

3rd February 2012

Fraud focus: Vigilance is key

By David Callcott, managing director of Quest

Each year, a number of industry analysts release findings into the current levels of reported financial crimes. Recent statistics from Experian, as released in December 2011, show a further increase in the number of mortgage fraud attempts, with 49 out of every 10,000 applications being identified as fraudulent.

These figures were calculated between July and September of 2011 and were reported to be 77 per cent higher than the same period in the previous year, in addition to being 53 per cent higher than the second quarter of 2011.

Although the rise in attempts is a negative for the industry, the analysis has identified trends regarding the way in which such frauds are being perpetrated, which could help in the detection and prevention of crimes of the same nature from occurring in future. Experian states that nine out of 10 mortgage frauds are tending to originate from misrepresentation of financial data.

This marries with the CIFAS FraudScape bulletin that was announced in the summer of 2011, which reported that while fraud remained relatively constant, the way in which frauds were being committed changed and were mostly being driven by falsified data. This includes non-disclosure of adverse credit history or providing a false proof of income.

Unfortunately, with the challenging economy that we face today in 2012, I believe we are likely to see attempts of this nature grow as financial pressure on consumers continues to mount.

For example, tightening lending criteria or changes to personal circumstances, such as unemployment, may well be contributing factors towards the rising number of individuals who are attempting to access funds by whatever means possible.

With the launch of the HMRC Income Verification Scheme, we may well start to see these numbers reduce over time as the income data is scrutinised further still and so fraudulent applications of this nature may fall at this additional hurdle as a result.

What is clear is that in stringent times, we all need to be vigilant regarding any attempted crimes of this nature and have systems in place to pinpoint discrepancies and enable risk management teams to investigate accordingly.