007 (2008/11).

- In 2008, City of London Police was designated as the national lead force for fraud, to take on major cases, strengthen fraud investigation skills and provide support and transfer best practice to other police forces.
- Action Fraud, the national fraud reporting centre managed by the NFA, was launched in October 2009. It allows individuals and small and medium-sized business victims to report cases of fraud and obtain information, advice and support.
- The National Fraud Intelligence Bureau was also launched in October 2009 to collect, analyse and research fraud information and share the resulting intelligence with police forces and the wider counter fraud community. Operated by the City of London Police, it co-operates closely with Action Fraud.

- The National Fraud Authority (NFA) was established in October 2008 to focus the efforts and enhance the co-ordination and co-operation of the counter fraud community.

The national fraud strategy

The NFA's first task was to formulate the national fraud strategy, to focus efforts and resources where they are most likely to be effective. It published the national fraud strategy in March 2009, setting out four key strategic priorities:

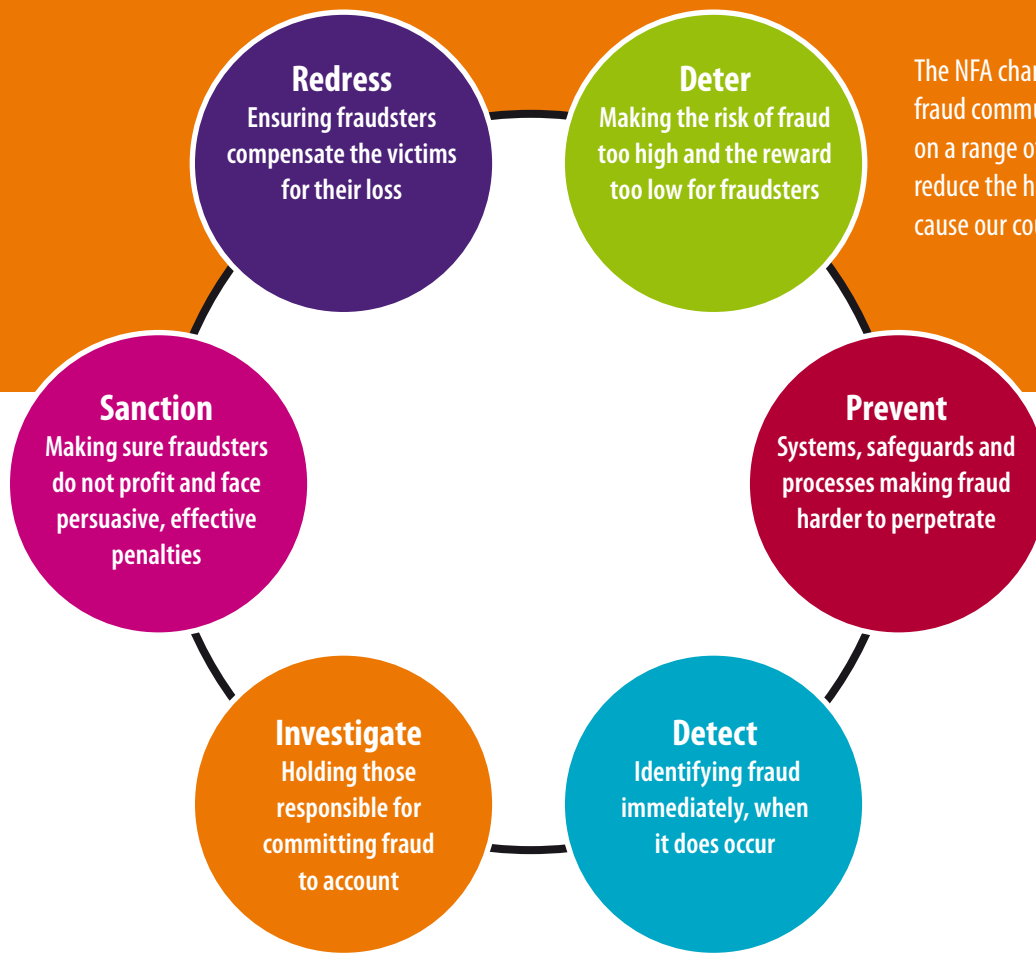
- Building and sharing knowledge about fraud.
- Tackling the most serious and harmful fraud threats.
- Disrupting and punishing more fraudsters and improving support to their victims.
- Improving the nation's long-term capability to prevent fraud.

FEEDBACK

"In a very short time the NFA has managed to redraw the landscape of how fraud in the UK is understood, shining a light into areas of society where fraud was not previously recognised or acknowledged. It has done this by building consensus among the counter fraud community but also

by challenging each of us to raise our efforts to address the opportunities and weaknesses that fraudsters exploit that cause so much harm to the economy, to the public finances and most importantly to individual victims."

Richard Cook, Director Financial Crime, British Bankers' Association



The NFA champions counter fraud community collaboration on a range of initiatives to reduce the harm fraudsters cause our country

The National Fraud Authority aims to champion the country's fight against fraud and, working collaboratively with partners in the counter fraud community, to secure a demonstrable reduction in the harm caused by fraud.

As an executive agency of the Attorney General's Office, the NFA accesses decision makers and ministers in key departments and senior personnel in the private sector to help eliminate barriers to successful fraud detection, prevention, investigation and prosecution. Its role is also to encourage greater collaboration to make it harder for fraudsters to operate.

Mission

Working through and with a large number of partners the NFA has sought to: build awareness of fraud; improve support for victims; and co-ordinate the efforts of the counter fraud community, to make substantial improvements to the country's ability to prevent, deter, disrupt, detect, prosecute and punish fraudsters and to recover assets.

This report explains the progress that the NFA and other members of the counter fraud community have made together over the past year.

Summary of highlights of the NFA and counter fraud community achievements 2009/10

Over the past year, the National Fraud Authority (NFA) has focused on increasing its knowledge and expertise in counter fraud work and demonstrating a growing capability to work with partners to solve problems and catalyse effective action.

In 2009/10 the NFA and the UK counter fraud community have:

- Provided a clearer picture of the scale of economic harm to the UK from fraud. The NFA Annual Fraud Indicator was established and, in January 2010, this improved the estimate of the true cost of fraud to over £30bn per annum.
- Created and operated multi-agency task forces on identity crime and information sharing, led by the NFA, which have started to resolve key problems and barriers to success.
- Commissioned and published joint research with the Association of Chief Police Officers (ACPO), which revealed that the support offered to fraud victims did not meet their needs. As a direct result the NFA worked with Victim Support and others to establish new arrangements to improve victims' experience radically, which are now being piloted.
- Delivered Action Fraud, the national fraud reporting centre, offering individuals and small and medium-sized businesses the opportunity to report fraud and gain advice and support to avoid re-victimisation. Action Fraud was launched in October 2009 with a regional publicity campaign and close involvement from local police forces. The service has been publicised across England and Wales in stages, with the final regions being reached in spring 2010. Calls to Action Fraud have risen to over 2,000 per month and the reports made by victims have helped identify significant frauds which are now being investigated.
- Intervened and acted as a catalyst to reduce the harm caused by major fraud threats, including mortgage fraud and mass marketing fraud.
- Established a strategic forum and operations board for the counter fraud community. This has generated performance intelligence to inform reviews of the effectiveness of current fraud enforcement arrangements.
- Made a major contribution to the Government's strategy for tackling serious organised crime *Extending Our Reach*.
- Led a cross Government task force aimed at identifying ways to reduce fraud against the public sector in response to the Smarter Government White Paper.

FEEDBACK

"The NFA provides a great focal point for the private and public sectors to work out how they can assist each other to prevent fraud."

Paul Smee, Chief Executive, UK Payments Council

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the activity of
the National
Fraud Authority
and its partners
within the
counter fraud
community
in 2009/10

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Our partners

This report reflects the successes of the whole counter fraud community. The NFA wishes to thank the many public, private and voluntary sector organisations whose efforts made such achievements possible.

Action Against Business Crime
Age UK
Allianz
American Embassy
Argent Associates
Association of British Insurers
Association of Certified Fraud Examiners
Association of Chief Police Officers
Attorney General's Office
Audit Commission
Audit Scotland
Aviva
Barclays
BBC
Birmingham Chamber of Commerce
Birmingham City Council
Bond Solon
British Bankers' Association
British Chambers of Commerce
British Retail Consortium
BSkyB
BSS
BT
Building Societies Association
Cabinet Office
Callcredit Information Group

Capita
Card Watch
CDMS Transactis
Centrica
Charity Commission
Chartered Institute of Public Finance and Accountancy
CIFAS – The UK's Fraud Prevention Service
Citizens Advice Bureau
City of London Police
Companies House
Confederation of British Industry
Consumer Direct
Control Risks Group Ltd
Council for Licensed Conveyancers
Council of Mortgage Lenders
Counter Fraud Professional Accreditation Board
Crown Prosecution Service
Cumbria Constabulary
Data Discoveries Managed Analytics
Dedicated Cheque and Plastic Crime Unit
Deloitte
Department for Business, Innovation and Skills

Department for Communities and Local Government
Department for Environment Food and Rural Affairs
Department for Transport
Department for Work and Pensions
Department of Health
Detica
Driver and Vehicle Licensing Agency
East of England Fraud Forum
Energy Retail Association
Enfield Borough Council
Environment Agency
Equifax
Ernst & Young
Eurojust
Experian
Federation Against Copyright Theft
Federation of Small Businesses
Fellows
Finance and Leasing Association
Financial Fraud Action UK
Financial Services Authority
FIN-NET
Fraud Advisory Panel
FTSE

GB Group
 Get Safe Online
 HBOS
 HM Revenue and Customs
 HM Treasury
 Home Office
 HSBC
 IBM
 Identity and Passport Service
 Identity Fraud Communications Awareness Group
 Information Commissioner's Office
 Institute of Chartered Accountants of England and Wales
 Institute of Directors
 Insurance Fraud Bureau
 Intellectual Property Office
 Interpol
 Jobcentre Plus
 KPMG
 Kroll
 Land Registry
 The Law Society of England and Wales
 Legal Services Commission
 Lloyds Banking Group
 Local Authorities Co-ordinators of Regulatory Services
 Local Authority Investigations Officers Group
 Local Authority Trading Standards Services
 Local Government Association
 London Borough of Brent
 London Fraud Forum
 London Public Sector Counter Fraud Partnership
 MacIntyre Hudson LLP
 Midlands Fraud Forum
 Ministry of Defence
 Ministry of Justice
 Metropolitan Police Service
 National Anti Fraud Network
 National Audit Office
 Nationwide Building Society
 NHS Counter Fraud and Security Management Service
 NHS Counter Fraud Unit Northern Ireland
 National Hunter
 National Policing Improvement Agency
 National Savings and Investments
 North East Fraud Forum
 North West Fraud Forum
 Office for Criminal Justice Reform
 Office for National Statistics
 Office of Fair Trading
 Office of Government Commerce
 OFSTED
 PAR Services
 Police Central e-crime Unit
 PricewaterhouseCoopers
 Reckon LLP
 Royal Bank of Scotland
 Royal Borough of Kensington and Chelsea
 Royal Institution of Chartered Surveyors
 Royal Mail
 Rushmoor Borough Council
 Santander Group
 SAS
 Security Industry Authority
 SERCO
 Serious Fraud Office
 Serious Organised Crime Agency
 Skills for Justice
 Smith and Williamson
 Solicitors Regulation Authority
 South East Fraud Forum
 South West Fraud Forum
 Student Loans Company
 Synectics Solutions
 Teceris
 Teesside University
 Telecommunications UK Fraud Forum
 Tobacco Manufacturers Association
 Trading Standards Institute
 Transport for London
 UK Border Agency
 UK Cards Association
 UK Payments Administration
 University of Portsmouth
 US Department of Justice
 Victim Support
 Visa Europe
 Voice UK
 Westminster City Trading Standards
 Zurich

Strategic priority ①: Building and sharing knowledge about fraud

HIGHLIGHTS

- Establishing a task force to remove significant barriers to information sharing
- Publication of the NFA Annual Fraud Indicator
- Launch of Action Fraud by the NFA
- Launch of the National Fraud Intelligence Bureau by City of London Police

Identifying and removing significant obstructions to effective information sharing

Information Sharing Task Force

The NFA established an Information Sharing Task Force to work together and with numerous stakeholders to identify, analyse and remove significant barriers currently obstructing information sharing across the public and private sectors. The Task Force comprises 23 public and private sector organisations and met for the first time in September 2009.

In its first six months, the Task Force identified six discrete obstacles (cultural, competitive, financial, legal, procedural and technical) and over 180 specific information sharing issues and opportunities. These have been added to an 'Opportunities Register' – a list of the challenges that need to be tackled. Over the past three months, we have identified solutions to 17 of these barriers and have prioritised others to work on in the coming year.

The Information Sharing Task Force is now positioned to advise on and help remove many of the barriers which are preventing effective cross-sector information sharing for fraud prevention.

FEEDBACK

"The NFA is helping to dismantle the misconception that fraud is a victimless crime. As a member of the Information Sharing Task Force, Aviva welcomes the opportunity to participate in identifying new and more effective ways of preventing fraud, which will ultimately help to create an environment in which fraudsters cannot operate."

John Flynn, Head of Financial Crime, Aviva

Producing a more reliable and comprehensive measure of fraud to help target counter fraud activity and benchmark success

NFA Annual Fraud Indicator

Measurement is a crucial tool in understanding the scale and nature of the fraud threat. Last year, the



NFA set up a fraud measurement unit to improve the reliability and usefulness of fraud estimates by helping others to quantify their fraud exposure better.

In January 2010, the NFA published its first Annual Fraud Indicator, estimating that fraud cost the UK economy around £30.5 billion in 2008.

The NFA estimated that public sector losses accounted for 58% (£17.6 billion) of all fraud loss in 2008. Fraud in the financial services industry was estimated at £3.8 billion, followed by the consumer goods industry (£1.3 billion) and the manufacturing industry (£1 billion).

Losses by individuals accounted for £3.5 billion, although this figure only relates to mass marketing fraud and does not include other types of fraud against individuals. The NFA also calculated that £32 million was lost to fraud in the charity and voluntary sector.

In producing the Annual Fraud Indicator, the NFA identified areas where estimates of fraud loss were unavailable. With the help of stakeholders, new estimates were produced for previously unquantified areas of fraud including mortgage fraud, local authority fraud, charity fraud and corporate fraud. By broadening the scope of the Annual

FEEDBACK

“This report firmly establishes the NFA at the centre of the anti-fraud community, playing the important role of bringing together the many agencies, organisations and practitioners in the private and public sectors to present a unified approach to fighting fraud in the UK.”

Jack Wraith, Chairman, Telecommunications UK Fraud Forum

FEEDBACK

“Sharing information about fraud and the criminals behind it, across and within business sectors has helped our members reduce their vulnerability to fraud by over £2.5 billion in just the last three years. But to reduce the cost to the public purse, the public sector and others must also play their part. We welcome the opportunity to work towards this with the Coalition Government, the NFA and the NFIB to which we are reporting frauds, turning our common commitment into a joint cause.”

Peter Hurst, Chief Executive, CIFAS – The UK's Fraud Prevention Service

“The process of analysis should stimulate us to reflect on what we can do about our vulnerabilities and what we need from ourselves and from others to tackle them better. In this climate of spending cuts, there is a risk that we may lose sight of the harm that frauds can do and the importance of both individual and collective effort in reducing them. In light of this, the NFA should be applauded for its initial efforts at improving the way fraud damage is perceived and mapped in the UK.”

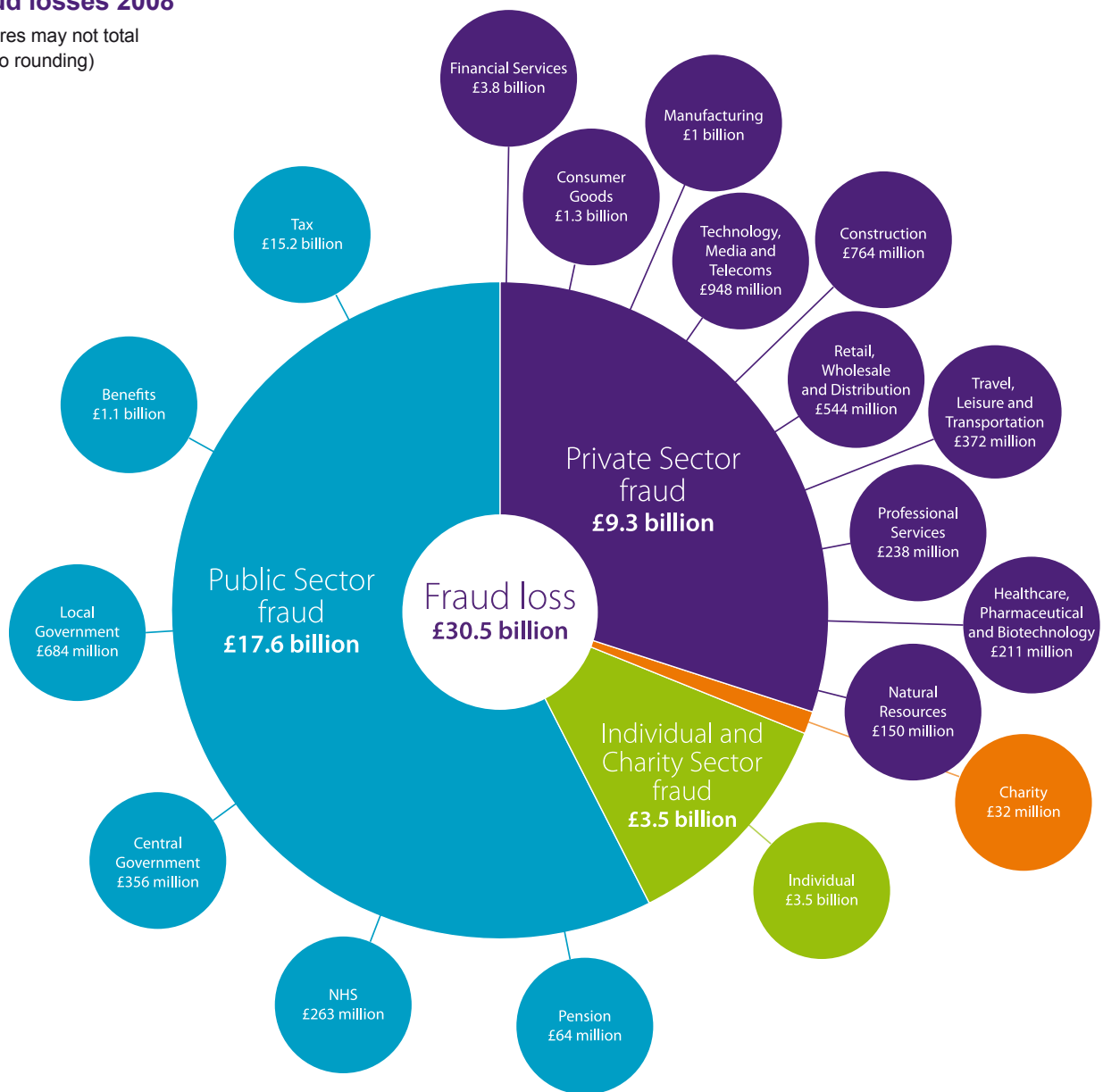
Professor Michael Levi, Cardiff University ESRC Professorial Fellow in Criminology

Fraud Indicator to include figures for areas not previously looked at, the NFA has been able to provide the UK with its most comprehensive and reliable measure of fraud to date.

While this measure of fraud is more indicative of the real cost than previous estimates, there are still areas which continue to underestimate the real financial impact. The NFA has helped others better measure their fraud losses and improve the accuracy of the Annual Fraud Indicator.

Breakdown of UK fraud losses 2008

(Figures may not total due to rounding)





Establishing Action Fraud (previously known as the National Fraud Reporting Centre)

The 2006 Fraud Review recognised that fraud is massively under-reported and recommended the implementation of the UK's first national fraud reporting centre.

The NFA took responsibility for delivering this service in August 2009.

The NFA procured and implemented an outsourced contact centre and worked in close partnership with ACPO, West Midlands Police and, later, Cumbria Constabulary to launch the call service in the West Midlands region on 26 October 2009. Since then, the service has been rolled out to four other police regions in a campaign directed by Deputy Chief Constable, Stuart Hyde, the ACPO lead officer for Action Fraud police implementation. The NFA launched a website www.actionfraud.org.uk in January 2010, followed by a web reporting tool that enables fraud victims to report the crime online as an alternative to calling the contact centre. Together, the NFA and police forces have supported each roll-out with marketing campaigns to publicise the service widely.

How the service works

Action Fraud is the first truly national centralised phone and web-based service for fraud victims to report fraud and get the support and advice they need. The service is designed for individuals and small and medium-sized businesses (SMEs). Specialist operators speak to the victims and take details of the fraud crime or the victims can report online by completing a specifically designed report

Action Fraud implementation

August 2009

NFA takes over running the National Fraud Reporting Centre.

26 October 2009

National Fraud Reporting Centre is renamed Action Fraud and launches in the West Midlands

December – March 2010

Launch of Action Fraud website. Action Fraud goes live in North West, North East, Yorkshire & Humber and South West regions, supported by regional police forces.

24 March 2010

Web reporting tool launched. 66 reports filed online in the first week.

31 March 2010

ACPO (Cabinet) approved the Doctrine and Standard Operating Procedures to allow Action Fraud implementation across all of England and Wales.



template. Action Fraud also provides up-to-date advice and support to help avoid re-victimisation and appropriate signposting for additional support. Over the past five months the Action Fraud call centre team has grown steadily to meet the increased call volumes as the service has expanded across England and Wales.

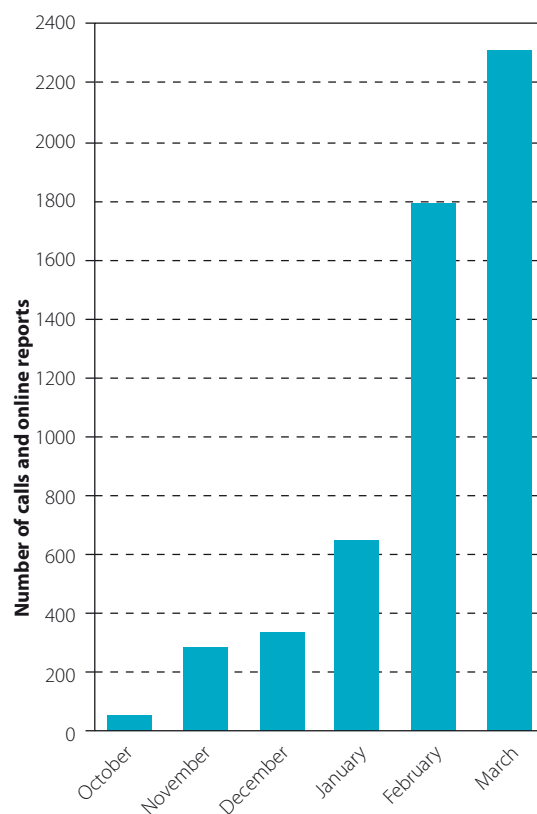
Action Fraud works hand-in-hand with the National Fraud Intelligence Bureau (NFIB), run by City of London Police. Crime reports taken by Action Fraud are passed to the NFIB where they are fed into a central database and analysed alongside fraud information from other public and private sector sources.

This end-to-end operation helps us build a more complete picture of fraud, which was one of the additional recommendations of the Fraud Review and provides higher quality analysis of fraud data. This, in turn, leads to better fraud intelligence packages being sent to police forces and other law enforcement agencies. The volume of fraud information now flowing into the NFIB helps connect fraud cases across the country and build stronger evidence for criminal investigation. Both Action Fraud and the NFIB are co-ordinated under the ownership of a single Home Office Senior Responsible Owner.

Early success

In January 2010, a large number of calls to Action Fraud helped expose a fake online clothing website, alleged to have defrauded thousands of UK consumers of almost £1m. Together, Action Fraud and the NFIB were able to identify a common perpetrator of multiple crimes reported from all over the UK. City of London Police was able to take immediate action, taking down the website and creating a powerful intelligence package for the appropriate police force to take forward. A police investigation is now underway.

Monthly trends in contacts made to Action Fraud



FEEDBACK

“Fraudsters target people in every region, regardless of where they are based, so by providing a national reporting centre we will be in a much stronger position to tackle fraud locally. Working together, Action Fraud and the police service are now able to offer a better level of service to the public and, ultimately, bring more offenders to justice.”

Stuart Hyde, Deputy Chief Constable, Cumbria Constabulary



FEEDBACK

“The NFA is a key agency providing the UK with the co-ordinated and strategic ability to tackle the increasingly sophisticated frauds which pose a threat to the stability and success of businesses and individuals in the UK. We welcome the opportunity to work with the NFA, to help promote its policies and the success of Action Fraud which now gives the public and SMEs a means to join the battle against fraud.”

Michael Shuck, Chairman, Action Against Business Crime

Call volumes

The number of calls to Action Fraud and the volume of fraud reports have steadily increased since the service was launched in October 2009. By the end of March 2010, over 6,500 calls had been received from victims and enquirers across the UK. Monthly call volumes have increased to over 2,000 a month and the Action Fraud website received over 18,750 unique visitors in its first nine weeks.

Customer satisfaction

The NFA has stringent evaluation measures in place to ensure Action Fraud meets customer satisfaction targets. As the service has rolled out there has been considerable emphasis on ensuring consistent and high quality service for those reporting fraud. Callers to Action Fraud are invited to complete an automated customer satisfaction survey and 90%* stated they are satisfied with the service they received, exceeding the 2009/10 target of 80%.

Cumbria Constabulary has seconded a Detective Superintendent to work alongside the Action Fraud

* Average for October 2009-March 2010

We answer 95%
of calls within
30 seconds*

team, supporting the complex reporting system and reviewing crime data sent to the NFIB to ensure it is of consistently high quality and meets police force standards.

Joint intelligence work

NFA has supported and collaborated in the development of the NFIB by the City of London Police and has worked with SOCA and other partners on building the national fraud intelligence picture. Recognising the counter fraud community's desire to be more proactive and predictive we formed a horizon-scanning working group that identifies potential future threats from new or evolving types of fraud.

FEEDBACK

“It is important that the NFA builds on the initial roll out of Action Fraud giving businesses a clear and central means by which to report fraud across the country and build intelligence for targeted investigations. The prevention strand of the work is crucial too as is the role of the NFA in bringing together good guidance for the public and businesses on fraud prevention.”

Mike Cherry, National Policy Chairman, Federation of Small Businesses

National Fraud Intelligence Bureau (NFIB)

The NFIB has been designed by the City of London Police, in partnership with the public and private sector, to target serial fraudsters, break up organised crime groups and make the UK more resistant to fraud.

It is drawing together millions of previously unconnected reports of fraud, with major data providers including CIFAS, UK Payments Administration, Royal Mail and the Office of Fair Trading (OFT). The National Policing Improvement Agency (NPIA) has also agreed to have police fraud data transferred from the Police National Database (PND) directly into the NFIB 'hub'.

After signing legal agreements with SOCA the NFIB went live in October 2009. At the City of London Police the NFIB team began analysing fraud reports from Action Fraud while in Gloucester they worked in partnership with SERCO and Detica to develop the NFIB's technical and analytical systems. The end result will be one of the most advanced police intelligence systems in the world, capable of quickly processing and analysing massive amounts of bulk fraud data to identify trends in criminal offending.

When fully operational a team of police officers and analysts, working from the City of London Police's Economic Crime Directorate, will be studying data from the NFIB 'hub' to produce intelligence packages containing viable leads for UK police forces. Local forces will then

National Fraud Intelligence Bureau



be able to launch a full investigation or take preventative action, depending on how they decide to use the information.

NFIB intelligence will also be used to create a better overall picture of fraud across the country for both law enforcement and public and private sector organisations. This will include:

- Identifying the overall number of confirmed fraud crimes in the UK
- Identifying geographical fraud hot spots
- Mapping areas where specific types of frauds are occurring
- Providing intelligence linked to organised crime groups operating in different parts of the country

The Association of Chief Police Officers (ACPO) Fraud Doctrine and Standard Operating Procedures for the NFIB have been produced, giving Chief Officers a full understanding of their commitment to the NFIB and the impact it will have on their crime business areas. The NFIB's 14 data providers are also signing data sharing agreements.

Strategic priority ②: Tackling the most serious and harmful fraud threats

HIGHLIGHTS

- Identification of priority fraud threats
- Smarter Government Public Sector Fraud Task Force recommendations and report, March 2010
- Raising public awareness and developing effective interventions specifically to impede mass marketing fraud
- Increase in the number of share sale fraud investigations by police forces around the country
- National database of accommodation addresses
- Establishing the ID Crime Task Force and dismantling of ID factories, making arrests in the fight against ID crime
- £130 million of fraud losses saved through the efforts of the mortgage community
- Increase in number of mortgage fraud investigations and arrests by City of London Police

Prioritising fraud threats and identifying the implications of changing economic conditions on fraud

The NFA created a tool ('dashboard') to analyse the harm and financial impact of fraud and then assess the ease with which action could be taken to mitigate fraud threats. This identified 66 fraud threats affecting the UK, ranked according to harm, impact and tractability. This analysis helped identify which fraud types to prioritise for interventions that will add maximum value to the counter fraud community.

The NFA analysed the implications of changing economic conditions on fraud and the key impact on practitioners. It concluded that, during the recession, fraud had increased and identified specific types of opportunistic fraud which exploit individuals in need. These included advance fee frauds relating to fraudulent employment offers and bogus debt recovery services. It also found that application fraud, facility take-over, phishing and money mule accounts are increasing, as well as some more traditional frauds. The NFA shared its findings to help businesses and individuals review their vulnerability against such frauds.

Mass marketing fraud

Mass marketing fraud (MMF) is one of the most insidious fraud types, conning victims into parting with money on the promise of large rewards from bogus investments or lottery winnings or by exploiting their vulnerabilities (e.g. romance frauds). The majority of MMF originates overseas and the UK counter fraud community works closely with its international counterparts on disruption initiatives.

Over the past six months, the NFA, Serious Organised Crime Agency (SOCA), City of London Police, Office of Fair Trading (OFT), Metropolitan Police Service (MPS) and the Serious Fraud Office (SFO) have established a MMF Programme Board, launched the MMF Control Strategy and made significant progress against priorities, including:

- Establishing a MMF desk in the NFIB to collate and analyse MMF intelligence, helping us better target preventative and enforcement action. The NFIB feeds into SOCA's analytical work file at Europol, which in turn collates and disseminates MMF data across Europe.
- Participating in the International MMF Working Group, co-chaired by SOCA, to exchange information and draft an International MMF threat assessment.
- Planning an international Day of Awareness on 1 June 2010.
- Raising awareness of MMF through the OFT's high profile Scams Awareness Month in February 2010, 'Scamnesty' campaign, which encouraged the public to turn in fraudulent mass

Consumers
lose £3.5bn to
mass marketing
fraudsters a year.

marketing solicitations and Just Tick It campaign which successfully warned consumers about fraudulent ticketing websites and how to spot and avoid them. The 'Think Jessica' poster campaign, launched on 1 October 2009 raised awareness of the problem of mass mail scams.

- MPS' own specific project to identify and help elderly vulnerable victims targeted by MMF.
- Identifying ways to prevent fraudsters reaching their target recipients through a pilot led by the OFT, Trading Standards and Royal Mail in which postmen identify chronic victims of mail scams and provide them with details of local support agencies.
- City of London Police making significant strides to investigate and raise awareness of share sale frauds. Operation Archway is pursuing a number of active investigations with other forces, including Greater Manchester Police, West Mercia Police and West Midlands Police. City of London Police is also investigating a boiler room fraud worth more than £20 million and involving 13 arrests.



- Seeking clarification on aspects of money laundering legislation and postal provision as it relates to money transfer agents and the postal service. Once complete, this should lead to greater information sharing and enable postal service providers to remove MMF mail from the international and domestic mailing systems before it reaches its intended victims.

The Smarter Government Public Sector Fraud Task Force

In December 2009, the Government published a White Paper on Smarter Government recognising the scale of fraud against the public sector. It announced the establishment of a Smarter Government Public Sector Fraud Task Force to make recommendations on ways to reduce this type of fraud.

In January 2010 the NFA was invited to lead the Task Force which was independently chaired by Dr James Hart, the former Commissioner of the City of London Police and involved officials from the NFA, Department for Work and Pensions (DWP), HM Revenue and Customs (HMRC), Department of Health (DoH), National Health Service (NHS), the Department for Communities and Local Government (DCLG) and the local authority sector. Representatives from the financial services and insurance sectors also sat on the Task Force's Senior Oversight Group to provide insight into best practice in the private sector.

In March 2010, the Government published the Task Force report *A fresh approach to combating fraud in the public sector*. The report makes 33 recommendations in a wide range of areas including the need for better measurement and estimation of fraud in the public sector, putting

a greater emphasis on fraud prevention, wider sharing of data and use of the NFIB. It also encourages continued work to combat identity fraud. The report identifies examples of good practice in parts of the public sector which should be implemented more widely and fraud prevention techniques which are being used in the private sector that the public sector should evaluate. It also recommends establishing cross-departmental projects to counter procurement and staff fraud.

FEEDBACK

"An essential pre-condition to tackling fraud is recognising that it is more widespread than currently published figures indicate and represents a significant loss to Government income."

Dr James M Hart CBE QPM

Tackling criminal abuse of accommodation addresses

In November 2009, the NFA and City of London Police agreed to lead a project to tackle the criminal abuse of accommodation addresses – which is a key enabler for many types of fraudulent activity. Accommodation addresses include mail forwarding addresses and serviced and virtual offices. Partners in the project include the OFT, HMRC, DWP, Westminster City Trading Standards, SOCA and the MPS.

The project aims to help the counter fraud community prevent fraud by raising awareness and understanding of the criminal abuse of accommodation addresses, improving intelligence sharing about their location and exploiting opportunities to prevent the criminal abuse of accommodation addresses.

Swift progress has been made:

- The OFT is hosting a new national intelligence database of accommodation addresses.
- City of London Police has identified accommodation addresses as a key enabler in a share sale investigation involving assets of more than £20 million.
- The DWP has identified cases of accommodation addresses being used by customers to obtain National Insurance numbers and to obtain benefit. DWP is now conducting a case-by-case review to assess if this has led to any related fraud in the benefit system.

Reviewing the national response to identity crime and associated fraud

In summer 2009, the NFA helped establish the Identity Crime Task Force to co-ordinate effectively existing efforts to combat identity crimes, increase understanding of how criminals are stealing, using, creating and distributing false identities and raise awareness of ID crime as a key enabler for a wide range of criminal activities.

The Task Force, chaired by the NFA, comprises the chairs of the three most important pre-existing working groups for ID crime: ACPO ID Working Group, SOCA Programme 17 under the UK Control Strategy for Organised Crime and the Identity Fraud Communications Awareness Group (IFCAG). It has additional members drawn from the Identity and Passport Service (IPS) and HMRC.

The NFA conducted a strategic review and the

Task Force developed a plan of action. Significant progress and successes have been reported by our partners:

- In June, the IPS launched its Safeguarding Identity strategy setting out how people will prove their identity when accessing public services.
- Improved information sharing around police operations to disrupt ID fraudsters has identified key criminals and organised crime gangs.
- MPS targeted supplies of specialist printing equipment that can be used to produce false ID documents.
- MPS made 30 arrests, dismantled 42 ID factories and mounted a prosecution of those behind a website selling false identity documents, a first in global policing.
- Successful operations were launched by the Police Central e-crime Unit against criminals using malware and by the Dedicated Cheque and Plastic Crime Unit (DCPCU) against criminals engaged in skimming and tampering with PIN entry devices.
- New SOCA guidance was produced for handling compromised bulk ID data.
- IFCAG launched a website providing advice and guidance on fraud prevention and undertook an ID crime awareness campaign aimed at businesses.
- The NFA created a victims ID theft toolkit for use by delivery partners in the West Midlands Support for Victims pilot (see page 26).



Continuing to fight mortgage fraud

Over the last 12 months, we have continued to take forward activity to combat mortgage fraud and, in March 2010, we published our second report on the progress made in improving the national response to this crime.

Working with the MPS, the NFA formed the Mortgage Fraud Forum to help identify, prioritise and overcome barriers to more effective action. The Mortgage Fraud Forum has 16 members and has helped save over £130 million in fraud loss between April 2009 – March 2010.

The Solicitors Regulation Authority (SRA) has saved £15–£20 million of lenders' money at risk with a substantial increase in regulatory activity targeting firms of solicitors where involvement in mortgage fraud is suspected. The SRA and Council for Licensed Conveyancers (CLC) are sharing information regarding suspected frauds that may affect both professions.

Industry bodies and regulators have introduced guidance and best practice documents, including the SRA's updated 'warning card', advising solicitors of signs that indicate when a client may be using them in a mortgage fraud.

Able to suspend a firm from operating within 24 hours of receiving evidence of gross misconduct, the Financial Services Authority (FSA) has significantly increased its enforcement activities against corrupt mortgage brokers and firms that have breached regulatory requirements. During the 2009/10 financial year, the FSA prohibited 38 mortgage brokers and imposed fines totalling

FEEDBACK

"The Law Society is delighted to support the crucial work of the NFA in leading the fight against all forms of fraud and in encouraging everyone in the industry to work together and to each accept responsibility for their part."

Paul Marsh, Immediate Past President, The Law Society of England and Wales

£653,000 on mortgage brokers. The majority of this action was triggered by doubts over the honesty and integrity of those individuals, often stemming from the FSA's work related to mortgage fraud.

The NFIB has established a dedicated desk to collate intelligence on corrupt professionals through which the SRA and Land Registry have committed to share intelligence.

The NFA and the MPS have helped Land Registry develop intelligence sharing systems. Land Registry has prevented registration fraud relating to properties with a total estimated value of £20 million through significant investment in improving its anti-fraud systems.

The Law Society of England and Wales has undertaken a significant amount of work over the last year to alert its members to the risks posed to them and the public by mortgage fraudsters. The day-to-day vigilance of individual solicitors has prevented a significant amount of mortgage fraud over this period.

The SRA is feeding information into FIN-NET, a fraud intelligence sharing network, on an intelligence basis. This gives FIN-NET members access to information about believed corrupt solicitors in time to take preventative action.

Participation in the FSA's 'Information from Lenders' scheme has increased over the past year. As a result, there has been an increase in the number of reports of suspected and actual fraud involving brokers received by the FSA.

CML and HMRC conducted a pilot exercise to assist lenders with checking income details provided by mortgage applicants where fraud was suspected. CML estimated that the pilot identified and prevented mortgage frauds with a total value of more than £111 million. Following the pilot, the March 2010 budget announced the introduction of a formal mortgage scheme to combat suspected fraud.

FEEDBACK

"The millions of pounds already saved by members of the Mortgage Fraud Forum is evidence that multi-agency working and information sharing helps us to take prompt action and discourage fraudsters from becoming involved."

Steve Wilmott, Director of Enforcement, Solicitors Regulation Authority

The NFA estimates that the annual value of mortgage fraud is £1 billion.

Provided lenders have exhausted all other available validation tools, HMRC will check information from mortgage applications against income details provided in tax and/or employment returns. This will also allow HMRC to gather valuable information about people who may be committing tax fraud by wrongly declaring their income.

The FSA produced an internal guide on mortgage fraud for its supervisors, including examples of best practice policies and carried out thematic work on mortgage fraud and associated issues. The FSA also published a discussion document, outlining proposals to change the way it regulates the mortgage market which, if put into practice, will serve to reduce mortgage fraud.

City of London Police is currently working on 15 investigations into organised mortgage fraud worth millions of pounds, up from four in 2008, with a number of arrests in several cases.

Strategic priority ③: Disrupting and punishing more fraudsters and improving support to their victims

HIGHLIGHTS

- Increased number of cases investigated by City of London Police, the national lead force on fraud, with over £2bn losses under investigation
- The new Counter Fraud Strategy Forum was established to strengthen senior oversight of fraud and provide an evidence base to create the case for reform, building on work led by the Serious Fraud Office (SFO) to map the fraud enforcement landscape and produce a new taxonomy of fraud
- Ground breaking research into fraud victims' experience and needs and a pilot of enhanced support for individuals calling Action Fraud
- Advice and guidance for small businesses to combat e-crime
- NFA has continued to maintain the profile of fraud in the Government's strategy to combat serious organised crime, contributing to the 2009 review of organised crime which resulted in the *Extending our Reach* report and playing an active role in the oversight of the strategy

Strengthening the investigation and punishment of fraud

National lead force

In April 2008, the City of London Police became the lead police force in the fight against fraud and economic crime across the UK. City of London Police already had the largest single fraud unit in the UK and recruited an extra 50 staff, including police staff investigators, to work alongside police officers investigating fraud. The force now has five dedicated fraud investigation teams and has expanded departments focused on money laundering, intelligence and confiscation. It also provides a fraud centre of excellence for

investigation and training and, in 2009, established the National Fraud Intelligence Bureau (NFIB, see page 16).

The national lead force provides a three-tier service to other police forces pursuing fraud investigations. In its role, City of London Police will either:

- Launch or takeover a major investigation.
- Assist an existing enquiry by deploying resources and expertise.
- Respond to requests for advice, guidance and training.

In the past year, City of London Police's multi-agency partnership work has involved at least 16 different agencies and more than 20 partner police forces. City of London Police is currently investigating cases with an estimated total loss of approximately £2 billion.

Between April 2009 and March 2010, the volume of national lead force cases has steadily increased. The range and variety of cases reflect the diverse methods that fraudsters use to commit frauds. Lead force investigations tackle the crimes that impact in the most significant way on individuals, business, the financial sectors and 'UK PLC'. Most investigations focus on mass market fraud, insider fraud, organised mortgage fraud or money laundering.

City of London Police has developed a standard case assessment methodology to ensure appropriate deployment of lead force resource. This is available on the force website www.cityoflondon.police.uk. A matrix 'scores' all new cases based on six criteria: funds at risk; the social/community harm; the risk of harm to any organisation; the degree of organised crime group involvement; the link to the Control Strategy; and opportunities for asset recovery. This provides an open and transparent method of ensuring that core fraud cases are investigated and allocated appropriately.

The Counter Fraud Strategy Forum

A new Counter Fraud Strategy Forum was established to strengthen senior oversight of fraud enforcement activity. This builds on the work led by the SFO during the year to map the fraud enforcement landscape and establish a new

fraud taxonomy. This group considers reports on national performance and leads strategic policy making, to plug any gaps in the response. Much of the Forum's work focuses on understanding what counter fraud activity is working well, what could be improved and on ensuring stronger collaborative efforts to deploy counter fraud resources with maximum effectiveness. It met for the first time in January 2010.

To support the Forum's work, the NFA provides the Secretariat and produces quarterly management information reports on national counter fraud performance. The management information reports provide an evidence base to identify areas where the counter fraud community needs to take further action. The Forum commissioned studies on the balance between fraud prevention and enforcement activity, lessons that may be learned from the private sector's approach to restraining and seizing assets via civil measures and asset recovery. The Attorney General is provided with regular updates of the Forum's work.

FEEDBACK

69% of stakeholders see the evolving role of the NFA as significantly adding value to the UK's fight against fraud.
NFA audit, April 2010

Serious Organised Crime

The NFA contributed to the Government's 2009 review of organised crime, which led to the publication of the report *Extending Our Reach*. This report recommended the establishment of the Home Office Strategic Centre for Organised Crime. A member of the NFA has been seconded



to work in this strategic centre. The NFA also led the delivery of recommendations in *Extending Our Reach* relating to strengthening the investigation and prosecution of fraud, including more effective private/public sector collaboration.

The NFA continues to develop its close working relationship with SOCA and is involved in the development of relevant elements of the UK Threat Assessment and the UK Control Strategy. NFA Chief Executive, Bernard Herdan, chairs Programme Board 16 of the Organised Crime Control Strategy, which oversees the response to non fiscal fraud. He also represents the counter fraud community on the Senior Officials Group which oversees the implementation of *Extending Our Reach*.

The NFA worked closely with the Home Office to ensure that the new structures put in place to oversee the strategy to counter serious organised crime dovetailed with the Counter Fraud Strategy Forum.

Fraud training and standards

Extending Our Reach recommended measures to improve the private and public sector operational response to fraud. Key activities in this area are to 'create and implement an accreditation framework for fraud investigation qualifications' and to 'develop common standards for fraud investigation to enable more efficient and effective transfer of cases between the private and public sectors.'

The NFA conducted extensive face-to-face research with key public and private sector representatives who use, deliver and accredit fraud training courses. It is clear from that research that there is an appetite amongst the counter fraud community for work to help organisations to:

- Ensure their counter fraud staff are trained to the appropriate level to do their jobs and can work effectively with colleagues in other organisations.
- Help counter fraud staff who wish to develop their skills further, e.g. through academic study, to get credit for training they may have received already.

In the coming year the NFA will continue to work with stakeholders to help deliver these objectives.

Private sector funding of law enforcement initiatives

Recognising the limited resources available for investigating fraud, the NFA conducted a review of existing models of private sector funding for law enforcement and identified two particularly successful models of activity:

- The 'donor' or 'sponsor' approach which involves using private sector funding to set up a new unit, as already exemplified by the DCPCU among others. The research collated the lessons learned from DCPCU and other units. These will be applied in two feasibility studies to assess the viability of setting up similar units covering other industry sectors.
- The experience of companies which have funded police investigations in specific cases. The companies have offered to share their insights to allow the NFA to work with them and ACPO to develop good practice guidance including draft model agreements which may be used between companies and police forces in the future.

Support for Victims

Ground-breaking research

In December 2009 the NFA published, with ACPO Economic Crime Portfolio (ECP), an extensive piece of research into the needs and experiences of fraud victims. 790 fraud victims were interviewed about their experiences by researchers from the University of Portsmouth.

The research concluded:

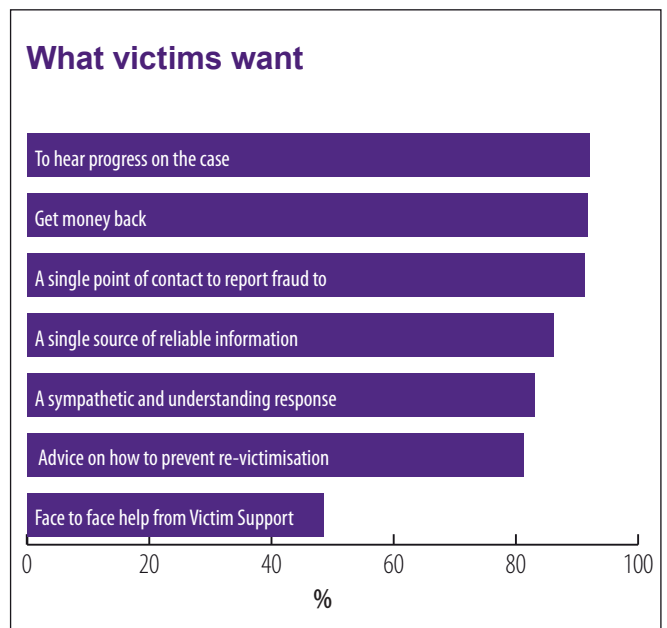
- Most fraud goes unreported as victims do not know where to report it.
- The advice given to victims is inconsistent and unco-ordinated.
- Fraud victims' basic rights to support are not met consistently by the organisations that they deal with.
- Local support services are not always equipped to meet the specific needs of fraud victims.

These findings led the NFA to create an action plan for radically improving support to individuals and small and medium-sized business (SME) victims of fraud.

A pilot for individual victims of fraud

In January 2010 the NFA and partners launched a pilot of enhanced arrangements in the West Midlands. The pilot was created in collaboration with ACPO (ECP), Victim Support, West Midlands Police, Citizens Advice, Age UK, Voice UK, local authority Trading Standards, City of London Police, SOCA and Action Fraud. In the West Midlands, victims calling Action

What victims want



Source: NFA/ACPO ECP research, Dec 2009

Fraud are now offered direct access to emotional support provided by Victim Support, who in turn give consistent advice on practical and financial support services available locally. This might include receiving debt counselling, credit repair services and help with money management or housing matters. It is also designed to make specialist support available where required, such as assisting an elderly victim or a victim with learning difficulties.

FEEDBACK

"Fraud is a particularly nasty crime. It tricks and exploits the victim and leaves many with a sense of shame on top of their loss. The NFA's research will help everyone better understand how victims are affected, which is key for developing more effective support services."

Gillian Guy, Chief Executive, Victim Support



The NFA trained local support providers to identify and respond to the particular needs of victims of fraud and supplied them with tools including a supporter's guide, an identity theft toolkit and a mass marketing repeat victims toolkit produced by the OFT. The NFA also created comprehensive online information for victims of fraud, available at www.actionfraud.org.uk

Helping victims in small and medium size enterprises (SMEs)

Recognising the devastating effect that fraud can have on SMEs, the NFA also developed a pilot programme to enhance the support provided to these victims. Working with Birmingham Chamber of Commerce, the Federation of Small Businesses, the Fraud Advisory Panel and Midlands Fraud Forum, the NFA created and produced preventative materials on e-crime that were disseminated to SMEs by their membership bodies in the pilot area.

FEEDBACK

"Victims are at the heart of everything the police service does and fraud should be no different. I am determined to ensure that the victims of fraud receive the same quality of service as all other types of serious crime. The Policing Pledge sets out a clear standard for how we wish our collective knowledge and resource to raise the national standards. This is an excellent example of how the police service can work in partnership with government and industry to better protect and support the victims of fraud."

Commissioner Mike Bowron, City of London Police

Strategic priority ④: Improving the nation's long term capability to prevent fraud

HIGHLIGHTS

- Promoting Action Fraud as the national fraud reporting centre
- Raising awareness of fraud to individuals and businesses through media, reports and events
- Fraud Summits to consult with the counter fraud community in the regions
- Establishing an International Think Tank to share best practice globally

The NFA is committed to helping individuals and businesses avoid becoming victims of fraud by creating information campaigns aimed at raising public awareness.

Action Fraud

Since the telephone contact centre went live in October 2009 (see page 13), Action Fraud has featured in all NFA media activity aimed at raising public awareness of fraud.

Action Fraud's regional roll-out was supported with advertising, PR and digital marketing campaigns which encouraged people to talk about fraud, call the contact centre to report it and visit the website for prevention information. The NFA involved local police forces and business groups in the publicity campaigns, helping increase awareness levels in the regions.

Surveys were conducted in the West Midlands in October 2009 and March 2010, to measure fraud reporting awareness levels among members of the public.



Call 0300 123 2040
www.actionfraud.org.uk

Over the five month period (October 2009 – March 2010), public awareness of specific telephone numbers or websites for reporting fraud had risen to 39%. Of those, 72% had heard of Action Fraud.



Raising awareness of fraud

With little existing information about the behaviours and attitudes of individuals and businesses to fraud or the measures they adopt to protect themselves, the NFA undertook research into the perceptions and motivations of the public and SMEs. This work has informed media campaigns designed to make potential victims more aware of fraud and fraud risks. Campaigns included 'the 12 scams of Christmas', giving advice to the public on how to stay safe from fraud during the holiday season and a victims campaign based around the ACPO ECP/NFA report *A better deal for fraud victims*, which raised awareness of the plight of victims and the launch of Action Fraud in response.

The NFA joined Fellowes, MPS, City of London Police and other partners to support the National ID Fraud Prevention Week, promoting fraud prevention advice to the public.

With the FSA and City of London Police, the NFA produced a public information leaflet *Keep Clear of Fraud*. Over 25,000 copies of the leaflet were distributed through MPs constituency surgeries, pharmacies, doctors' surgeries and Citizens Advice Bureaux.

The NFA has kept business abreast of key developments and, in March 2010, published the *Working Together to Stop Mortgage Fraud* report highlighting public sector and industry achievements in combating mortgage fraud. The NFA targeted lending and financial industry media to ensure the message of zero tolerance towards fraudulent professionals found its mark.

NFA senior executives spoke at over 50 conferences and partner events over the course of the year, communicating the National Fraud Strategy and sharing priority action plans with the counter fraud community.

There has been widespread national media coverage for other key reports, including the Annual Fraud Indicator (January 2010), ensuring the issue of fraud and its consequences stays visible to the public and businesses.

Consultation

In addition to public awareness campaign work, the NFA regularly consults public, private and voluntary sector members of the counter fraud community on the strategic direction and delivery of key projects.

The NFA held seven regional fraud summits in July and December 2009, to share priority projects, gain feedback on existing work and brainstorm new approaches. Over 500 delegates, representing a wide range of public, private and voluntary sector organisations, attended the events across England and Wales. They discussed the challenges they face, helped confirm and validate what the NFA is doing at national level and contributed new ideas and suggestions.

To consult stakeholders beyond the UK, the NFA's International Think Tank was created and held its inaugural meeting in November 2009. The Think Tank brought together 20 senior influencers and decision makers representing international business organisations, law enforcers and Governments to discuss the challenges of tackling cross-border fraud. The goal is to give fraudsters nowhere to hide and the group agreed to explore a number of activities aimed at establishing and sharing best practice at an international level.

“The whole day was very informative and thought provoking and provided me with a lot of ideas on how we can improve.”

FEEDBACK

92% of attendees rated the extent to which they were consulted and were able to contribute to discussions at the NFA's regional fraud summits as 'good' or 'excellent'.



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