



**National Fraud
Authority**

Annual Fraud Indicator

March 2012



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Foreword

Stephen Harrison, National Fraud Authority Chief Executive



This year's Annual Fraud Indicator has put the loss to the UK economy from fraud at £73 billion. This level of loss impacts every part of society, including the most vulnerable. It represents money that individuals, businesses and Government can ill afford to lose ending up in fraudsters' pockets.

This new estimate is significantly higher than previous attempts to quantify the scale of the problem, due to the improvement in the quality and quantity of data available to produce an estimate of fraud loss. It does not, however, represent an increase in the level of fraud. Rather the estimate is a step change in the scope of the Annual Fraud Indicator (AFI) in comparison to previous publications. Driven by the vision to draw a more comprehensive picture of the scale of loss, the National Fraud Authority (NFA) has revised its research to include previously undetected fraud losses across the economy. The result is a significantly higher estimate of annual loss.

This should not come as a surprise, and gaps still remain which may lead to higher estimates in future as more information comes to light.

The new report is a considerable advance over existing attempts to quantify the extent of fraud, and represents the best approach currently available.

Over the past year the NFA has brought the fight against fraud even closer to the heart of the Government agenda to tackle economic crime, placing it within the wider programmes against organised crime and internet enabled crime.

I was delighted that my first act as CEO of the NFA was to launch '*Fighting Fraud Together*' (FFT)¹, the cross-sector strategy to reduce fraud. The Annual Fraud Indicator (AFI) is a key deliverable of that strategy.

The AFI raises awareness of the scale of fraud, illustrates to organisations their likely exposure and provides a spur to develop effective solutions by 'tapping in' to the good practice developed in other sectors.

In line with FFT, a key strength of the AFI is that it draws on a wide range of different data sources, providing a more inclusive quantification of the overall extent of fraud in the UK. As with previous Annual Fraud Indicators, measuring the impact of fraud on its victims cannot be done without the assistance of our counter fraud partners across the public, private and not-for-profit sectors.

I would like to thank them for their ongoing support and dedication, which enables us to continue to produce the most reliable and comprehensive UK fraud loss estimate to date.

Stephen Harrison

¹ Fighting Fraud Together available at www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-tog/fighting-fraud-together?view=Binary

Introduction

Fraud harms all areas of the UK economy. It impacts on organisations in the public sector, the private sector, the not-for-profit sector, as well as individual members of the public.

The National Fraud Authority (NFA) is an executive agency of the Home Office which works with partners to make fraud more difficult to commit in and against the UK.

The AFI 2012 is a compendium of fraud loss indicators drawn together to illustrate the scale, prevalence and cost of fraud. In line with FFT, the AFI covers fraud against all types of victims in the UK.

The AFI 2012 brings together existing estimates of fraud in the public domain and new estimates produced by the NFA and others. Each iteration of the AFI represents an improvement in the quality and quantity of data available to produce an estimate of fraud loss, which replaces previous attempts to quantify the scale of the problem. There are large gaps in knowledge about fraud, and methods to accurately measure fraud across the spectrum are in their infancy. This is because fraud is a hidden crime. Fraud reported to the authorities is a small proportion of the fraud detected, which in turn is a fraction of fraud that remains out of sight.

The NFA strives to reveal this hidden fraud by working with stakeholders across all sectors, conducting comparative analyses of secondary sources and primary research in the form of surveys. The NFA seeks to estimate the full extent of fraud losses to a sector by extrapolating the trends identified in these surveys.

Due to the spectrum of figures available for inclusion in the study, not all the information contained within the AFI 2012 pertains to 2011. Estimates reflect the latest year for which figures are available, which ranges from 2006 to 2011.

In view of these factors, the Annual Fraud Indicator is not a set of crime statistics, but rather a best estimate of the real size of the problem. Its purpose is to raise awareness and reveal the bigger hidden picture of loss to victims.

The NFA encourages organisations to review their own fraud risks, measure their fraud exposure and share the knowledge gained. A number of organisations in the public, private and not-for-profit sectors have well developed responses to managing their fraud risks. The AFI helps sectors which have yet to obtain this level of response to raise awareness of the scale of their likely exposure and to develop effective solutions by 'tapping in' to the good practice developed in other sectors.

The report is designed to be a reference document for readers to draw upon the available knowledge that best suits their information needs. Each section starts with a working definition of the fraud victim, enabler or type, and then provides information on the scale and context of the fraud; the methodology the NFA has used to determine its prevalence; and an estimate of the cost to the UK where possible.

The composite estimate of the total cost of fraud to the UK is built upon the NFA assessment of fraud by victim group. Due to overlaps and gaps when considering fraud by enabler, or fraud by type the other figures in this document cannot be summed to produce the same total.

Methodology

The methodology of some estimates is more mature than others. Over recent years there have been a number of step changes in the research methodology applied to produce estimates in areas not previously quantified which have resulted in large revisions to the estimate of the scale of fraud loss to the UK (see diagram below). Each iteration of the total estimate of loss is therefore an improvement which replaces the previous figure, and cannot be used to trend or draw conclusions on the growth of fraud.

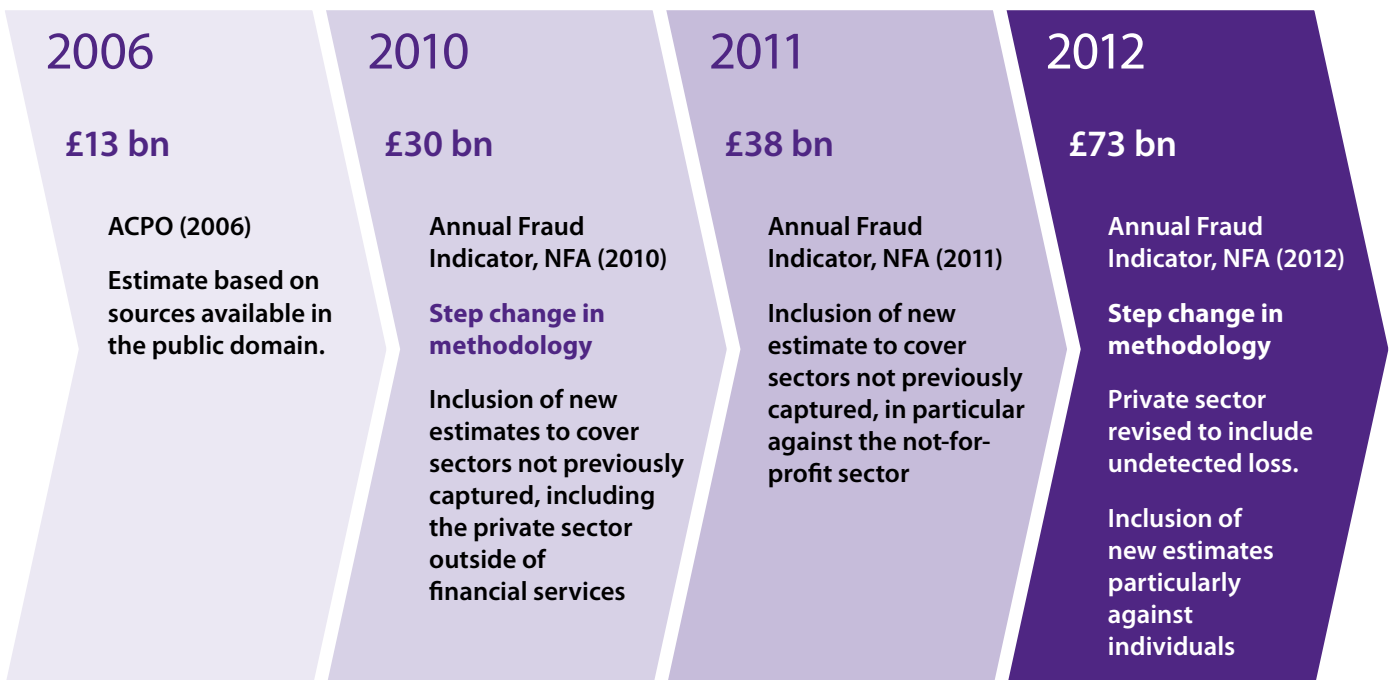
A widely accepted estimate of fraud loss was published by the Association of Chief Police Officers in 2006. Based on existing data drawn from private and public sector bodies and from survey research on individuals and corporations, a minimum figure for the direct costs of fraud was almost £13 billion.

At that time, good quality data was available only intermittently and not for many areas of fraud. In 2008 the Government created the National Fraud Authority, which set up the fraud measurement and analysis unit to improve the way fraud loss is mapped in the UK.

The first NFA Annual Fraud Indicator (AFI) in 2010 represented a step change in research methodology to include areas of the economy not previously covered. Notably, top down estimates of detected fraud losses against industry groups in the private sector were included. This revision placed likely fraud losses at £30 billion per annum.

The second AFI publication in 2011 sought to improve coverage with new estimates of loss, most notably in fraud against the not-for-profit sector, and estimated fraud losses at £38 billion per annum.

Fig 1: Improving the Estimate of fraud loss against the UK



The current iteration of the report, AFI 2012, represents a further step change to improve the comprehensiveness of the estimate and quantify undetected loss.

Specifically, direct engagement through a survey of UK businesses was undertaken to improve the comprehensiveness in the estimate of loss against the private sector. Changing research methodology in this way is the primary driver behind the increase in the estimate of fraud loss against the UK to £73 billion per annum.

There are, however, some limitations to the approach of using surveys to estimate areas of unknown fraud loss, such as the potential bias of organisations self selecting to participate; the level of response rates; issues of representativeness within the samples; and findings which are based on opinion rather than fact.

The NFA has worked to mitigate these limitations where possible.

In accordance with standard practice this report has been subject to extensive quality assurance before publication, including external review by independent academic experts.

To help the reader better understand the relative confidence that the NFA has in the figures described, each estimate is assigned the status black, red, amber or green (BRAG).

BRAG	Level of confidence
Black	Poor
Red	Average
Amber	Good
Green	Excellent

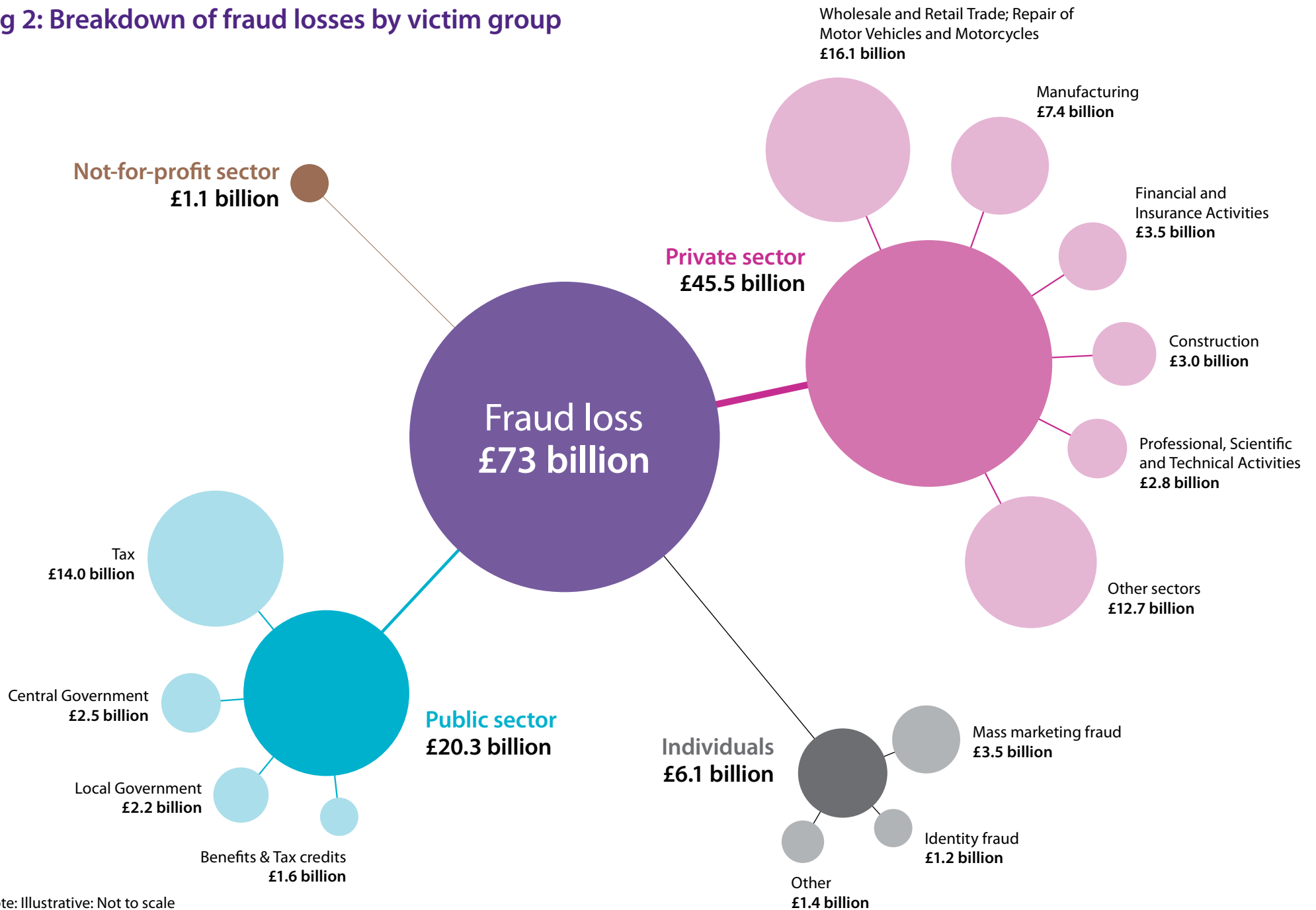
The level of confidence in each estimate is based upon the professional judgement of the NFA based upon a range of factors including:

- the volume and quality of data underpinning an estimate;
- the method by which data was collated;
- the coverage of an estimate;
- the level of response to surveys;
- the representativeness of a survey sample;
- whether the findings are based on opinion or data.

Annex 1 provides a summary table of the composite total estimate, including how the NFA’s level of confidence has developed with regards to each estimate between AFI 2011 and AFI 2012.

Please note some figures described in the document appear not to add up due to rounding.

Fig 2: Breakdown of fraud losses by victim group



Note: Illustrative: Not to scale

Summary

Mapping the scale and nature of fraud against the UK is a complex web, with many more gaps than threads in the data available. Over the past three years the National Fraud Authority (NFA) has worked in partnership with a wide variety of stakeholders across the economy to build a better understanding of the prevalence of fraud and the cost to the UK.

The AFI seeks to provide a more complete picture of the fraud problem. During 2011 the NFA sought to fill gaps in its knowledge by conducting primary research as to the scale and nature of:

- **fraud against the private sector;**
- **fraud against the charity sector;**
- **insider-enabled fraud;**
- **identity fraud;**
- **payroll fraud;**
- **procurement fraud;**
- **mass marketing fraud;**
- and the nature of the **organised crime** threat.

Other areas of fraud loss where estimates have already been developed have been updated where possible. The key findings of the NFA's new research are as follows:

Key findings

Fraud by victim

- The scale of fraud losses against all victims in the UK is in the region of **£73 billion per annum**.
- This estimate is significantly greater than the previous figure, £38.4 billion, because it includes new and improved estimates in a number of areas which reveal previously unknown losses, in particular against the private sector.
- The new estimate does not reflect an increase in fraud, but rather improved measurement by the NFA and the counter fraud community. In view of this, the current estimate is not comparable with previous reports and replaces previous attempts to quantify the extent of fraud.

Private Sector

- During 2011 the NFA sought to identify the prevalence of fraud against UK based businesses. A bespoke online survey was disseminated to the members of stakeholder partners including the Confederation of British Industry (CBI) Trade Association Consortium, the Federation of Small Businesses (FSB), the Forum of Private Business (FPB), the Telecommunications United Kingdom Fraud Forum (TUFF), the Institute for Chartered Accountants in England and Wales (ICAEW) and the private sector clients of the consultancies KPMG and BDO.
- Participants estimated that, on average, fraud losses as a percentage of turnover could be in the region of 1.4 per cent.
- Across the UK this is approximately equivalent to **£45.5 billion** per annum.
- Of this, £26.7 billion is estimated to have been suffered by large businesses and £18.9 billion by small to medium enterprises.

- The new estimate of fraud against the private sector does not represent an increase in fraud, but a change in research methodology.

Public Sector

- Fraud against the public sector has been revised down to **£20.3 billion** per annum, influenced to a large extent by a reduction in fraud against the tax system.
- In addition to work on payroll and procurement fraud against the public sector outlined below, during 2011 further research was conducted to improve the estimate of fraud loss against local government due to the abuse of council tax discounts and exemptions, which now stands at £131 million per annum.

Not-for-Profit Sector

- Fraud against the not-for-profit sector in England, Scotland and Wales is estimated to cost registered charities 1.7 per cent of their income, equivalent to **£1.1 billion**. Over 3,900 registered charities responded to the second consecutive survey of the not-for-profit sector, which was widened to include charities registered in Scotland.
- Just under four per cent of charities who responded indicated that they had detected fraud in the last financial year (2010/11), with the most common types cited as payment fraud; fraud committed by employees / volunteers; and cyber enabled fraud.

Individuals

- Fraud against UK individuals is estimated to cost **£6.1 billion** per annum, based upon estimates on the scale of mass marketing fraud, identity fraud, online ticket fraud, private rental property fraud and electricity scams.
- To better understand fraud awareness and victimisation of individuals, in December 2011 the NFA commissioned a nationally representative piece of research with 1,775 people which showed that 10 per cent of participants were aware that they had been a victim of fraud within the past two years.
- In January 2012 the NFA surveyed a nationally representative sample of more than 4,000 UK adults online to better understand how mass marketing fraud is currently being committed. The study found that 1 million (2 per cent) UK adults sent money in reply to unsolicited communications in the last 12 months – and just under half (almost 500,000 people) are believed to have been defrauded as a result.

Fraud by enabler

Insider-enabled fraud

- During 2011 NFA research into fraud against the private and not-for-profit sectors included an analysis of fraud enabled by insiders.
- Of those who said their charity had been a victim of fraud in the past year, 27 per cent said they had suffered at least one insider-enabled fraud (and a further 8.7 per cent did not know).
- Of those who said their private sector organisation had been a victim of fraud in the past year, 22.6 per cent said they had suffered at least one insider-enabled fraud (and a further 34.4 per cent did not know).

Identity fraud

- In January 2012 the NFA surveyed a nationally representative sample of more than 4,000 UK adults online. The results revealed that 9.4 per cent had been an identity fraud victim in the previous 12 months.
- Under half (44.7 per cent) of victims defrauded in the past year were able to recover their losses; however most (55.3 per cent) did not. On average these victims lost £481 each.
- Across the UK adult population this is equivalent to **£1.2 billion** lost each year.

Organised Crime

- Organised crime groups (OCGs) pose a significant threat to the UK. Fraud is a significant element of this threat either as the primary activity of an OCG, or as an enabler/ funding stream for other serious crimes.
- The NFA's refreshed estimate of fraud perpetrated by organised criminals now stands at **£9.9 billion**.
- The proportion of fraud losses attributable to OCG activity in various fraud types ranges from 10 per cent to 100 per cent.

Fraud by Type

Procurement fraud

- The Chartered Institute for Purchasing and Supply (CIPS) disseminated an online survey on procurement fraud to its professional members on the NFA's behalf, in which almost one in ten respondents (9.3 per cent) confirmed that their organisation had suffered at least one procurement fraud in the last year;
- More than two-fifths of respondents (40.8 per cent) stated that 'procurement fraud poses a significant risk to my organisation'.
- A similar amount (40.7 per cent) said that spend on construction is at greatest risk from procurement fraud.

Payroll fraud

- In partnership with the Chartered Institute of Payroll Professionals, the NFA conducted an online survey of its membership. It found 11 per cent of payroll departments responded that they had been a victim of fraud during the last financial year 2010/11, with the most common type of fraud experienced being false expense reimbursement.

Fraud by victim

The NFA estimates that fraud against the UK costs in the region of £73 billion per annum. This estimate is a composite figure built upon the best available information from a wide range of estimates, segmented by victim group.

This estimate is significantly greater than the previous figure, £38.4 billion, because it includes new and improved estimates in a number of areas which reveal previously unknown losses, in particular against the private sector.

The new estimate does not reflect an overall increase in fraud loss, but rather improved measurement of fraud by the NFA and the counter fraud community. As described, the estimate provides a snapshot of the best information available and should not be compared with earlier estimates of loss.

Public sector

£20.3 billion

Victim	Total Estimated Fraud Loss
Tax system	£14 billion
Central government	£2.5 billion
Local government	£2.2 billion
Benefits and Tax credits system	£1.6 billion

The public purse is an attractive target for fraudsters, who look to abuse the tax, benefits and grants systems for personal gain. Furthermore, like all organisations the public sector is subject to fraud risks against day to day business functions such as payroll and the procurement of goods and services.

The NFA estimate of fraud against the public sector is a composite of indicators. It draws on published estimates of fraud against the tax and benefits systems and the National Health Service; supplemented with illustrative top down estimates of other areas of spend including fraud against grants, procurement, payroll; and fraud against local authorities.

The current estimate of fraud against the public sector is £20.3 billion per annum. This refreshes the estimate published in AFI 2011. The component figures within the total estimate have been revised to varying degrees. The greatest influence in the downwards revision of fraud loss is the reduction in fraud against the tax system from £15 billion to £14 billion.

Tax system*£14 billion*

Confidence in estimate	Fraud Type	Fraud Loss
	Tax fraud	£14 billion
	Vehicle excise fraud	£40 million

HM Revenue and Customs (HMRC) publish annual statistics which provide an estimate of the scale of the tax gap.² 'Measuring Tax Gaps 2011' estimates that the proportion of the tax gap which is driven by fraudulent behaviours amounted to £14 billion in 2009-10.³

The Driver and Vehicle Licensing Agency (DVLA) produce statistics on vehicle excise duty evasion. It estimates that vehicle excise duty evasion could cost around £40 million in lost revenue in 2011-12.⁴

Further detail on how fraud against the **tax system** and **vehicle excise** duty is measured by HMRC and DVLA can be found in the section 'Fraud by Type'.

Central government (excluding tax and benefits)*£2.5 billion*

Confidence in estimate	Fraud Type	Fraud Loss
	Procurement fraud	£1.4 billion
	Grant fraud	£488 million
	Television licence fee evasion	£202 million
	Payroll fraud	£181 million
	NHS patient charges fraud	£158 million
	Student finance fraud	£31 million
	Pension fraud	£11 million
	National Savings and Investments fraud	£0.46 million

Fraud against central government constitutes any frauds against central government spend outside the tax and benefits systems. Our current estimate of loss is £2.5 billion.

This figure includes:

- published estimates of National Health Service (NHS) **patient charges evasion** (£158 million) and **television licence fee evasion** (£202 million);

² The tax gap is the difference between the amount that is due and the amount that is collected.

³ HMRC Measuring Tax Gaps 2011 available at www.hmrc.gov.uk/stats/mtg-2011.pdf

⁴ Department for Transport (2011), Vehicle Excise Duty Evasion 2011 available at www.dft.gov.uk/statistics/releases/vehicle-excise-duty-evasion-estimates-2011

- estimates of fraud based on data provided by **National Savings and Investments** (£0.46 million), the Student Loans Company (**student finance fraud**, £31 million) and the Audit Commission (**pension fraud**, £11 million);
- supplemented with 'top down' estimates of fraud produced by the NFA against **grants** (£488 million), **procurement** (£1.4 billion), and **payroll** (£181 million) spend.

During 2011 improvements to the NFA's understanding of the nature of **procurement** and **payroll** fraud have been achieved through collaboration with the Chartered Institute for Purchasing and Supply and the Chartered Institute for Payroll Professionals.

Since April 2011 central government departments have been required to complete Quarterly Data Summaries (QDS). QDS⁵ are published on a quarterly basis by HM Treasury and include, within the Common Areas of Spend, information on Fraud, Error and Debt. Furthermore in 2011 the Cabinet Office established a Fraud, Error and Debt team which works with departments to improve the understanding of fraud against central government with a view to reducing the risk of fraud in the future.

Local government

£2.2 billion

Confidence in estimate	Fraud Type	Fraud Loss
	Housing tenancy fraud	£900 million
	Procurement fraud	£890 million
	Payroll fraud	£153 million
	Council tax fraud	£131 million
	Blue Badge Scheme misuse	£46 million
	Grant fraud	£41 million
	Pension fraud	£5.9 million

Fraud against local government is committed against all types of local authority spend including on payroll, goods and services; as well as against the local taxes and benefits or services administered at a local level.

The current estimate of fraud against local government is £2.2 billion.

In parallel to fraud against central government this figure comprises;

- estimates of loss due to **grants** (£41 million), **procurement** (£890 million), **payroll** (£153 million), and **pension fraud** (£5.9 million);
- supplemented by estimates of loss due to **housing tenancy fraud** (£900 million), **council tax discounts and exemptions** (£131 million), and **blue badge scheme abuse** (£46 million).

During 2011 research was conducted by the NFA to improve the estimate of fraud loss against local government due to the abuse of **council tax discounts and exemptions**.

⁵ HM Treasury Business Plan Quarterly Data Summary available at <http://data.gov.uk/dataset/hmt-business-plan-quarterly-data-summary-qds>

Benefits and Tax Credits systems*£1.6 billion*

Confidence in estimate	Fraud Type	Fraud Loss
	Benefit fraud	£1.2 billion
	Tax Credits fraud	£380 million

In February 2012 the DWP published final estimates of benefit fraud and error for 2010-11⁶, estimating annual fraud and error losses to be £3.2 billion. Of this, £1.2 billion was lost as a result of fraud in the **benefit system**, representing 0.8 per cent of £153.4 billion worth of benefit expenditure.

HMRC undertake an Error & Fraud Analytical Programme which helps to provide an understanding of the overall level of error within the **Tax Credit** system. Based on the findings of this programme HMRC's central estimate of the level of tax credits fraud favouring the claimant in 2009-10 is £380 million.⁷

⁶ Department of Work and Pensions, February 2012, Fraud and Error in the Benefit System: 2010/11 Estimates available at http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr10_mar11.pdf

⁷ HMRC Child and Working Tax Credits Error and Fraud Statistics 2009-10 available at www.hmrc.gov.uk/stats/personal-tax-credits/cwtcredits-error0910.pdf

Private sector

£45.5 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Includes Undetected	New	UK

Fraud against the private sector is any type of fraud where the victim suffering financial loss is a private enterprise. It is not an estimate of 'corporate fraud', a term which is often used to refer to fraud perpetrated by business.

Fraud against the private sector includes unlawful activity in areas such as **payroll** and **expenses fraud**, **recruitment fraud**, **procurement fraud**, **insider-enabled fraud**, advanced-fee fraud, as well as long firm and short firm frauds, amongst others.

According to data released by the Enterprise Directorate at the Department for Business, Innovation and Skills, turnover of the UK private sector amounted to £3.2 trillion in 2010. This figure does not include the Financial and Insurance Activities sector, for which data is not published.⁸

Large businesses (employing over 250 people) account for approximately half of private sector turnover (51 per cent), with small to medium enterprises (SMEs) and sole traders generating the remainder.

In previous Annual Fraud Indicators the NFA estimate of fraud against the private sector was based on a survey of global businesses conducted by the Economist Intelligence Unit (EIU), published by KROLL in its Global Fraud Reports. Key findings on the prevalence of fraud, and an average loss per annum in US\$ were used as a basis to calculate losses to UK businesses. Following this methodology the previous AFI estimate of fraud loss against the private sector was in the region of £12 billion per annum.

New Methodology

Subsequently, both the EIU and NFA have independently reviewed how to estimate fraud losses against business, and now present fraud losses as an average percentage of revenue / turnover.

The Annual Global Fraud Report 2011/2012⁹, commissioned by KROLL and carried out by the EIU, polled 1,265 senior executives from a broad range of industries and functions in June and July 2011.

The findings of the report present fraud losses as an average percentage of revenue, which range from 0.9 per cent in businesses in Canada to 3.1 per cent in Africa. In Europe the average percentage of revenue lost to fraud is estimated to be 2 per cent.

During 2011 the NFA sought to identify the prevalence of fraud specifically against UK based businesses. A bespoke online survey was distributed to the members of stakeholder partners including the Confederation of British Industry (CBI) Trade Association Consortium, the Federation of Small Businesses (FSB), the Forum of Private Business (FPB), the Telecommunications United Kingdom Fraud Forum (TUFF), the Institute for Chartered Accountants in England and Wales (ICAEW) and the private sector clients of consultancies KPMG and BDO.

⁸ BIS Business Population Estimates For The UK And Regions 2010, available at www.bis.gov.uk/analysis/statistics/business-population-estimates

⁹ KROLL/EIU Annual Global Fraud Report 2012 available at www.krollconsulting.com/fraud-report/2011-12/press-only

In view of the size of the target population of businesses in the UK, the sample of organisations invited to take part was developed by snowballing the dissemination of the survey. This placed a reliance on referrals from initial contacts within the private sector to generate additional responses within their reach. The technique was cost effective, but reduced the likelihood that the sample was representative. Self selection to take part also introduced an element of bias.

The majority of survey participants were top management (Chief Executives/Board Directors/Owners). In total, 202 respondents completed the questionnaire.

Top line findings from the NFA's research are as follows:

- 79.2 per cent of respondents said they 'agree' or 'strongly agree' that their organisation is at risk from fraud;
- 46 per cent of respondents (93) identified their organisation as a being victim of fraud in the past year;
- the most common types of fraud experienced were payment fraud (71 per cent), followed by fraud committed by employees / volunteers (49.5 per cent) and cyber enabled fraud (41.9 per cent).

All respondents to the survey (whether they had been a victim of fraud or not), were asked to provide an estimate of how much fraud there could be against their organisation, expressed as a percentage of the organisation's annual turnover.

Almost half of respondents chose the option 'prefer not to say'.

Respondents willing to provide an estimate were asked to evaluate how confident they were in their answer ranging from 'very sure' to 'very unsure'.

Respondents providing an estimate (91 respondents¹⁰) reported that on average fraud losses against their organisation could be 3 per cent of turnover. However, amongst those who were 'sure' or 'very sure' (37 respondents), this estimate reduced to 1.4 per cent of turnover.

To approximate the scale of fraud loss that could be suffered by the UK private sector, the conservative estimate of 1.4 per cent has been applied to the turnover of the UK private sector by industry.¹¹

For the purpose of this estimate sole traders across all industries were not included because they could also be considered to be individuals, and face different risks from insider, payroll and expenses fraud amongst others. Excluding sole traders brings the turnover of the UK private sector to £3 trillion in 2010. This figure does not include the Financial and Insurance Activities sector, for which data is not published.¹²

Excluding the Financial and Insurance Activities sector this methodology suggests that fraud losses to the private sector could be in the region £42 billion per annum.

¹⁰ 99 people provided an estimate. However, it is necessary to trim the top 5 per cent (8 estimates), which are significant outliers that have a disproportionate impact on the average rate of loss.

¹¹ Enterprise Directorate Analytical Unit, Department for Business Innovation and Skills.
www.bis.gov.uk/policies/enterprise-and-business-support

¹² BIS Business Population Estimates For The UK And Regions 2010, available at
www.bis.gov.uk/analysis/statistics/business-population-estimates

Financial and Insurance Industries

Confidence in estimate	Fraud Type	Fraud Loss
	Insurance fraud	£2.1 billion
	Mortgage fraud	£1 billion
	Plastic card fraud	£341 million
	Online banking fraud	£35 million
	Cheque fraud	£34 million
	Telephone banking fraud	£16.7 million

Estimates of fraud against the Financial and Insurance Activities sector are available for **retail banking fraud** (Financial Fraud Action UK), **insurance fraud** (Association of British Insurers / Insurance Fraud Bureau) and **mortgage fraud**.¹³

These losses are estimated to contribute £3.5 billion, bringing total losses against the private sector to **£45.5 billion** per annum.

Of this, **£26.7 billion** is estimated to have been suffered by large businesses and **£18.9 billion** by small to medium enterprises.

The following table illustrates 1.4 per cent of UK private sector turnover broken down by industry group, in order to raise awareness of the potential impact of fraud on specific segments of the economy.

¹³ Further details on Financial and Insurance estimates can be found in the relevant section in Fraud by type.

Fraud against the private sector

Confidence in estimate	Victim	Total Fraud Loss	Large Businesses	Small to Medium Enterprises
	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	£16.1 billion	£8.7 billion	£7.4 billion
	Manufacturing	£7.4 billion	£5.0 billion	£2.3 billion
Various components	Financial and Insurance Activities	£3.5 billion	£3.5 billion	
	Construction	£3.0 billion	£1.0 billion	£2.0 billion
	Professional, Scientific and Technical Activities	£2.8 billion	£1.1 billion	£1.7 billion
	Mining and Quarrying; Electricity, Gas and Air Conditioning Supply; Water Supply; Sewerage, Waste Management and Remediation Activities	£2.7 billion	£2.2 billion	£459 million
	Information and Communication	£2.4 billion	£1.5 billion	£841 million
	Transportation and Storage	£2.0 billion	£1.2 billion	£783 million
	Administrative and Support Service Activities	£1.5 billion	£571 million	£924 million
	Arts, Entertainment and Recreation	£1.1 billion	£852 million	£207 million
	Accommodation and Food Service Activities	£1.0 billion	£444 million	£571 million
	Human Health and Social Work Activities	£709 million	£146 million	£563 million
	Real Estate Activities	£501 million	£151 million	£350 million
	Agriculture, Forestry and Fishing	£386 million	£39 million	£346 million
	Other Service Activities	£339 million	£56 million	£283 million
	Education	£163 million	£43 million	£120 million

The Wholesale and Retail Trade industry commands the highest level of turnover in the UK economy. The British Retail Consortium (BRC)¹⁴ published the results of its Retail Crime Survey 2011 in January 2012. The survey reported that fraud increased significantly in the past year, with 78 per cent of retailers recording a rise. Fraud accounted for 12.3 per cent of retail crime by the number of incidents and 28.2 per cent of retail crime by cost, a notable increase on the previous year.

Many retailers identified fraud arising from their growing online and multichannel operations as the most significant emerging issue they faced. Overall, retailers estimated that just over half of fraud (50.5 per cent) could be attributed to organised groups, while a further 42.7 per cent was the result of opportunists.

¹⁴ BRC Retail Crime Survey 2011 available at www.brc.org.uk/brc_policy_content.asp?iCat=48&iSubCat=646&sPolicy=Retail+Crime

Retailers reported just over 50 per cent of offences to the police, indicating that the true scale and cost of fraud offences is likely to be higher.

An estimate of fraud specifically against the **telecommunications** industry (£967 million) is also provided later in this document by the Telecommunications United Kingdom Fraud Forum (TUFF). For the purposes of the overall estimate this is captured within the estimate of fraud against the Information and Communication sector (£2.4 billion).

Not-for-Profit sector

£1.1 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Includes Undetected	↔	E, S & W

The third sector covers non-government, not-for-profit organisations including ‘voluntary and community groups, social enterprises, charities, co-operatives and mutuals’.¹⁵ As of December 2011, there were 161,601 registered charities with a total income of £53.2 billion throughout England and Wales. There were 23,402 registered charities in Scotland within a combined annual income of £19 billion.

For the purposes of quantifying fraud losses against the not-for-profit sector, the NFA replicated last year’s successful survey of organisations registered with the Charity Commission for England and Wales in accordance with the Charities Act 2006. Improvements to the findings of the original survey have been achieved by tripling the size of the research sample from 10,000 to 34,100 across England, Wales and Scotland.

This year 30,000 randomly selected registered charities in England and Wales were supplemented with 2,300 charities registered with the Office of the Scottish Charity Regulator (OSCR); the total sample representing 17.5 per cent of the charity population in England, Scotland and Wales. In time it is anticipated that coverage will be extended to include charities from the Charity Commission for Northern Ireland once their charity registration scheme has been established.

Representation was further bolstered through distribution of the survey to 1,800 members of the Charity Finance Group (CFG), whose membership accounts for half of the sector’s income.

Of the 34,100 organisations in the sample, 3,204 completed the online survey (9 per cent response rate).

Demographically:

- 66 per cent of charities responding had less than 50 volunteers and employees;
- 34 per cent of respondents had an annual income between £1,000 to £10,000; and
- 34 per cent had been in existence for more than 20 years.

¹⁵ Cabinet Office

Fig 3: Not-for-Profit Sector

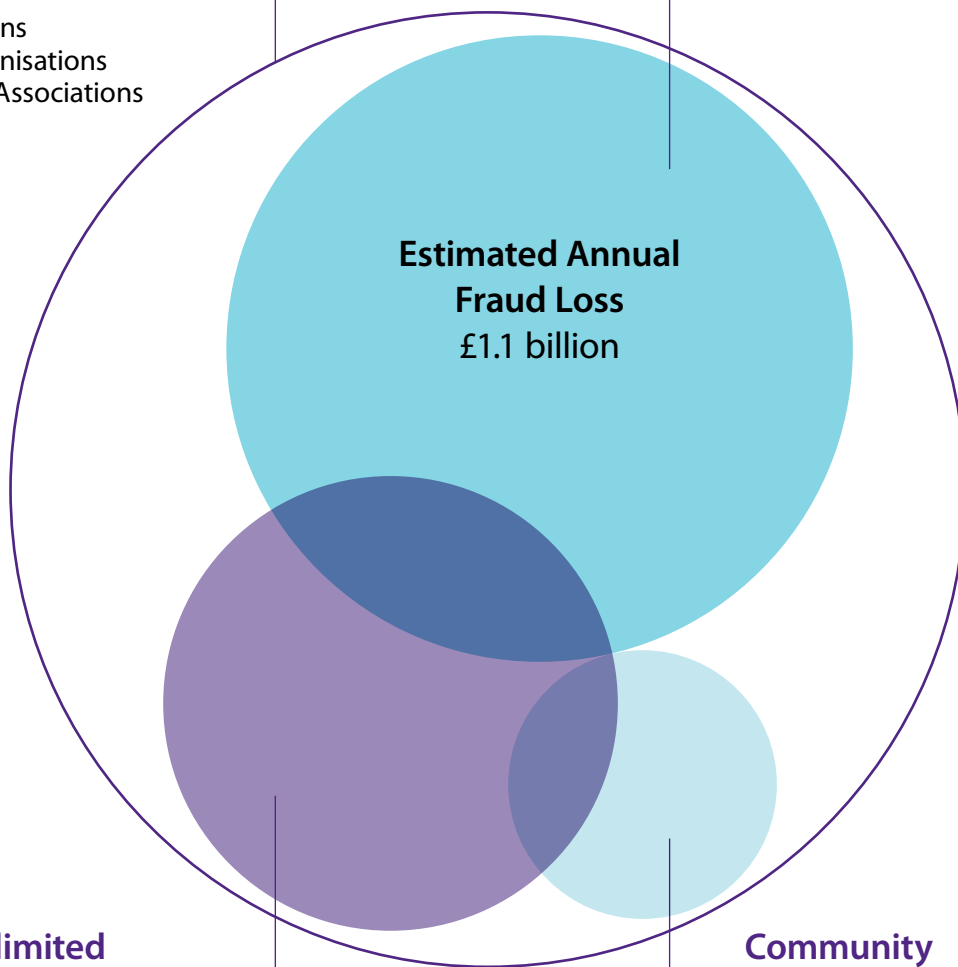
“an organisation that does not distribute its surplus funds to owners or shareholders, but instead uses them to help pursue its goals”

Not-for-profit universe

Includes:
Registered Charities
Companies limited by guarantee
Community Interest Companies
Trade Unions
Trade associations
Public Arts organisations
Parent Teacher Associations
etc.

Registered charities

Organisations registered with the Charity Commission for England and Wales, or the Scottish Office of the Scottish Charity Regulator.



**Estimated Annual
Fraud Loss
£1.1 billion**

Companies limited by guarantee

Company does not have shares or shareholders, but it has the benefits of corporate status.

Community Interest Company

Forms of company limited by guarantee or company limited by shares but with special conditions intended specifically to ensure that the profits and assets of the company are used for public good, even when run for (limited) profit.

“Sham charities”. Why it is not included

Victim: Individual

Where an organisation promotes itself as charitable, but is not registered as a charity, and has no intention of using donations for charitable purposes.

Note: Illustrative: Not to scale

The 2012 fraud survey focussed on charities' perception of fraud and victimisation. The vast majority of those surveyed believed their organisation was effective at preventing fraud. Typical measures taken to prevent fraud included vetting of new staff, use of secure payment systems (such as Verified by Visa or MasterCard SecureCode), updated security patches/fixes/firewalls on IT systems and adoption of a 'zero tolerance' policy towards all cases of staff fraud.

Just under 4 per cent of respondents reported that they had detected fraud in the last financial year (2010/11), with the most common types cited as payment fraud, fraud committed by employees/volunteers and cyber enabled fraud. A quarter of those frauds were found to have incurred nil financial loss and a further quarter had lost less than £500.¹⁶

In order to calculate an estimate of charity fraud, respondents were asked to provide an estimate as to the percentage of their charity's income that is lost to fraud (taking into account undetected fraud loss). Over 2,500 charities responded to this question. Respondents were also asked to confirm how confident they were in their answer, ranging from 'very sure' to 'very unsure'.

The total annual income for charities registered by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator, excluding cross border charities registered with both charities regulators, is £64.6 billion. Using the data collected from charities registered in Scotland, England and Wales, and based on the average percentage of lost income reported only by those who considered themselves to be 'sure' or 'very sure' of their estimate, it is estimated that charities lose **1.7 per cent** of their annual income to fraud. This equates to lost income of **£1.1 billion** during 2010/11.

Individuals

£6.1 billion

Confidence in estimate	Fraud Type	Fraud Loss
	Mass marketing fraud	£3.5 billion
	Identity fraud	£1.2 billion
	Online ticket fraud	£864 million
	Rental fraud	£488 million
	Electricity scams	£2.7 million

As well as the fraud risks faced by organisations, fraud is suffered everyday by individuals in the UK. Often the impact is devastating, both financially and emotionally.

¹⁶ This is the gross value of loss including any losses that were subsequently recovered from the fraudster.

The NFA's estimate of fraud against UK individuals is **£6.1 billion** per annum, based upon estimates on the scale of:

- **mass marketing fraud** (£3.5 billion),
- **identity fraud** (£1.2 billion),
- **online ticket fraud** (£864 million),
- **private rental property fraud** (£488 million);
- and **electricity scams** (£2.7 million).

The estimate of loss against individuals has been revised upwards due to the inclusion of new and improved fraud types. Most notably, a new estimate of losses suffered specifically by UK adults as a result of **identity fraud** has been included for the first time.

However, the list of frauds against individuals covered in the AFI is not exhaustive. It is based on fraud types where information is available. Further details on how the estimates of fraud against individuals are calculated can be found in 'Fraud by Type'.

To better understand fraud awareness and victimisation of individuals, the NFA commissioned a nationally representative piece of research conducted via face-to-face interviews with 1,775 people aged 16+ in the UK during December 2011.

The research showed that 10 per cent of participants were aware that they had been a victim of fraud within the past two years.

Interviewees were then presented with a list of scenarios and asked to comment if they had experienced any of the situations described within the last two years. The results showed that in fact 19 per cent had been a victim of fraud within the last two years. This discrepancy could demonstrate a lack of fraud awareness, or reluctance to identify oneself as a victim.

Of those that had experienced fraud, 46 per cent had personal details stolen and bank accounts used to buy things.

In order to help identify what makes people vulnerable to fraud the NFA published segmentation research "Helping to determine how, why and when citizens become victims of fraud"¹⁷ in 2011. This segmentation will enable the counter fraud community to reach out to the most vulnerable groups in society to raise awareness of fraud and improve their ability to self protect against becoming victims in future.

¹⁷ NFA, A quantitative segmentation of the UK population, Helping to determine how, why and when citizens become victims of fraud, June 2011 available at www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/national-fraud-segmentation?view=Binary

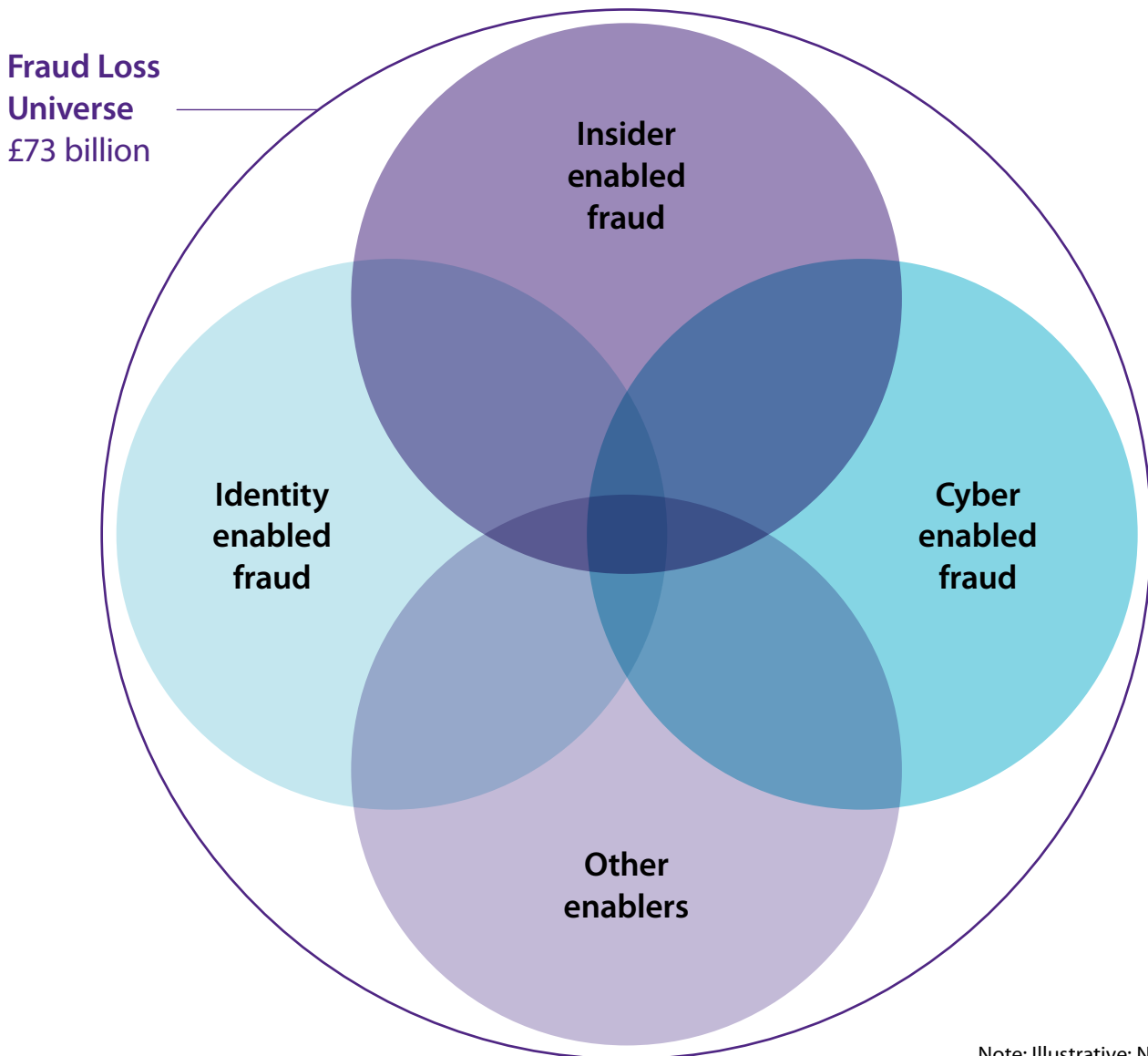
Fraud by enabler

In partnership with the counter fraud community, the NFA’s work to better understand the fraud threat is increasingly looking to identify and quantify the common enablers that facilitate many types of fraud to occur.

Fraud enablers cross cut the fraud landscape, and are used to defraud victims of all types. There are also varying degrees of overlap between fraud enablers, which poses further challenges for quantifying their impact.

This section outlines the measurement work that has been undertaken to quantify the scale, prevalence of certain enablers, and where possible attributes a fraud loss amount.

Fig 4: Key fraud enablers



Note: Illustrative: Not to scale

Insider-enabled fraud

'Insider-enabled' fraud refers to any fraud event to which an insider's access to the organisation's assets and systems, or ability to influence the outcomes of organisational processes, is integral to being able to conduct the fraud. An insider can be anyone with this access or ability, most obviously employees, but also volunteers, consultants and contractors.

Insider-enabled fraud is wide ranging and can include the following:

- Fraud against the organisation, often described as 'staff fraud', 'employee fraud' or 'internal fraud'. (For example, when an employee submits a false expenses claim).
- Fraud against the organisation when the insider colludes with an outside accomplice(s). (For example, a finance manager authorising payment of a false invoice from a supplier for non-existent work in exchange for a 'kickback' payment).
- Fraud against an outside entity. (For example, an employee stealing a database containing personal details of customers, which is used by a criminal gang to obtain money, credit, goods or services fraudulently from other organisations, such as bank accounts, loans and mobile phone contracts).

Insiders are responsible for some of the biggest frauds ever recorded. One of the most infamous cases is that of Nick Leeson whose unauthorised trading (which lay undetected for years), resulted in the collapse of his employer, Barings Bank, in 1995.

Analysis from the latest published fraud research evidences the significance of insiders in enabling fraud:

- Over a third (34 per cent) of UK respondents to PWC's 2011 Global Economic Crime Survey, a biannual study of economic crime across sectors and industries worldwide, said employees were responsible for their largest fraud¹⁸ detected last year. Globally, two thirds (67 per cent) of public sector respondents said their largest fraud was perpetrated by an employee.¹⁹
- KROLL's annual Global Fraud Report²⁰, a survey of over 1,200 senior executives worldwide, states that 60 per cent of fraud globally (in which the perpetrator is known), is insider fraud, up from 55 per cent the previous year.
- CIFAS' Staff Fraud Database (SFD) data sharing scheme²¹, which allows employers to share confirmed cases of fraud involving staff, has recorded over 1,000 cases since 2008, with insider frauds increasing 14.5 per cent in 2011 compared to 2010.²² A variety of frauds have been recorded, predominantly 'dishonest action by staff to obtain a benefit by theft or deception'.

¹⁸ 'Global Economic Crime Survey – UK report', PWC, (2011)

www.pwc.co.uk/eng/publications/global-economic-crime-survey-2011-uk-report.html

¹⁹ 'Fighting Fraud in Government', PWC, (2011)

www.pwc.com/gx/en/economic-crime-survey/industry-supplements/fighting-fraud-in-government.jhtml

²⁰ 'Global Fraud Survey 2011/12', KROLL, (2011) www.krollconsulting.com/insights-reports/global-fraud-reports

²¹ 'Staff Fraudscape', CIFAS, (May 2011)

www.cifas.org.uk/secure/contentPORT/uploads/documents/reports/2_CIFAS_Staff_Fraudscape_2011.pdf

²² www.cifas.org.uk/feb-twelve-staff-fraud

- CIFAS also reported on cases of people attempting to gain employment fraudulently, demonstrating the importance of effective staff vetting procedures in mitigating the insider fraud risk. This is underpinned by research with SOCA which found that around 10 per cent of employees dismissed for fraud on the CIFAS Staff Fraud Database were 'high risk', with 4.5 per cent assessed as being involved in, or likely to be involved in, serious organised crime.²³

Insider-enabled fraud occurs in every sector and fraudsters will exploit any opportunity they can. NFA research shows that every sector has an insider problem:

- 27 per cent of victims (126) from the NFA charity fraud survey experienced insider-enabled fraud. The scale of the threat is likely to be higher since the 27 per cent was those who were able to state the exact number of cases of insider-enabled fraud they suffered. There was also a further 8.7 per cent who answered 'Don't know' whom may contain a mixture of those who knew they had suffered insider-enabled fraud (but could not provide an exact number) and those who genuinely did not know if they had been an insider-enabled fraud victim or not. Less than two-thirds (64.3 per cent) could confirm that they had not suffered insider-enabled fraud at all.
- From the NFA private sector survey, only 43 per cent of fraud victims (93) had not experienced insider-enabled fraud; 22.6 per cent were able to provide the number of insider-enabled frauds they had suffered with over a third (34.4 per cent) answering 'Don't know'.

Fraud generally is underreported and insider-enabled fraud is no exception. It can be difficult for organisations to accept that a trusted member of staff has defrauded them, preferring to deal with it internally through dismissal or civil action. However, of respondents to the PWC Global Economic Crime Survey, 4 per cent said they did nothing, a further 4 per cent moved the individual elsewhere within their organisation and 18 per cent just gave them a warning.²⁴

²³ www.cifas.org.uk/organised_crime_sevennovember

²⁴ 'Global Economic Crime Survey', PWC, (2011)

www.pwc.com/gx/en/economic-crime-survey/download-economic-crime-people-culture-controls.jhtml

Identity fraud

£1.2 billion (individuals only)

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	New	UK

Identity fraud occurs when someone’s personal information is used by someone else without their permission to obtain money, credit, goods or other services. Identity fraud is an enabler of other frauds, rather than a specific fraud type itself. For example, it can facilitate benefit fraud, plastic card fraud or mortgage fraud. Fraudsters will even try to use the identity of a deceased person.

Terms such as ‘identity fraud’ and ‘identity theft’ have been used interchangeably over time since there has been no standard definition. This makes measurement and assessment of comparative estimates, of an already complex subject, very difficult.

In January 2012 the NFA completed a survey with a nationally representative sample of more than 4,000 UK adults to better understand the prevalence and cost of identity fraud against individuals.²⁵ The survey found the following:

- Identity fraud cost UK adults²⁶ an estimated **£1.2 billion** during 2011;
- 9.4 per cent (4.6 million) of UK adults were a victim, with the majority of these people (2.6 million) losing an average of £481 each. The rest of the victims did not incur an actual financial loss (for example, they may have recovered the loss from their bank);
- 18.7 per cent of UK adults had been a victim before 2011;
- Overall, 27.9 per cent have been a victim at some point in time.

It is important to clarify that this estimate is based purely on direct losses to UK adults. It does not include losses recovered by the individual (for example, from banks – further information which will include some of these losses can be found in the section **Retail Banking**) or any indirect costs that may have been incurred, such as responding to and repairing the impact of the frauds. Nor does it include any losses suffered by the public, private or not-for-profit sectors. Therefore, the **full cost to the UK from identity fraud each year will be higher than £1.2 billion.**

The NFA’s previous identity fraud estimate of £1.9 billion was derived from the findings of a 2006 Federal Trade Commission study of identity theft amongst US adults. This estimate was of direct losses suffered, including those recovered by the victim. Once further information on the costs of responding to and dealing with frauds was factored in (i.e. individual’s out-of-pocket expenses and the organisational costs of responding to identity fraud, such as investigation), this estimate became £2.7 billion (the figure most widely quoted in the media). In view of this the new estimate is not comparable to the previous estimate. It would be wrong to infer that identity fraud has ‘fallen’ because

²⁵ Research conducted online by Vision Critical with 4013 UK adults aged 18+ between January 23rd and 26th 2012. The results are weighted to be representative of the UK adult population.

²⁶ Adapted from data from the Office for National Statistics licensed under the Open Government Licence v.1.0. The ‘ONS Population Estimates for UK England and Wales Scotland and Northern Ireland – Mid 2010’ shows that there are 49,122,300 UK adults aged 18+. www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk-england-and-wales--scotland-and-northern-ireland/population-estimates-timeseries-1971-to-current-year/index.html

the methodologies between the two estimates are very different. The new estimate pertains specifically to direct losses to UK adults as a result of identity fraud in 2011.

Whilst the new estimate is of identity fraud in which individuals are the victim, and not of all identity enabled frauds across the UK, other NFA surveys completed this year illustrate how identity fraud enables attacks against organisations. For example, the NFA private sector survey reveals that nearly two-fifths (38.7 per cent) of fraud victims said they had suffered identity fraud; this is in comparison to 3.1 per cent of charity fraud victims. Furthermore, CIFAS stated that identity fraud²⁷ accounted for more than 113,000 (48 per cent) of all fraud cases reported by its members and recorded to their National Fraud Database during 2011.²⁸

²⁷ Includes cases of false identity (the use of an entirely fictitious identity) or the stolen identity of an innocent victim being used to apply for goods and services from CIFAS Member organisations.

²⁸ www.cifas.org.uk/annualfraudtrends-jantwelve

Cyber enabled fraud

According to a joint report published in 2011 by the Office of Cyber Security & Information Assurance in the Cabinet Office and information intelligence experts at Detica, the overall cost to the UK economy from cyber crime is £27 billion per year.²⁹

The scope of the term 'cyber crime' is wider than that of 'cyber enabled fraud'. At the present time the overall cost of 'cyber enabled fraud' has not been quantified.

Within the report "The Cost of Cyber Crime" some estimates of 'cyber enabled fraud' are included in the form of online scams against individuals (£1.4 billion) and cyber enabled fiscal fraud against government (£2.2 billion). Various assumptions were applied to produce these estimates, which are articulated in the original report.

The report states that whilst government and individuals are affected by rising levels of cyber crime, the private sector bears the lion's share of the cost. The research indicates that, at a total estimated cost of £21 billion, over three-quarters of the economic impact of cyber crime in the UK is felt by business.

The NFA survey of fraud against the private sector found that of those respondents that identified themselves as victims of fraud in the past 12 months, 41.9 per cent responded that they had suffered cyber-enabled fraud. Of the fraud victims responding to the NFA survey of the charity sector 18.9 per cent cited that they were victims of cyber-enabled fraud.

In December 2011 the NFA commissioned a nationally representative survey which conducted face-to-face interviews with 1,775 people aged 16+ in the UK. Approximately 6 per cent of participants identified that they had been a victim of some type of cyber crime within the last two years.

²⁹ The Cabinet Office, The Cost of Cybercrime available at www.cabinetoffice.gov.uk/resource-library/cost-of-cyber-crime

Fraud perpetrated by Organised Crime Groups £9.9 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	n/a	UK

Organised crime is defined as “those involved, normally working with others, in continuing serious criminal activities for substantial profit, whether based in the UK or elsewhere”.³⁰ Organised criminals that work together for the duration of a particular criminal activity or activities are called an organised crime group.³¹

Organised crime groups (OCGs) pose a significant threat to the UK. Fraud is a significant element of this threat either as the primary activity of an OCG, or as an enabler/funding stream for other serious crimes. Whilst these OCGs are the perpetrators of fraud rather than an enabler, they are involved in many types of fraud and can be considered in a similar cross cutting fashion.

In December 2011 analysis of the organised crime group mapping (OCGM) data held by the Multi Agency Team (MAT) suggested that of the OCGs known to the authorities, 14 per cent are involved with fraud as a crime category. OCGs were involved in a wide variety of fraud activities which varied between mortgage and personal tax fraud as well as others such as business tax, benefit and payment card crime. 19 per cent of these fraud OCGs held assets to the value of £1 – £10 million.

20 per cent of fraud OCGs are solely involved in fraud. Alongside fraud, the remaining 80 per cent are involved in other crime categories, particularly specialist money laundering, drugs activity, violent criminal activity and commodity importation, counterfeiting or illegal supply.

Work was initiated in May 2010 to calculate an estimate of fraud perpetrated by OCGs, which produced a figure of approximately £8.9 billion published in the AFI 2011. The research methodology used existing estimates of fraud loss, and calculated the proportion that was attributable to OCGs by fraud type. These estimates were derived through consultation with industry experts and based on management assumptions and judgement to provide an illustrative indication of loss.

This methodology has been refreshed with updated information on fraud losses and OCG activity. The current NFA estimate of fraud perpetrated by organised criminals now stands at £9.9 billion.

It is not possible to identify the level of OCG activity against each fraud type or victim. Areas of loss captured include tax and benefits fraud; retail banking, insurance, mortgage and telecommunications fraud; and mass marketing fraud. The proportion of fraud losses attributable to OCG activity within these fraud types ranges from 10 per cent to 100 per cent.

³⁰ Home Office, From Local to Global.: Reducing the Risk from Organised Crime available at www.homeoffice.gov.uk/publications/crime/organised-crime-strategy?view=Binary

³¹ SOCA www.soca.gov.uk/threats/organised-crime-groups

Fraud by type

Benefit fraud £1.2 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↑	E, S & W

The Department for Work and Pensions (DWP) provides estimates of fraud and error for benefits administered by DWP and Local Authorities. These estimates are published twice a year and are overseen and subject to rules governed by National Statistics protocols and publications.

The DWP have one of the most sophisticated methodologies in the public sector for measuring the level of fraud and error. Around 30 per cent of all benefit expenditure is measured on a continuous basis, including Income Support, Jobseeker’s Allowance, Pension Credit, and Housing Benefit. DWP also carry out one-off ‘snapshot’ measurement exercises (‘National Benefit Reviews’), for over 50 per cent of the remaining benefits. These exercises estimate the level of fraud and error over a single year, following the same process as those measured on a continuous basis. The remaining benefits are not subject to specific review. For these benefits the estimates are based on comparable measured benefits.

In February 2012 the DWP published final estimates of benefit fraud and error for 2010-11³², estimating annual fraud and error losses to be £3.2 billion. Of this, £1.2 billion was lost as a result of fraud in the benefit system, representing 0.8 per cent of £153.4 billion worth of benefit expenditure. This figure represents a slight increase in fraud losses compared to estimated fraud losses of £1.1 billion for 2009-10 as published in the DWP estimates of benefit fraud and error for 2009-10, although the difference in these figures is not reported as statistically significant by the DWP.

In pure monetary terms Housing Benefit remains the largest area of fraud loss within the benefit system, increasing from £250 million in 2009-10 to £300 million in 2010-11. However, to put this in context, Housing Benefit is the second highest benefit in terms of benefit expenditure (£21.4 billion) and as a percentage of this the level of fraud loss is one of the lowest across all benefits (1.4 per cent). Income Support fraud was the next highest area of benefit fraud loss with estimated losses of £220 million; followed by Jobseeker’s Allowance fraud (£150 million) and Pension Credit fraud (£140 million).

Of those benefits that are occasionally reviewed Disability Living Allowance and Carer’s Allowance were the highest area of fraud loss (£60 million) followed by Incapacity Benefit (£20 million) and Interdependencies (£10 million). These figures have been rounded to the nearest million.

Estimated fraud losses for unreviewed benefits accounted for £210 million in losses during 2010-11.

³² Department for Work and Pensions, February 2012, Fraud and Error in the Benefit System: 2010/11 Estimates available at http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr10_mar11.pdf

Blue badge scheme abuse

£46 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	England

Blue badges are provided under a national scheme and offer parking concessions for people who have certain disabilities. The scheme can be a considerable help to people who would otherwise find it difficult to get access to community facilities because of the distance they might have to walk or use other forms of transport. Using stolen or fake blue badges, or allowing others to use the badge without the badge holder being in the vehicle, is fraud.

There are an estimated 2.56 million blue badges in England.³³ Local authorities are responsible for issuing blue badge parking permits and can charge up to £2 to issue a badge, which increased to £10 in January 2012.

In the AFI 2010, findings from the Department for Transport (DfT) and Blue Badge Fraud Investigation Limited (BBFI) were used to produce an estimate of lost parking revenues resulting from misuse of the blue badge scheme. According to BBFI, misuse of this scheme varies from four per cent to 70 per cent depending on the location of use, with an average of 20 per cent of all blue badges in circulation being misused in some way. In busy retail areas the figure is 40 to 60 per cent misuse. Using average financial benefit figures published by the DfT and taking into account regional variations (such as London, metropolitan, city and town / rural areas) the NFA estimated that there were around half a million blue badges misused per annum, resulting in losses of £46 million a year.

In 2011 a further exercise carried out by BBFI, showed that 20 per cent of blue badges were being misused. In the absence of any further work being carried out with regards to updating the cost of a blue badge fraud, estimated losses as a result of blue badge scheme misuse remain at £46 million.

³³ Department for Transport Blue badge scheme statistics 2010/11

Council tax fraud

£131 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	New	E & W

Council tax fraud occurs when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax.

Local authorities collect around £22 billion a year in council tax in England alone.³⁴ Council tax provides about a quarter of local funding for council services such as policing and rubbish collection. There are a number of discounts or exemptions that can be claimed to reduce the amount of council tax payable for each household. In the AFI 2011 the NFA included figures for Single Person Discount (SPD) fraud. This year the NFA provided a more comprehensive breakdown of all types of council tax fraud.

According to the Audit Commission's (AC) report 'Protecting the Public Purse 2011', four to six per cent of SPD claims were found to be fraudulent in 2010/11. Taking the rate of fraud in SPD claims as a guide, and in the absence of any other work being carried out, the NFA has assumed a four per cent conservative fraud rate across all council tax discounts and exemptions.

Council Tax Exemptions

The NFA has calculated an annual loss in council tax exemptions using the prevalence rate identified by the Audit Commission, multiplied by the number of dwellings claiming exemptions as identified by the Department for Communities and Local Government (DCLG), by the average council tax in 2011. Based on this data, the NFA estimate that fraud in council tax exemptions costs around £31.2 million a year. The most common exemptions fraudulently claimed are for person(s) who are severely mentally impaired, student occupancy, vacant properties (empty and unfurnished for up to 6 months), and properties which are left empty by deceased persons.

Council Tax Discounts

Discounts are given at the council's discretion; they can vary between 10 to 50 per cent depending on the discount claimed. For example councils can choose to give anywhere between 10-50 per cent discount on council tax for second homes, and 25 per cent discount for a single adult.

The NFA has calculated an annual loss in council tax discounts using the prevalence rate identified by the Audit Commission, multiplied by the average of discounts granted, and by the average council tax costs in England, Wales and Scotland during 2011. Based on this data, the NFA estimate that fraud in council tax discounts costs around £99 million. The most frequently claimed discounts are single person discounts, of which £92 million has been estimated as fraudulent.

The NFA therefore estimates the total value of council tax discounts and exemptions at £131 million a year.

³⁴ DCLG, Statistical release, Collection rates June 2011 available at www.communities.gov.uk/documents/statistics/pdf/1933165.pdf

Electricity scams

£2.7 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Detected	New	UK

This is a door to door scam where criminals offer discounted energy credits to households who pay for their electricity in advance through a key, or card, they put into their meters. The customer will end up paying twice: once to the criminal and then again to their energy supplier who can detect the fraud and seek full repayment of the electricity.

There are over 3.7 million prepayment customers in the UK.³⁵ In 2011, Energy UK (representatives of Britain’s gas and electricity industry) identified over 53,000 incidents involving illegal top ups. The average top up was £50 per household.

Based on this information it is estimated that electricity scams cost individuals £2.7 million in 2011.

Grant fraud

£528 million (public sector)

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	UK

A grant is an award of financial assistance paid to eligible recipients for a specified purpose. There are different types of public sector grants paid out to individuals, businesses, charities and not-for-profit organisations. Grant-in-aid is also paid out by the public sector to non-departmental public bodies (NDPB), executive agencies and public corporations.

Fraud risk within grant spending depends on various factors such as the type of grant recipient, the purpose of the grant, the nature of the scheme and the scale of the award. For example, funds paid to NDPBs for major capital projects are likely to be at much lower risk from fraud than grants paid to individuals or less well established groups.

An analysis of COINS³⁶ data carried out by the NFA has identified that in 2010-11 the Government spent £262 billion on grants. This figure captures capital grants, grants abroad, grants to persons and non-profit bodies, the grant equivalent of student lending, plus subsidies to private sector companies and public corporations.

For the purpose of calculating a grant fraud estimate, grants identified as social benefits were excluded because fraud against this area of expenditure is already captured within benefit and tax credits

³⁵ Energy UK (November 2010) ‘Prepayment meter scams Industry Update’ available at www.energy-uk.org.uk/publication/finish/5/278.html

³⁶ The Combined Online Information System (COINS) is a database of UK Government expenditure provided by government departments. It is available at <http://data.gov.uk/dataset/coins>

fraud figures provided by HM Revenue and Customs and the Department for Work and Pensions. Spend relating to the grant element of student lending was removed as this area of fraud is covered as ‘student finance fraud’. Capital grants and subsidies to public corporations were also excluded as fraud risks within these areas are relatively unknown and are likely to be low compared to other types of grants. The remaining grant expenditure (once these categories of spending have been removed) amounted to £53 billion in 2010-11.

Typically, the level of fraud across grant spending ranges from around one per cent to 3.5 per cent.³⁷ Based on an assumption that at least one per cent of grant spend is lost to fraud, grant fraud is estimated to have cost £528 million in 2010-11. Of this, £488 million is estimated to have been lost by central government and £41 million by local government.

Caution is needed when viewing this estimate as it only provides an illustrative figure of grant fraud in the public sector. Further work is required to identify a more robust methodology for this area of fraud.

Housing tenancy fraud

£900 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	E

Housing tenancy fraud is the use of social housing by someone who is not entitled to occupy that home. It includes unlawful subletting, succession fraud and use of false information in a housing application to gain a tenancy.

There are nearly four million social housing properties in England, with an estimated asset value of more than £180 billion. Over half of all social housing in England is managed by housing associations. In 2010, nearly two million families were waiting for a council house.³⁸

The Audit Commission’s publication ‘Protecting the Public Purse 2011’ (PPP 2011), estimates that at least 50,000 properties are subject to tenancy fraud in England. The Audit Commission also provide an average cost of £18,000 to house a family or individual in temporary housing per year. Multiplying this average cost of temporary housing with the number of properties unlawfully occupied (which would otherwise be available for occupation) the NFA estimates that housing tenancy fraud costs local authorities in England around £900 million a year.

This estimate remains unchanged in comparison to AFI 2011. The NFA and Audit Commission have discussed ways to refresh the estimate, which will be reviewed during 2012 through work by the Audit Commission to update its view of the number of unlawfully occupied properties.

³⁷ Based on grant / benefit fraud measurement work carried out by the Department for Work and Pensions, HM Revenue and Customs, NHS Counter Fraud Service and Student Loans Company.

³⁸ Audit Commission, Protecting the Public Purse 2011, Page 9 available at www.audit-commission.gov.uk/sitecollectiondocuments/downloads/ppp2011embargo.pdf

Insurance fraud

£2.1 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	UK

The UK insurance industry is the largest in Europe and the third largest in the world, after the United States and Japan, accounting for 7 per cent of total worldwide premium income.

Employing around 290,000 people in the UK alone, the insurance industry is also one of this country's major exporters. The insurance market is divided into two categories: general insurance (i.e. motor, property, accident and health) and long-term insurance (i.e. life and pensions). Long-term insurance accounts for the majority of the insurance market, with total net premiums of £110 billion, compared to £46.4 billion for the general insurance market.

Insurance fraud is where a claimant knowingly submits false, multiple or exaggerated insurance claims in order to receive insurance payouts to which they are not entitled. It may also involve the deliberate destruction of items or property in order to claim on insurance. Insurance fraud is often opportunistic in its nature.

However, in recent years there has been a significant increase in organised insurance fraud, which is often more complex and targeted at specific types of insurance.

Based on figures provided by the Association of British Insurers and the Insurance Fraud Bureau, insurance fraud is estimated to cost £2.1 billion a year. This estimate breaks down into £1.7 billion in undetected fraud loss, £350 million in organised staged motor vehicle accident fraud, and £38 million in detected insurance fraud (where claims are paid before they have been identified as fraudulent). These fraud losses apply only to the general insurance market as undetected fraud in the long-term market is believed to be low. The figures also do not capture insurance fraud loss resulting from people providing false or misleading information in order to lower their insurance premiums.

Staged / induced motor vehicle accident fraud (organised) £350 million

Staged motor vehicle accidents are an example of organised insurance fraud. They occur when two or more fraudsters deliberately crash their vehicles into each other with the intention of making fraudulent insurance claims for replacement vehicles and / or injury compensation. Induced motor vehicle accident fraud is where the fraudster deliberately causes an accident by inducing an innocent motorist to crash into their vehicle. Organised motor claims fraud often features professionals as enablers. These include for example, lawyers, claims management companies and medical practitioners who in some circumstances knowingly assist fraudsters.

Mass marketing fraud £3.5 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	UK

The term ‘mass-marketing fraud’ is wide ranging and captures a number of different types of fraud. Mass-communications media (such as telephone calls, letters, emails and text messages) are used to contact, solicit, and obtain money from victims.³⁹ Various schemes are deployed by fraudsters to dupe people via these communication channels. These range from foreign lottery and sweepstake frauds (which target individuals with false promises of prizes, provided that upfront payment is made for fictitious fees and taxes) through to romance frauds (whereby fraudsters feign romantic intentions towards internet daters to secure trust and affection, in the hope of ultimately obtaining money).⁴⁰

Regardless of the fraudsters’ chosen method, mass-marketing frauds have two elements in common.⁴¹ Firstly, the criminals aim to defraud multiple individuals to maximise revenue. Secondly, the schemes invariably depend on persuading victims to transfer monies to the criminals in advance, and on the basis that promised goods, services or benefits will follow. Needless to say these do not exist and will never be delivered.

It is estimated that £3.5 billion is lost per year to mass-marketing fraud in the UK. This figure is derived from research conducted in 2006 by the Office of Fair Trading (OFT)⁴² amongst 11,200 people (including detailed follow-up interviews with 1,900 people about their experiences of mass-marketing fraud).

In January 2012 the NFA completed a survey with a nationally representative sample of more than 4,000 UK adults to better understand how mass-marketing fraud is currently being committed.⁴³ It found the following:⁴⁴

- 1 million (2 per cent) UK adults⁴⁵ sent money in reply to unsolicited communications in the last 12 months – and just under half (almost 500,000 people) are believed to have been defrauded as a result.

³⁹ ‘Mass-Marketing Fraud: A Threat Assessment’. International Mass-Marketing Fraud Working Group (June 2010) www.ice.gov/doclib/cornerstone/pdf/immfta.pdf

⁴⁰ Further information on specific examples of mass-marketing fraud can be found in the 2011 NFA Annual Fraud Indicator. www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/annual-fraud-indicator/

⁴¹ ‘Mass-Marketing Fraud: A Threat Assessment’. International Mass-Marketing Fraud Working Group (June 2010) www.ice.gov/doclib/cornerstone/pdf/immfta.pdf

⁴² Office of Fair Trading, Research on impact of mass marketed scams. A summary of research into the impact of scams on UK consumers. December 2006 available at www.oft.gov.uk/shared_oftr/reports/consumer_protection/oft883.pdf

⁴³ Research conducted online by Vision Critical with 4027 UK adults aged 18+ between January 3rd-9th 2012. The results are weighted to be representative of the UK adult population.

⁴⁴ The number of collected responses was not sufficiently robust enough to extrapolate fraud losses. The OFT research is several years old but remains the most robust estimate currently available.

⁴⁵ Adapted from data from the Office for National Statistics licensed under the Open Government Licence v.1.0. The ‘ONS Population Estimates for UK England and Wales Scotland and Northern Ireland – Mid 2010’ shows that there are 49,122,300 UK adults aged 18+. www.ons.gov.uk/ons/rel/pop-estimate/population-estimates-for-uk-england-and-wales--scotland-and-northern-ireland/population-estimates-timeseries-1971-to-current-year/index.html

- Three-quarters of UK adults, around 37 million people, received unsolicited communication in the last 12 months. The majority were sent emails (85 per cent). However, letters (40 per cent), phone calls (44 per cent) and text messages (27 per cent) were received by significant minorities;
- 18-34 year-olds are more likely to receive texts than letters or phone calls, whilst the opposite is true for those aged 35 and over.

The research indicates that although the vast majority of people ignore unsolicited communication, the fraudsters’ return on investment is enough to make it worth their while continuing to target the public using mass-marketing communication techniques.

Mortgage fraud

£1 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	UK

For 2011, estimated lending totalled £140 billion, up 3 per cent from £136 billion in 2010. The closing months of 2011 saw stronger mortgage lending activity and housing transactions, despite the fact that short term economic prospects are challenging.⁴⁶ Despite these changes, the mortgage industry still loans approximately £12 billion each month, making it an attractive target for fraudsters.⁴⁷

Calculating a reliable estimate of mortgage fraud has been challenging for both the NFA and the mortgage lending community.

In 2010 the NFA contacted mortgage experts from lenders representing 98 per cent of the mortgage market to obtain their opinion on mortgage fraud loss during 2009. While there were differences in the opinions provided by respondents, the average estimate of fraud loss to the industry was £1 billion.

⁴⁶ Council of Mortgage Lenders available at www.cml.org.uk/cml/media/press/3139

⁴⁷ National Fraud Authority (March 2010) ‘Working together to stop mortgage fraud: progress report’ available at www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/mortgage-fraud-report2010?view=Binary

Motor finance fraud

£15.3 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Detected	↓	UK

Types of motor finance fraud include application fraud (where a customer gives incomplete or inaccurate information to a lender), conversion fraud (the fraudulent sale of a vehicle which does not belong to the seller or on which money is still owed) and first party fraud (where a customer makes their loan repayments using, for example, a false credit card).

The Finance Leasing Association (FLA) (a trade association for the asset, consumer and motor finance sectors in the UK) recently published updated figures for motor finance fraud. In the 12 months to September 2011, FLA members reported 840 fraud cases. The value of these cases in terms of the original loan amount was £15.3 million.

National Savings and Investments fraud

£0.46 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Detected	↑	UK

National Savings and Investments (NS&I) is an Executive Agency of the Chancellor of the Exchequer. They are now one of the largest savings organisations in the UK, with over 26 million customers and almost £100 billion invested. NS&I attract funds from individual UK savers for the purposes of funding the Government's public sector borrowing requirement. NS&I are underwritten by HM Treasury, therefore NS&I fraud loss is considered to be a loss to the public sector.

During the financial year 2010-11, NS&I experienced 158 cases of fraud, amounting to a net fraud loss of £460,000.

Online ticket fraud

£864 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	New	UK

Online ticket fraud occurs when victims purchase tickets for an event such as music, sport, theatre or performance, which do not materialise and the vendor is no longer contactable. These tickets are purchased from fake ticketing websites and through online auction and shopping websites.

Research carried out by the Office of Fair Trading (OFT) in September 2009 identified that one in twelve of those surveyed admit to being caught out by scam websites. The survey also showed that about eight per cent have been a victim of online ticketing fraud, having bought music, sport or theatre tickets from a website that appeared to be genuine.

The NFA has calculated an annual fraud loss estimate using the prevalence rate identified in the OFT survey multiplied by an average fraud loss of £406 per victim identified via Action Fraud in relation to online ticketing fraud during 2011.

Based on this data, it is estimated that around 2.1 million people fall victim to this type of fraud each year, resulting in losses of £864 million.

Patient charges fraud

£158 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	-	E, W & NI

NHS patient charges fraud occurs when patients falsely seek exemption from NHS charges or falsely claim entitlement to free services, for example, patients falsely claiming to be in receipt of income support in order to avoid paying the NHS prescription charge.

NHS Protect has a high level of organisational knowledge relating to patient charge evasion, having undertaken detailed and extensive loss analysis exercises to qualify the nature and scale of criminal behaviour and activity. An exercise to consider the potential programme loss in this area was undertaken in 2007/8 with a resulting outline value of £156 million in England and Wales. This remains, however, a single historical estimate based on the particular scheme constructs and controls in place at that time, and is in no way indicative of a current or ongoing loss value.

In Northern Ireland, patient charges fraud in respect of dental and ophthalmic treatment is estimated to cost £2.2 million a year based on figures provided for 2010-11. Patient charges fraud in Northern Ireland has dropped considerably from the £9 million reported in the AFI 2011. This is because prescription charges were abolished in Northern Ireland in April 2010 and previously, patient fraud involving prescription charges accounted for approximately 75 per cent of total loss calculated.

The NFA and NHS Scotland aim to include a measure for fraud patient charges fraud in Scotland in future AFIs.

Payroll fraud

£334 million (public sector)

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	E, S & W

Payroll fraud is any fraud against the payroll spend of an organisation. Examples include employees claiming overtime for hours not worked (false expense reimbursement – see detailed estimate below) or when unauthorised changes are made to an organisation’s payroll system (such as an employee adding ghost employees to the payroll who either do not exist or do not work for the organisation.)

Research shows that worldwide, payroll fraud comprises 8.5 per cent of occupational fraud and costs an average of £46,195⁴⁸ per payroll fraud case.⁴⁹

In the UK there are over six million people employed in the public sector.⁵⁰ An analysis of COINS data⁵¹ shows that, in 2010-11, public expenditure relating to pay across central and local government was £167 billion. Broken down, spend on pay for central government was £90 billion and £76 billion for local government.

The NFA has applied a loss percentage rate of 0.2 per cent⁵² to spend on pay to produce an indicative estimate of £334 million of payroll fraud across the public sector.

The Annual Business Survey⁵³ is a survey of financial information from two thirds of the UK economy and shows the total employment costs for the private sector to total £505 billion per annum. For illustrative purposes, if the NFA applied the same loss percentage of 0.2 per cent, payroll fraud could cost the private sector as much as £1 billion.

In partnership with the Chartered Institute of Payroll Professionals, the NFA conducted an online survey of its membership of 5,000 payroll professionals from the private, public and not-for-profit sectors. It found 11 per cent of payroll departments reported they had been a victim of fraud during the last financial year 2010/11, with the most common type of fraud experienced being false expense reimbursement. Typically the fraud was committed by a permanent member of staff outside the payroll department. When asked to provide an opinion of the percentage of undetected fraud losses suffered, payroll professionals responding to the survey estimated that on average 5 per cent of the organisation’s payroll expenditure could be lost to payroll fraud.⁵⁴

⁴⁸ \$73,000 converted on 21 December 2011, OANDA Currency Converter.

⁴⁹ Association of Certified Fraud Examiners, “Report to the Nations on Occupational Fraud and Abuse,” 2010, page 15 www.acfe.com/rtnn/

⁵⁰ ONS Labour Market Statistics, March 2011, p25.

⁵¹ The Combined Online Information System (COINS) is a database of UK government expenditure provided by government departments. It is available at <http://data.gov.uk/dataset/coins>

⁵² This estimate is derived from a fraud loss measurement exercise which is not available in the public domain.

⁵³ Office for National Statistics, ‘Annual Business Survey, 2010 Provisional Results’, 17 November 2011 www.ons.gov.uk/ons/rel/abs/annual-business-survey/2010-provisional-results/abs-2010---provisional-results-statistical-bulletin--nov-2011-.html

⁵⁴ It is the NFA’s judgement that this estimate was not robust enough to apply to all spend.

Expenses fraud*£98 million*

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Detected	New	UK

Expenses fraud is captured within the NFA estimate of payroll fraud. It occurs when an employee exaggerates their work expenses, for example mileage, travel fares, accommodation and client entertainment.

Research carried out by GlobalExpense, an employee expense management firm, in November 2010 identified that 28 per cent of people surveyed claim expenses, of which 10 per cent exaggerate their claim.⁵⁵

Using UK workforce statistics⁵⁶ and calculating an average claim amount of £10 per claimant, the NFA estimate that expense fraud costs £98 million a year. This can be broken down to £77 million loss to the private sector and £21 million to the public sector.

Pension fraud*£16.6 million*

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Detected	↑	E & W

Pension fraud can occur when relatives fail to notify the pension provider about the death of a relative/ friend and continue to cash pension payments. It can also occur when pensioners fail to notify the pension provider they have had a change in circumstances which would affect the value of their pension, for example returning to work once retired or moving abroad.

The Audit Commission National Fraud Initiative (NFI) matches occupational pension data for NHS, central government (excluding the state pension), local government and the private sector against the records of deceased persons held by the Department for Work and Pensions.

To date, the most recent NFI exercise has identified 2,124 cases in the public sector, where pensioners had died but where payments continued to be made. Overpayments prevented and detected totalled £73 million. Losses prevented were estimated using the Cabinet Office formula, which multiplies the annual pension by the number of years until the pensioner would have reached 90 years old.

In order to calculate an annual fraud loss figure, the average public sector pension payout of £7,800 has been applied to the 2,124 public sector cases, to produce an annual public sector occupational pension

⁵⁵ GlobalExpense Employee expenses benchmark summary report 2011 available at <http://assets.concur.com/whitepaper/uk-expense-benchmark-report-2012.pdf>

⁵⁶ ONS Labour market statistics, June 2011

fraud figure of £16.6 million. Based on the number of matches per pension type (i.e. NHS, teachers, civil service, armed forces, local authority, police etc) this figure breaks down as £11 million in central government and £6 million in local government pension fraud. These figures do not include state pension and only capture detected fraud. This figure has increased from the £16 million reported in AFI 2011, due to the increase in the number of detected public sector cases, from 2,018 reported in the AFI 2011 to 2,124 cases.

In addition the NFI look to identify pension abatement fraud (i.e. returning to work after retiring and not informing the pension scheme), cases of injury benefit fraud (i.e. claiming occupational injury benefit and state injury benefit and not informing the pension scheme), and private pension fraud. To date the most recent NFI exercise has identified 106 cases of abatement fraud (£963,000 in prevented and detected overpayments), 148 cases of injury benefit fraud (£1.3 million in prevented and detected overpayments) and 370 private sector pension fraud cases (£8 million in prevented and detected overpayments).

Private rental property fraud

£488 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	New	UK

Rental fraud is a type of advance fee fraud where would-be tenants are deceived into paying an upfront fee to rent a property which turns out to be nonexistent, is already rented out or rented to multiple victims at the same time.

In October 2010, the housing and homelessness charity Shelter carried out an online survey looking at the number of people who have been a victim of a scam involving a private tenancy or landlord. The YouGov research estimated that 946,000 people have been the victim of rental scams in the last three years⁵⁷, equating to around 315,000 victims per annum.

The NFA has calculated an annual fraud loss estimate using the prevalence rate identified in the Shelter survey multiplied by an average fraud loss of £1550 per victim identified via Action Fraud in relation to rental fraud.

Based on this data, the NFA estimates that rental fraud costs individuals around £488 million a year. The figure is higher in comparison to that reported in the AFI 2010 due to the increase in the average financial loss reported to Action Fraud.

⁵⁷ Shelter article 2010 available at http://england.shelter.org.uk/news/previous_years/2010/september_2010/1m_victims_of_landlord_scams

Procurement fraud £2.3 billion (public sector)

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	UK

Procurement fraud is any fraud relating to the purchasing of goods and services. It is a deliberate deception intended to influence any stage of the procure-to-pay lifecycle in order to make a financial gain or cause a loss. It can occur prior to a contract being awarded as well as once one is in place. Examples include price fixing, bid rigging, cover pricing, false/duplicate/double invoicing, overpayments, false payments, altered payment details and diverted payments (often involving bribes and 'kickbacks'), and the delivery of inferior or sub-standard substitute products. Procurement fraud is particularly complex, hidden and difficult to detect and measure. It can be perpetrated by those inside or outside an organisation and is rarely reported.

During 2011 the NFA worked with the Chartered Institute of Purchasing and Supply (CIPS) to conduct research amongst procurement professionals from the private, public and voluntary sectors in order to gain a more effective understanding of the scale of the problem. The findings⁵⁸ provide useful contextual information of this crime affecting organisations in the UK today:

- Almost one in ten (9.3 per cent) confirmed that their organisation had suffered at least one procurement fraud in the last year – a further 37% answered 'Don't know' so the total may be higher;
- More than two-fifths of respondents (40.8 per cent) stated that 'procurement fraud poses a significant risk to my organisation';
- More than two-fifths (40.7 per cent) said that spend on construction is at greatest risk from procurement fraud;
- Less than one-third (28.7 per cent) of respondents said their organisation had ever undertaken a fraud risk measurement exercise;
- Common themes that emerged from the more qualitative element of the research were that procurement fraud is enabled by a perceived lack of accountability and controls, and that it could be prevented from happening in the first place through greater auditing and fraud awareness/training.

The NFA's current estimate of procurement fraud replicates the methodology used in AFI 2011 to estimate the extent of procurement fraud suffered by the public sector. Using an analysis of COINS⁵⁹ data, contained in HM Treasury's 2011 'Public Expenditure Statistical Analyses' (PESA) report⁶⁰, expenditure relating to procurement across both central and local government was £230 billion. A one per cent 'at risk' figure used by the Ministry of Defence Police to estimate procurement fraud within their defence budget has been applied to this spend figure to provide an estimated procurement fraud loss of £2.3 billion (£1.4 billion central government, £890 million local government).

⁵⁸ The number of collected responses was not sufficiently robust enough to extrapolate fraud losses.

⁵⁹ The Combined Online Information System (COINS) is a database of UK Government expenditure provided by government departments. It is available at <http://data.gov.uk/dataset/coins>

⁶⁰ Analysis derived from tables 6.5 and 7.8 of the Public Expenditure Statistical Analyses 2011, HM Treasury, (2011) www.hm-treasury.gov.uk/pespub_pesa11.htm

There is currently no estimate of procurement fraud loss for the private sector. To give an indication of the potential scale of the problem, if the 1 per cent 'at risk' figure was applied to estimated private sector procurement expenditure of £2 trillion⁶¹, this could equate to £20 billion lost.

Whilst this is just an illustrative figure only, research by the NFA and others suggests that the actual scale of procurement fraud could be significant. When the private sector CIPS survey participants were asked to provide an estimate of undetected procurement fraud affecting their organisation, the 'lowest' and 'highest' averages from the limited number of respondents who were able to offer estimates ranged from 1.8 per cent to 4.9 per cent (and for those who felt 'sure' or 'very sure' in their estimates it ranged from 0.1 per cent to 1.2 per cent), whilst KROLL's 2011 'Global Fraud Report'⁶² states that procurement fraud is becoming more common.

Charities are also falling victim to procurement fraud; an analysis of the NFA charity survey reveals that of those who said they had been a charity fraud victim in the last financial year, one in seven (14 per cent) had suffered procurement fraud.

Findings from the NFA survey of fraud against the private sector revealed that 25.8 per cent of fraud victims responding knew that they had suffered procurement fraud within the last financial year.

⁶¹ Adapted from data from the Office for National Statistics licensed under the Open Government Licence v.1.0. This analysis, derived from ONS 'Annual Business Survey – 2010 Provisional Results' estimates that, in 2010, companies, sole proprietors and partnerships spent £2,081,159,752,000 on goods, materials and services. www.ons.gov.uk/ons/rel/abs/annual-business-survey/2010-provisional-results/abs-2010---provisional-results-statistical-bulletin--nov-2011-.html

⁶² KROLL, Global Fraud Survey 2011/12', KROLL, (2011) www.krollconsulting.com/insights-reports/global-fraud-reports/

Recruitment fraud

£634 million (cost of re-recruiting)

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	New	UK

Recruitment fraud occurs when false information is provided in order to gain employment. Examples include lying about employment history and qualifications or providing false identification documents such as false documentation demonstrating the right to work in the UK.

It is not possible to estimate the amount lost in wages to all individuals who have successfully gained employment fraudulently. However, it is possible to estimate the additional cost of re-recruitment as a result of vetting checks successfully detecting that a new recruit has lied on their application.

In 2010 there were over 29 million people in the UK workforce⁶³ and an employee churn rate of 13.5 per cent.⁶⁴ The churn rate represents the total number of employee moves completed in a year.

In addition 393,000 new jobs were created in 2010.⁶⁵ Bringing together employee churn and new posts created the NFA estimate that over 4 million posts were filled in 2010.

NorthgateArinso PeopleChecking specialists in human resources, payroll, pensions and rewards, have identified that five per cent of job seekers are rejected because they lied on their applications and were caught.⁶⁶ As an indicator, five percent of the 4 million jobs filled in 2010 means there could be over 200,000 cases of recruitment fraud in one year. The Chartered Institute of Personnel Development (CIPD) calculate the cost of filling a single vacancy to be over £2,930.⁶⁷

Based on this information, the NFA estimates that the additional cost of re-recruiting because of job seekers lying on their applications is £634 million a year.

⁶³ Office of National Statistics, UK Labour Market Statistics 2010

⁶⁴ Chartered Institute of Personnel Development, Resource and Talent Planning 2011

⁶⁵ CBI Mapping the route to growth, rebalancing employment, brief June 2011 available at www.cbi.org.uk/media/1053900/2011.06-mapping-the-route-to-growth.pdf

⁶⁶ www.northgate-is.com

⁶⁷ Chartered Institute of Personnel Development, Resource and Talent Planning 2011

Retail Banking fraud

£427 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Detected	↓	UK

The payments industry forecasts payment trends, conducts market research, carries out lobbying activities, collates industry statistics, and develops industry standards and best practices. Financial Fraud Action UK publishes an annual report, 'Fraud the Facts', the report is a comprehensive and detailed directory of facts and statistics on the latest developments in payment technologies.⁶⁸ All detected retail banking fraud statistics outlined below are sourced from this report.

Cheque fraud

£34 million

Fraud Type	Total Estimated Fraud Loss
Forged cheques	£14.4 million
Fraudulently altered cheques	£12.1 million
Counterfeit cheques	£7.8 million

Forged cheques (a genuine cheque that has been stolen and used by a fraudster with a forged signature), counterfeit cheques (manufactured cheques to look like genuine cheques), and fraudulently altered cheques (genuine cheques where alterations have been made to the value or payee before being paid in) together comprise possible methods of committing cheque fraud.

According to Financial Fraud Action UK, in 2011 total cheque fraud cost the UK banking industry £34 million, an increase of 17 per cent (or £5 million) from figures reported for 2010. Some of the rise is due to fraudsters targeting new cheques and cheque books in the post.

Online banking fraud

£35 million

Financial Fraud Action UK reported that in 2011 online banking fraud losses totalled £35 million; a 24 per cent reduction compared with losses in 2010.

This reduction was due to customers better protecting their own computers with up-to-date anti-virus software; banks' use of sophisticated fraud detection systems; and banks providing customers with additional software and hand-held devices to log on to internet banking.

⁶⁸ UK Payments Administration FFA – Fraud The Facts 2011 – Press Release 09 March 2011

Plastic card fraud*£341 million*

Fraud Type	Total Estimated Fraud Loss
Cardholder Not Present	£220.9 million
Counterfeit Card	£36.1 million
Lost or Stolen Cards	£50.1 million
Card ID Theft: Account Takeover	£18.5 million
Card ID Theft: Application	£4 million
Mail Non Receipt	£11.3 million

Plastic card fraud encompasses 'cardholder not present fraud' (the theft of genuine card details that are then used to make a purchase over the internet, by phone, or by mail order), 'counterfeit card fraud' (a fake card using compromised details from the magnetic stripe of a genuine card), 'lost and stolen cards', 'card ID theft' and 'mail non-receipt' fraud.

The latest figures published by Financial Fraud Action UK indicate that total fraud losses on UK cards fell to £341 million in 2011; a 7 per cent reduction compared with losses in 2010.

This reduction was due to sign-up by retailers and consumers to online protection initiatives such as MasterCard SecureCode, Verified by Visa and American Express SafeKey; successful campaigns to raise customer awareness of fraud protection advice; improved sharing of fraud data and intelligence within the industry and with law enforcement and other sectors; raising retailer awareness of good practice to safeguard their chip and PIN equipment, along with both retailers and banks using fraud detection tools; continued upgrading of the chips on UK cards; and increased roll-out of chip and PIN abroad.

Telephone banking fraud*£16.7 million*

Most telephone banking losses involve customers being duped by criminals, using fake emails or cold calling, into disclosing their personal security details such as telephone banking passcodes. These details are then used to commit fraud.

In this third year of Financial Fraud Action UK recording telephone banking losses, the recorded loss figure for 2012 totalled £16.7 million; an increase of 31 per cent on the previous year.

Student finance fraud

£31 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↔	E & W

Financial support is available from the Government to support eligible students studying on an approved Higher Education course. The Student Loans Company (SLC) are responsible for administering government-funded loans and grants to students throughout the UK. If the student is studying on a qualifying NHS funded course, student funding is administered by the NHS Business Services Authority (NHS BSA).

Student finance related fraud can occur when applicants provide false or misleading information when applying for student funding, or deliberately fail to notify the relevant awarding authority of changes in their circumstances. For example, full household income may not be disclosed in order to gain more support, or a student may fail to notify the relevant awarding authority of their withdrawal from a course, which results in student finance continuing incorrectly.

The SLC and NHS Counter Fraud Service have independently carried out fraud measurement exercises to attempt to determine the potential for student finance related fraud. Both organisations have developed their fraud measurement methodology to take account of the likelihood of undetected fraud. The SLC have further developed their fraud measurement activity to measure the success of existing fraud prevention measures and inform future fraud prevention activity by identifying areas of risk. Based on the most recent estimates provided by these two organisations, it is estimated that student finance related fraud costs £31 million a year.

Tax Credits fraud

£380 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↓	UK

Child Tax Credit and Working Tax Credits were introduced in 2003 to provide support to parents returning to work, reduce child poverty and increase financial support for all families. Tax Credits are a flexible system of financial support designed to deliver support when a family needs it, tailored to their specific circumstances. In 2010-11, over £29 billion was paid out by HM Revenue and Customs (HMRC) to over six million families in the UK.

HMRC undertake an Error & Fraud Analytical Programme which helps to provide an understanding of the overall level of error within the Tax Credit system. Based on the findings of this programme HMRC's central estimate of the level of Tax Credits fraud favouring the claimant in 2009-10 is £380 million.⁶⁹

⁶⁹ HMRC Child and Working Tax Credits Statistics Dec 2011 available at www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-dec2011.pdf

Tax fraud

£14 billion

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↓	UK

HM Revenue and Customs (HMRC) publish annual statistical releases which estimate the scale of the tax gap for the main direct and indirect taxes that it administers. The tax gap is the difference between the amount that is due and the amount that is collected. Overall the total tax gap is estimated to be £35 billion in 2009-10.⁷⁰ This equates to around 8 per cent of the estimated total tax liability⁷¹ for 2009-10. The estimate represents a decrease in the total tax gap of £4 billion from 2008-09 to 2009-10. This decrease is mainly due to a reduction in the VAT gap, as a result of lowering the standard rate of VAT from 17.5 per cent to 15 per cent between 1st December 2008 and 31st December 2009.

Measuring Tax Gaps 2011 provides an illustrative breakdown of the 2009-10 tax gap by taxpayer behaviour based on management assumptions and judgement. For the purpose of calculating an estimate of tax fraud it is assumed that the underlying behaviours described as, 'evasion', 'the hidden economy' and 'criminal attacks' represent fraud. It is estimated that these behaviours accounted for £14 billion in 2009-10.

'Evasion' arises where individual or corporate customers deliberately omit, conceal or misrepresent information in order to reduce their tax liabilities. Behavioural research has shown that a minority are willing to break the law to avoid paying their fair share of tax. This could be an individual concealing sources of income, or a company suppressing its turnover. HMRC estimate losses to evasion to be around £4 billion (12 per cent).

'Hidden Economy' fraud consists of any undeclared economic activity arising from sources deliberately concealed from HMRC. Individuals in the hidden economy behave in a range of different ways, from employees who do not report other sources of income (known as 'moonlighters') to those who fail to declare any taxable activity or income (known as 'ghosts'). HMRC estimate losses to hidden economy to be around £4 billion (12 per cent).

Criminal attacks on the tax system involve co-ordinated and systematic attacks by organised criminal gangs. Examples include Missing Trader Intra-Community (MTIC) fraud and the use of false identities to obtain tax repayments. HMRC estimate losses to criminal attacks to be in the region of £6 billion (16 per cent).

HMRC first published estimates of the tax gap by taxpayer behaviour in December 2009. Although work has been undertaken to improve the underlying assumptions concerning the taxpayer behaviours driving the various components of the tax gap, the behaviour breakdown for 2009-10 still involves some judgement and can only be used to give a broad indication of the behaviours driving the tax gap.

⁷⁰ HMRC Measuring Tax Gaps 2011 available at www.hmrc.gov.uk/stats/mtg-2011.pdf

⁷¹ Total tax liability is defined as the tax gap plus the amount of tax actually received.

Telecommunications fraud

£972 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	-	UK

Telecommunications fraud involves the theft of services or deliberate abuse of voice and data networks. Some examples of types of telecommunications fraud are subscription fraud (the use of a false identity to acquire telecommunication services and/or equipment), international revenue share fraud (the manipulation of international premium rate telecommunication services for financial gain) and box breaking (obtaining, and selling on, subsidised telecommunication equipment such as mobile phones).

The Telecommunications UK Fraud Forum (TUFF) estimate that the telecommunications industry suffered losses of around £972 million in 2010, based on an average loss of 2.4 per cent against total operator reported revenue of £40.5 billion.⁷²

In the AFI 2011 it was reported that telecommunications fraud losses against operator retail revenue cost £730 million a year. During 2009-10 OFCOM revised the operator retail revenue figures from £30 billion⁷³ to £31.1 billion⁷⁴, to reflect more accurate data. In addition, TUFF has included the wholesale revenue as well as the retail revenue in this year's estimate, as losses are experienced across the whole of the telecommunications sector.

Due to these revisions the losses identified in the AFI 2011 and AFI 2012 are not comparable.

⁷² OFCOM, Communications Market Report 2011, Page 245 available at http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CM_R_2011_FINAL.pdf

⁷³ OFCOM, Communications Market Report 2010, Page 245 available at http://stakeholders.ofcom.org.uk/binaries/research/cmr/753567/CMR_2010_FINAL.pdf

⁷⁴ OFCOM, Communications Market Report 2011, Page 245 available at http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CM_R_2011_FINAL.pdf

Television licence fee evasion

£202 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↑	UK

TV Licence evasion is the evasion of the licence fee required for watching or recording of television programmes as they are shown on TV.

There are more than 25 million⁷⁵ licences currently in force in the UK, with collected television licence fee revenues of £3.7 billion⁷⁶ during 2010-11. The BBC calculates fraud losses resulting from licence fee evasion by comparing theoretical licence fee income with actual amount collected.

The estimated evasion rate remains at a low of 5.2 per cent, meaning that the vast majority of properties are correctly covered by a TV licence.

During 2010-11, the BBC estimates that £202 million was lost as a result of licence fee evasion.

Transport fare evasion

£210 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	-	E, W & S

Fare evasion occurs when a person travels using public transport without buying a valid ticket. This estimate includes fare evasion on the national rail system and covers England, Wales and Scotland.

Fare dodgers who choose to travel without buying a ticket are estimated to be making 115,000 train journeys each and every day on the rail network. The Association of Train Operating Companies (ATOC), which represents Britain's train operators, estimates that between 3 and 5 per cent of journeys made on the network every day are made without tickets. Applying the conservative lower estimate of 3 per cent, 42 million journeys have been made over the last year by fare evaders. Multiplying the number of journeys by the average price paid for a ticket, £5.00. ATOC estimates that around £210 million is lost to fare evasion each year. This loss is equivalent to the upkeep of around 400 stations for the next five years.

⁷⁵ TV Licensing 2010/11 Annual Review Report Page 7 available at www.tvlicensing.co.uk/resources/library/BBC/OUR_PERFORMANCE/TVL_Annual_Review_Eng_2011.pdf

⁷⁶ TV Licensing 2010/11 Annual Review Report Page 7 available at www.tvlicensing.co.uk/resources/library/BBC/OUR_PERFORMANCE/TVL_Annual_Review_Eng_2011.pdf

Vehicle excise duty evasion

£40 million

Confidence in estimate	Scope of estimate	Annual Fraud Trend	Coverage
	Undetected	↓	UK

The Department for Transport (DfT) produces annual estimates relating to vehicle excise duties, calculated by using extrapolations against the outcome of 1.1 million vehicle licence checks carried out throughout the UK.

The estimates of vehicle excise duty evasion are derived by directly observing registration marks from traffic at various sites around the country and comparing these with records held by the Government licensing agencies.

To obtain the latest figures, throughout June 2011 over 1 million vehicle registration marks were collected from 236 sites across Great Britain and 20 sites across Northern Ireland. The overall rate of unlicensed vehicles ‘in stock’ in Great Britain in 2011 was estimated to be 0.7 per cent. This equates to roughly 249,000 vehicles. Although this is down from the 307,000 vehicles estimated for 2010, it is not a statistically significant change.

It is estimated that vehicle excise duty evasion could have cost around £40 million in lost revenue in Great Britain in 2011-12.⁷⁷ Again, although this is down from £46 million in 2010-11, it is not a statistically significant change.

⁷⁷ Department for Transport (2011), Vehicle Excise Duty Evasion 2011 available at www.dft.gov.uk/statistics/releases/vehicle-excise-duty-evasion-estimates-2011

Annex 1: Breakdown of losses by victim

Fraud loss by victim sector	Victim	Total estimated fraud loss	Fraud type	Fraud loss	Annual change	Confidence in Indicator*		
						AFI 2011	AFI 2012	
Public Sector	Tax System	£14.0 billion	Tax fraud	£14.0 billion	↓	Includes undetected	Includes undetected	
			Vehicle excise fraud	£40 million	↓	Includes undetected	Includes undetected	
	Central government	£2.5 billion	Procurement fraud	£1.4 billion	↔	Includes undetected	Includes undetected	
			Grant fraud	£488 million	↔	Includes undetected	Includes undetected	
			Television licence fee evasion	£202 million	↑	Includes undetected	Includes undetected	
			Payroll fraud	£181 million	↔	Includes undetected	Includes undetected	
			NHS patient charges fraud	£158 million	-	Includes undetected	Includes undetected	
			Student finance fraud	£31 million	↔	Includes undetected	Includes undetected	
			Pension fraud	£11 million	↑	Detected only	Detected only	
			National Savings and Investments fraud	£0.46 million	↑	Detected only	Detected only	
	Local government	£2.2 billion	Housing tenancy fraud	£900 million	↔	Includes undetected	Includes undetected	
			Procurement fraud	£890 million	↔	Includes undetected	Includes undetected	
			Payroll fraud	£153 million	↔	Includes undetected	Includes undetected	
			Council tax fraud	£131 million	New	Includes undetected	Includes undetected	
			Blue Badge Scheme misuse	£46 million	↔	Includes undetected	Includes undetected	
			Grant fraud	£41 million	↔	Includes undetected	Includes undetected	
			Pension fraud	£5.9 million	↓	Detected only	Detected only	
	Benefit and Tax Credits Systems	£1.6 billion	Benefit fraud	£1.2 billion	↑	Includes undetected	Includes undetected	
			Tax Credits fraud	£380 million	↓	Includes undetected	Includes undetected	
			£20.3 billion					

*BRAG Assessment: Confidence in Indicator

BRAG	Level of confidence
Black	Poor
Red	Average
Orange	Good
Green	Excellent

Note:

Perceived level of confidence is based upon management assumptions and judgement to provide an illustrative indication of the quality of data available to produce an estimate.

Fraud loss by victim sector	Victim	Total estimated fraud loss	Fraud type	Fraud loss	Annual change	Confidence in Indicator*		
						AFI 2011	AFI 2012	
Private Sector	£45.5 billion	£16.1 billion	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Large businesses	£8.7 billion	New	Detected only	Includes undetected
			SMEs	£7.4 billion	New	Detected only	Includes undetected	
		£7.4 billion	Manufacturing	Large businesses	£5.0 billion	New	Detected only	Includes undetected
				SMEs	£2.3 billion	New	Detected only	Includes undetected
		£3.5 billion	Financial and Insurance Activities	Insurance fraud	£2.1 billion	↔	Includes undetected	Includes undetected
				Mortgage fraud	£1.0 billion	↔	Includes undetected	Includes undetected
				Plastic card fraud	£341 million	↓	Detected only	Detected only
				Online banking fraud	£35 million	↓	Detected only	Detected only
				Cheque fraud	£34 million	↑	Detected only	Detected only
				Telephone banking fraud	£17 million	↑	Detected only	Detected only
		£3.0 billion	Construction	Large businesses	£1.0 billion	New	Detected only	Includes undetected
				SMEs	£2.0 billion	New	Detected only	Includes undetected
		£2.8 billion	Professional, Scientific and Technical Activities	Large businesses	£1.1 billion	New	Detected only	Includes undetected
				SMEs	£1.7 billion	New	Detected only	Includes undetected
		£2.7 billion	Mining and Quarrying; Electricity, Gas and Air Conditioning Supply; Water Supply; Sewerage, Waste Management and Remediation Activities	Large businesses	£2.2 billion	New	Detected only	Includes undetected
				SMEs	£459 million	New	Detected only	Includes undetected
		£2.4 billion	Information and Communication	Large businesses	£1.5 billion	New	Detected only	Includes undetected
				SMEs	£841 million	New	Detected only	Includes undetected

Note:
Large businesses < 250 employees / SMEs > 250 employees, excluding sole traders.

Victim	Total estimated fraud loss	Fraud type	Fraud loss	Annual change	Confidence in Indicator*		
					AFI 2011	AFI 2012	
Private Sector (continued)	£45.5 billion	Transportation and Storage	Large businesses	£1.2 billion	New	Detected only	Includes undetected
			SMEs	£783 million	New	Detected only	Includes undetected
		Administrative and Support Service Activities	Large businesses	£571 million	New	Detected only	Includes undetected
			SMEs	£924 million	New	Detected only	Includes undetected
		Arts, Entertainment and Recreation	Large businesses	£852 million	New	Detected only	Includes undetected
			SMEs	£207 million	New	Detected only	Includes undetected
		Accommodation and Food Service Activities	Large businesses	£444 million	New	Detected only	Includes undetected
			SMEs	£571 million	New	Detected only	Includes undetected
		Human Health and Social Work Activities	Large businesses	£146 million	New	Detected only	Includes undetected
			SMEs	£563 million	New	Detected only	Includes undetected
		Real Estate Activities	Large businesses	£151 million	New	Detected only	Includes undetected
			SMEs	£350 million	New	Detected only	Includes undetected
		Agriculture, Forestry and Fishing	Large businesses	£39 million	New	Detected only	Includes undetected
			SMEs	£346 million	New	Detected only	Includes undetected
Other Service Activities	Large businesses	£56 million	New	Detected only	Includes undetected		
	SMEs	£283 million	New	Detected only	Includes undetected		
Education	Large businesses	£43 million	New	Detected only	Includes undetected		
	SMEs	£120 million	New	Detected only	Includes undetected		
Not-for-profit Sector	£1.1 billion	Registered Charities in England, Scotland and Wales	All types of fraud against Charities	£1.1 billion	↔	Includes undetected	Includes undetected

Note:

Large businesses < 250 employees / SMEs > 250 employees, excluding sole traders.

	Fraud loss by victim sector	Victim	Total estimated fraud loss	Fraud type	Fraud loss	Annual change	Confidence in Indicator*	
							AFI 2011	AFI 2012
Individuals	£6.1 billion	UK Adult Population	£6.1 billion	Mass marketing fraud	£3.5 billion	↔	Includes undetected	Includes undetected
				Identity fraud	£1.2 billion	New	n/a	Detected only
				Online ticket fraud	£864 million	New	Includes undetected	Includes undetected
				Private rental property fraud	£488 million	New	Includes undetected	Includes undetected
				Electricity scams	£2.7 million	New	n/a	Detected only
Total AFI 2012 fraud loss			£73.0 billion	£73.0 billion				

