



## A message from the NFA's Chief Executive, Stephen Harrison

The 2012/13 financial year has been one of sustained delivery for the NFA and our partners.

We marked the first anniversary of the Fighting Fraud Together strategy which continues to provide impetus for joint working across sectors. You can read about the projects led by Insolvency Practitioners and the Fraud Advisory Panel in this edition of Fraud Focus.

We have completed the rollout of the Action Fraud service to all police forces in England and Wales. Victims of fraud now receive a more consistent service and better advice

about how to protect themselves, which was envisaged when the Fraud Review recommended having a national fraud reporting service. In addition, we have recognised that an increasing number of frauds are perpetrated on-line and have included the recording of financially motivated cyber crimes alongside 'cyber-enabled' and traditionally perpetrated frauds. We are not standing still however. We still need to improve the service offering for

businesses and – with our partners in the police and the National Crime Agency – the overall end-to-end service for victims of crime. This will be our focus in 2013.

We have continued to deliver targeted awareness and behaviour change initiatives, building on the success of the 'Devils In Your Details', the 'Devils In Their Details' and the 'Spot It, Stop It' campaigns based on our segmentation of individuals and small and medium



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# A message from the NFA's Chief Executive, Stephen Harrison continued

sized businesses. We have been working with colleagues across government and the private sector to develop a business case for a major campaign to better protect individuals and small businesses from cyber crime and increase their confidence in using the internet to transact and to grow their businesses. The business case has recently been approved and we have started procuring services to help us deliver the campaign, as well as establishing a regular National Cyber Security Tracker to help measure impact.

NFA staff have played a leading role in developing the Economic Crime Intelligence capability of the National Crime Agency, working on innovative pilots with public and private sector partners so that we 'learn by doing'. As part of our contribution to the work of the

Cabinet Office's Fraud Error and Debt Taskforce, we have also led a pilot to share confirmed fraud data between HM Revenue and Customs, the Department for Work and Pensions and the banking and insurance industries with the assistance of the Serious Organised Crime Agency and the National Fraud Intelligence Bureau. This has great potential for preventing fraud losses across the public and private sector.

We have continued to improve the methodologies for the Annual Fraud Indicator and the details of the 2013 AFI are included in this edition of Fraud Focus.

We have also worked closely with SOCA and the team building the Economic Crime Command of the National Crime Agency on using the innovative SPIRA mapping technique

to gain a better understanding of fraud enablers. Co-ordinated action on fraud enablers will be high on the Economic Crime Command's agenda as it moves into shadow working prior to the NCA going live later in the year.

The NFA completed work with Local Authorities to produce three guides on practice for Fighting Fraud Locally – case building, asset recovery and fraud risks. The NFA set up a good practice web bank for local authorities which is now owned and managed by CIPFA.

This has been revamped and now has a dedicated area due to the high number of hits since it opened 11 months ago. Over 5,500 LA users have used the page which holds tools to download good practice as well as a self help discussion forum. Three pilots have also been started in the areas of business rates, schools and personal budgets and will be run by the Fighting Fraud Locally Board. The Business Rates pilot is being conducted jointly with Fighting Fraud Together stakeholders including the Chamber of Commerce.

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# Annual Fraud Indicator (AFI) 2013

The National Fraud Authority has published its latest iteration of the Annual Fraud Indicator (AFI), which aims to illuminate the scale and nature of the fraud loss problem. This year, the report puts fraud loss in the UK at £52 billion.

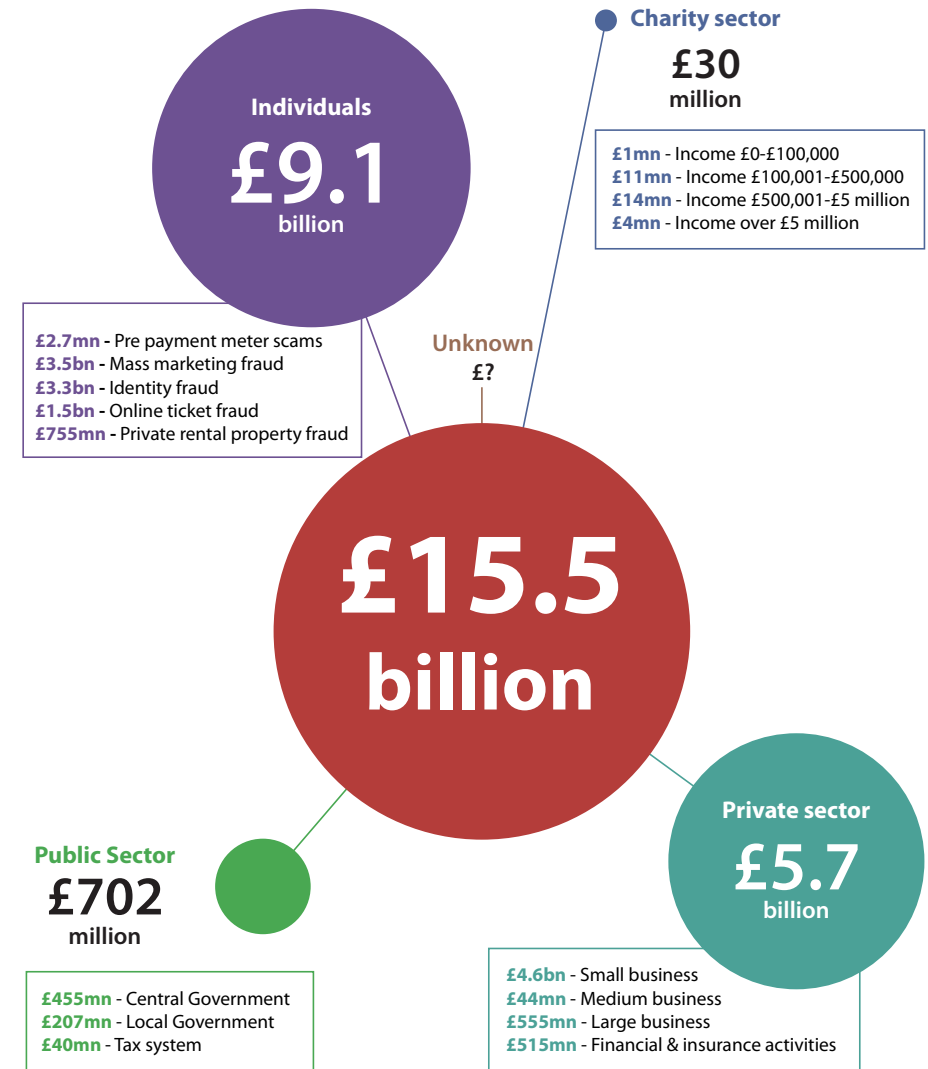
The AFI brings together existing estimates of fraud in the public domain and primary research in the form of surveys into a single compendium of fraud loss estimates. The AFI covers fraud against all types of victims – public, private, charity and individuals.

Total losses by victim in 2013:

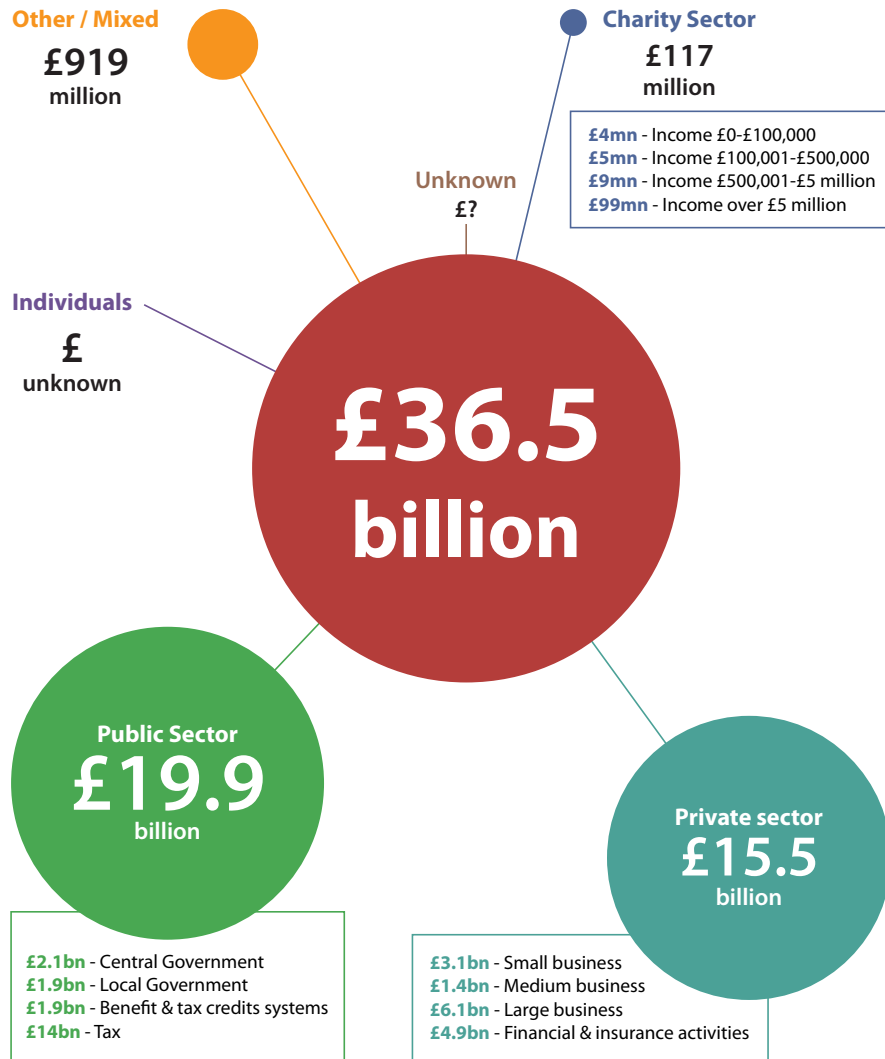
- Private – £21.2 billion
- Public – £20.6 billion
- Individuals – £9.1 billion
- Charity – £147 million

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## Identified fraud loss estimates by victim



### Hidden fraud loss estimates by victim



## Annual Fraud Indicator (AFI) 2013 continued

AFI estimates are not the definitive costs of fraud, which may be higher or lower than the estimates in the report. However, during 2012 the NFA sought to gain more confidence in the estimates produced as part of its primary research.

This included:

- designing out potential errors and bias through stronger sampling strategies
- increasing sample sizes where necessary to enhance confidence levels
- increasing the cognitive understanding of the questions by respondents through better question specification and more robust analysis.

This year's report therefore estimates identified fraud losses nationally of £15.5bn and hidden fraud losses nationally of £36.5bn.

The AFI is an important tool in raising awareness of fraud amongst organisations and individuals.

The AFI does not indicate whether fraud losses have increased or decreased but seeks to highlight the potential scale of the problem. The AFI 2013 is the NFA's fourth Annual Fraud Indicator which has been developed year on year to provide more robust estimates of fraud. Each iteration of the report therefore replaces the last.

A link to the report can be found [here](#).

# NFA awareness-raising highlights, 2012/2013

Over the last year, the NFA committed to raising the profile and awareness of fraud amongst individuals, businesses, the public sector and the voluntary sector and empowering them to protect themselves by delivering targeted initiatives that measurably change behaviour. To achieve this, the NFA and key partners have delivered a range of tools and campaigns.

Targeting individuals most at risk, the NFA and industry bodies launched a campaign aimed at men aged between 36 and 55 as research suggested this group were the second most likely to lose money to fraud. The awareness video highlighted the pitfalls of taking investment risks, warned of the dangers of not checking out deals and pointed viewers towards prevention advice on the [Action Fraud website](#).

Research also showed that women aged over 56 generally



avoided risks, but were vulnerable to mass marketing and socially engineered approaches. In order to reach and engage this group the NFA joined forces with well-respected local organisations to run a pilot community-engagement campaign in County Durham. Post-campaign, 80% of attendees felt they could 'spot' a fraud and two in five later rejected an approach from a cold caller.

For the public sector, a 'Spot it, Stop it' themed campaign was

rolled out to all civil servants, using free resources developed by the NFA. The NFA also commissioned a free Counter Fraud and Corruption e-learning tool, intended to educate all staff about fraud risks and their role in reporting and preventing fraud.

The NFA have also been focusing effort on Small and Medium Enterprises (SMEs), who traditionally have received less support than other segments of society. To address this, the NFA and partners developed a comprehensive online SME toolkit and ran a highly successful digital awareness campaign to direct SMEs towards this resource. The toolkit can be found [here](#).



# Intelligence sharing

It is widely accepted that sharing fraud information is an effective way of preventing, detecting and deterring fraud and there are a number of existing examples of good practice in this area.

The NFA, together with partners from both the public and private sectors, has been working to develop this approach further, resulting in the concept of a Counter Fraud Checking Service (CFCS).

It is envisaged that the CFCS will bring together confirmed fraud data from across the public and private sectors and enable organisations to check new applications for benefits and services against this data. This will inform their decision making process on the suitability and eligibility of an individual, both prior to establishing a relationship and indeed throughout the lifetime of that relationship.

The Cabinet Office's Fraud Error and Debt Taskforce has given a clear mandate for a pilot exercise which will support the development of the economic case for the CFCS. There are currently a number of high level assumptions made about the potential benefits the CFCS could generate but further work needs to be carried out in order to establish a robust economic case. As a result, a cross sector pilot has been initiated which will involve the exchange of known fraud data involving SOCA, HMRC, DWP, the insurance and banking sectors, as well as further research on benefits and costs. The project is also embarking on

market engagement events to gain better understanding of the potential delivery options and associated costs.

The NFA is also supporting the build of the Economic Crime Component of the National Crime Agency's Intelligence Hub. This has involved working with partners across the public and private sector to identify the business and technical requirements for sharing economic crime intelligence. Recent work with partners has shown the benefits of cross sector intelligence sharing. A proof of concept involving HMRC, the banks and SOCA, which adopted innovative data matching



techniques, was highly successful in identifying additional Tax Credit fraud. The estimated yield to HMRC was £0.57m and could be higher as the identified fraud would have continued into the future. The project highlighted several aspects of the concept that could be improved, such as the smarter use of data analytics and risk-profiling, and these are now being tested further.

We are also working with key partners to develop industry and sector intelligence sharing capabilities and are engaging with a number of industries with emerging intelligence capabilities to encourage their development.

# Project Bloom

Don't let pensions become prey.

There has been a large increase over the past couple of years in offers to retirement savers to take a portion of their pension pot as cash before they reach the minimum age of 55.

Only in very rare circumstances – such as serious ill health – is it possible to access your pension before 55 without incurring financial penalties. By accessing pension savings earlier than this, individuals are likely to be poorer in retirement and can also face substantial fees and tax charges, which can erode over half of the value of their pension pot.

The Pensions Regulator is part of a cross-government task force set up to combat 'pension liberation fraud' called 'Project Bloom'. This involves,

among others, the National Fraud Authority, the shadow Economic Crime Command of the shortly to be established National Crime Agency, the Serious Fraud Office, the Serious and Organised Crime Agency, the Financial Conduct Authority, and HM Revenue and Customs.

The regulator has also published a **suite of material** to raise awareness of the threat. This includes an action pack for pension professionals, an advice pack for members, and a transfer pack insert for administrators to include when a member requests a transfer to another scheme.

## What is pension liberation fraud?

Pension liberation typically works where a member is approached



by an 'introducer' or 'adviser' who persuades them to transfer their pension into a new 'scheme' – usually enticed with an offer of up-front cash. The remainder of the fund, after fees are deducted, is then usually 'invested' – frequently into highly risky or opaque investment structures that are often based overseas.

## What are the warning signs to look out for?

- Member approached to access pension before age 55
- Reference to 'legal loopholes' or 'loans'
- Cash bonuses or incentives to transfer
- Member approached unsolicited – via text, call or email
- References to overseas investments

## What are the consequences?

- Member will be poorer in retirement
- High tax charges and administration fees
- No compensation available if things go wrong
- Funds often invested in bogus schemes or ventures

Pension Liberation fraud or suspected fraud should be reported to Action Fraud at [www.actionfraud.police.uk/report\\_fraud](http://www.actionfraud.police.uk/report_fraud) or on 0300 123 2040.

# The Pensions Regulator

# Another weapon in the arsenal

How Insolvency Practitioners are taking the fight to fraudsters.

For most people tackling fraud is a job for law enforcement, not Insolvency Practitioners (IPs). They are seen as having a very different role: working with over-indebted individuals and businesses, selling assets to repay creditors, winding up a business's affairs or, where possible, rescuing it.

However, the volume of fraud in the UK dwarfs the resources available to law enforcement to tackle it. Furthermore, the difficulty in securing criminal prosecutions can leave victims deeply frustrated and fraudsters at liberty to cause further damage. In such circumstances, insolvency procedures can provide a useful and effective alternative.

IPs have a wide range of powers, which enable them to investigate and take action against those involved in fraud. These powers include the ability to search and seize property, to redirect post, to confiscate passports, to examine individuals before the court and to recover assets, as well as extensive powers of international recognition. Through such means, IPs can disrupt fraudsters and the networks in which they operate, they can make recoveries for the benefit of victims and can support government and law enforcement in disqualifying fraudulent directors or pursuing criminal proceedings.

Whilst certain parts of government and law enforcement already work successfully with IPs to tackle fraud, awareness of the role the insolvency profession can play in this area is not widespread. R3, the trade body for the insolvency profession and a member of the NFA's 'Fighting Fraud Together' initiative, has therefore been working closely with government, law enforcement and the private sector to demonstrate how insolvency procedures can be used to tackle fraud.

Fraudsters do not lack ingenuity and take advantage of every opportunity, so those fighting fraud must ensure they are using every tool at their disposal in dealing with them. Insolvency can

provide another effective route to stop fraudsters in their tracks and deliver justice for victims.

Frances Coulson – Moon Beaver and Chair, R3 Fraud Group





# Getting your money back – a victims' charter?

Victims of fraud, be they individuals or small businesses, are faced with a quandary: where to turn for good advice on how to recover their losses.

In many cases, fraud victims have little knowledge of the routes available to them to recover their money – either through the criminal or civil courts or by other means. Advice and support can be patchy and incomplete (especially for smaller businesses), and it can be difficult for victims to identify true 'fraud experts' or even to find the information they need to make a confident start in looking for one.

The Fraud Advisory Panel has been leading a major initiative to make access to civil justice easier for fraud victims in England and Wales, particularly those whose cases are unlikely to result in a criminal investigation and prosecution.

We have published a series of **sixteen recommendations** that

we hope will improve the availability and quality of information and support offered to individual and smaller business victims who want to get their money back. These include:

- More funding for support services (such as counselling and advice) for fraud victims, including smaller businesses.
- Victims should be routinely provided with information on routes to redress.
- A short, plain English guide setting out the various options and made widely available.
- Insurance should be encouraged and promoted, particularly amongst smaller businesses.
- An impartial and authoritative website should be set up to offer guidance for fraud victims.

The full findings of our research are available in a series of free booklets, Obtaining redress and improving outcomes for the victims of fraud, which can be downloaded at [www.fraudadvisorypanel.org](http://www.fraudadvisorypanel.org).



## Case study

A small, family-owned manufacturing business was defrauded of £750,000 by their finance director who was a trusted employee and friend. Throughout efforts to secure redress, the victim was repeatedly put at a disadvantage by poor legal advice, and pressured to conclude the case quickly to avoid rising legal costs and protect the business. An unfamiliar legal landscape meant that the victim had little or no idea where to find the expert support and guidance needed, resulting in delays in appointing advisers and taking crucial decisions.

'We picked a solicitor ... [who] must have been the worst solicitor we could have picked ... We were too far down the line to swap, although we did consider it ... He was more of a property solicitor rather than a criminal sort of guy ... really we should have immediately gone to a corporate lawyer or someone like that ...'

# Successful roll out of Action Fraud to police forces



Action Fraud reporting increases by 180%, compared to the previous year

**ActionFraud**  
Report Fraud & Internet Crime  
[actionfraud.police.uk](http://actionfraud.police.uk)

On the 25th March 2013, the NFA completed the roll out of Action Fraud to each of the police forces of England and Wales, on time and to budget.

We also brought into scope the policing services of the Isle of Man, the States of Jersey and Guernsey, the British Transport Police (BTP) and the Ministry of Defence Police.

So how is it going? It's going very well with a significant increase in the number of crimes and information reports being reported; from April

2012 to March 2013 Action Fraud reporting increased by 180% compared to the previous year. Roll out is believed to be one of the key drivers for this increase in reporting. This is, for the first time, helping to build a detailed understanding of the scale and complexity of fraud affecting the UK economy.

We have also now established a 'National User Group' comprising police representatives from across the UK, which will help to inform the future developments and enhancements of the service.



# Action Fraud: Understanding the customer journey

Now that Action Fraud has been operational for over three years, and with the roll out to all police forces in England and Wales complete, a programme of work has been embarked upon to understand and evaluate the customer journey for both the contact centre and online reporting service.

Many aspects of life in 2013 have changed considerably since 2009 – made easier by increased use of online and digital channels. With online banking and shopping becoming ever more sophisticated and convenient for customers, expectations around what it is possible to deliver online have increased across the board.

The timing is therefore right to review how delivery of Action Fraud is keeping up with evolving customer

expectations, to ensure that the service remains customer-oriented and provides a modern, flexible crime reporting and support service, with increased opportunity to report in the most time-efficient way.

Activity has so far involved an online survey with both the general public and over 1000 Action Fraud customers, establishing customer expectations and motivations for using the service and how these compare with the actual experience

delivered. Further activity involves in-depth user testing of the online reporting function to understand the reality of reporting this way from a customer perspective, as well as workshops to identify key areas of strength and suggestions for improvement.

The results of this work will help to ensure that any future enhancements to the Action Fraud service have customer requirements built in from the outset.



# Update on the NCA

There are now just three months to go until the National Crime Agency (NCA) goes live.

The Crime and Courts Bill, which contains the legal provisions for the agency, received Royal Assent on 25 April and the Agency vested on 27 May.

Shadow working, testing how the NCA will begin to operate in advance of it going fully live, is progressing well and driving early operational improvements, including through multi-agency activity to tackle a range of economic crime threats under its shadow Economic Crime Command. Over the past month the shadow Economic Crime Command has focused on pensions

liberation fraud and as a result of this has seen industry partners taking direct action to stop members of the public losing their pensions.

The team are now drawing together the key learning from this project to drive further operational improvements across other key fraud types, including intellectual property crime and investment fraud. Further arrests as a result of shadow Economic Crime Command coordinated activity on both pensions liberation and other types of fraud continue to be made.



# Publications and forthcoming events

## Fighting Fraud Awards

Nominations for the 2013 Fighting Fraud Awards will be open from 1 July and close on 30 August. Further details can be found [here](#) from 28 June

## Southwark Council wins award

Southwark Council has won The Cliff Nicholson Award 2013 for its innovative tackling of social housing fraud. By approaching tenancy fraud from all angles and using different initiatives to do so, including membership of the London Fraud Hub (developed under Fighting Fraud Locally), Southwark exceeded their targets in 2012/13 to recover much needed properties. Read more [here](#).

## Federation of Small Businesses

Small businesses lose £785 million to cybercrime, according to a recent FSB report entitled **'Cyber Security and Fraud: The Impact on Small Businesses'**.

This report looks at:

- the context to the cyber security debate
- the experience and associated costs of small businesses with regard to online crime and fraud
- mitigating actions currently taken by businesses
- an evaluation of the current support and response framework.

## Commercial Victimisation Survey

The second installment of the **2012 Commercial Victimisation Survey** has been published today. The key finding is that business crimes are down from a total of around 21.5 million in 2002 to around 7 million in 2012; this includes a reduction in fraud. However, the definition for what constitutes wholesale or retail business premises has changed since 2002, making a direct comparison problematic. Also, the report only details reported crime.

