I’M ONLY HUMAN AFTER ALL

An extract from Perspective:
The fraud and identity issue

Essential insights into the issues facing your industry today
Yes, you could be a victim, but could you also unwittingly become a culprit? Peter Harrison, Product Leader – ID and Fraud at Equifax, discusses the human side of fraud from every angle.

The epidemic takes hold
Scam, con, swindle, extortion, sham, double-crossing, hoax, cheat… there are many emotive terms that can be used to describe a fraudulent act and, with fraud now the most commonly experienced criminal offence in the UK (according to the Office for National Statistics Crime Survey for England and Wales), there is also another emotive word often used when describing the phenomenon, which is “epidemic”.

Despite many frauds going unreported, the scale of the fraud problem is huge and continues to grow. Clearly technology is the enabler behind the rise in online fraud, so our continued use of technology in all facets of our lives means this problem will persist and many more of us are at risk of being affected.

This article discusses what it is like to be a victim of fraud in terms of how it affects people personally, and who is likely to be a victim. We also ask what a fraudster might look like and, finally, what it would take for you or me to become a fraudster.

What does it mean to be a victim of fraud?
Victims of fraud are not all affected in the same way. There are many factors that will impact how we react and the degree to which we may suffer. Overall, it’s safe to say that being a victim of fraud is not a positive experience. Below are some of the main areas in which we are likely to be negatively impacted should we become a victim:

Financial: The primary purpose of most attempts to defraud is to make financial gains, so as a victim we correspondingly stand to lose out financially, unless we can recover the money taken or be reimbursed by our bank. Many victims will be reimbursed by their bank, but not always – more on this later.

Time: Being defrauded will often mean that you need to take measures to cancel and replace bank and credit cards, as well as seeking reimbursement for your losses where you feel you were not at fault. There may also be a need to contact credit reference agencies, such as Equifax, and fraud prevention agencies in order to mitigate the effect on your future credit worthiness. All of this will take time and means you have less of it to spend on things you enjoy, as well as adding to the overall stress of the situation.

Emotional and psychological: Fraud victims will fall prey to many negative emotions and anxieties. This could mean feeling violated and exploited, which is often exacerbated by the fact that the foe is both remote and unknown, and this, in turn, can lead to feelings of defencelessness and vulnerability – which is not helped if the victim blames themselves for what has happened. Fraudsters are adept at socially manipulating information out of their victims, but being taken advantage of in this way can leave the victim ashamed of their self-perceived gullibility.

Relationships: As a result of the problems outlined above, the victim’s shame at being exploited can lead to withdrawal and isolation as well as a lack of trust in others. Inevitably this will mean their wider relationships are affected and could ultimately break down.

Physical: The emotional and psychological impacts of falling victim to fraud may culminate not only in depression, but also in physical manifestations, such as sleeplessness and nausea.

The effects of fraud on the victim are, as shown above, pervasive and cannot be underestimated. However, it can be hoped that victims may learn from the experience and be able to move forward positively with a determination not to be exploited again. With the help of those close to them and from bodies such as Victim Support (www.victimsupport.org.uk), this is possible.

Who is likely to become a victim of fraud?
We are all vulnerable to fraud, but are certain types or groups of people more likely to be targeted? Or is it the case that we are all targeted but certain types or groups are more likely to fall prey to becoming victims of fraud?

Differences exist at the demographic level in terms of vulnerability to fraud. Groups that appear to be particularly vulnerable are the elderly, the less well educated, and the socially isolated. Does this mean that these groups are more likely to be targeted by fraudsters? The answer is probably ‘yes’ in both cases.
In terms of gender differences, women tend to be more likely to fall for ‘free gift’ or voucher scams (where the free gift often fails to materialise or is sub-standard), miracle health and slimming scams, and clairvoyant and psychic scams; men are more likely to fall for internet dialler scams involving re-routes to premium rate telephone lines, high-risk/high-reward investment scams, and property scams.

Older people can be particularly vulnerable to fraud as they are more likely to live alone, be at home during the day, have savings, feel isolated and lonely, and might also suffer from conditions that affect their decision making, such as dementia. This makes them a target and they can be particularly susceptible to phone and doorstep scams.

In terms of the ethnicity of victims, this in itself does not make one victim more likely to be targeted or more susceptible to falling for the fraud than another – however, where an ethnic group is over-represented within certain demographic groups, they may appear to be more at risk. Having said this, the ethnicity of the victims may affect the likelihood of the victim being reimbursed. A recent report in The Times stated that black victims of fraud are more than twice as likely to be denied a refund by their bank as white customers, based on complaints to the ombudsman made by 10,000 customers over two years. Any bias by the banks has been denied with the credibility of the sample used in this analysis questioned.

So while it is certainly the case that anyone can fall victim to fraud, the techniques deployed by fraudsters will often attempt to target and exploit vulnerabilities that are specific to the intended victim and their personal circumstances. This approach will be further exacerbated by the increasing involvement of organised criminal gangs in fraud, which has led to greater sophistication and complexity in their attacks.

Victims who have been targeted will often be unaware of how the attack against them was perpetrated, and they will only be able to shed light on this after the event with the benefit of hindsight. To the victim, the attack may initially appear to have been opportunistic, but fraudsters will often attempt a range of perpetration strategies and when the scam is reviewed in its entirety, it will in fact reveal itself as a highly organised fraud.

What does a fraudster look like?
A fraudster is stereotypically depicted as a hooded figure crouched over a laptop, or as a sinister masked individual. In reality, of course, a fraudster looks just like us. While the involvement of organised gangs has made fraud the ‘career’ of choice for many professional criminals, at the other extreme there are fraudsters who would deny that they are committing fraud at all.

These ‘denial’ fraudsters refute their fraud on the basis that “everyone is doing it”, that it is a victimless crime, or if they do admit to there being a victim that it is a bank, which they feel deserves everything that is coming to it.

So while fraud is a profession for many perpetrators who see it as criminal activity with lower personal risk and greater financial gains, for others (once they admit it) they are ‘accidental’ fraudsters who find themselves where they are due to coercion, misfortune, circumstance or bad luck.

Could I become a fraudster?
Could you or I become a fraudster?
As outlined above, it could only be a matter of accident and circumstance that stands between you and a life of fraud.

A longstanding concept, known as the ‘fraud triangle’, can explain the factors at play in the making of a fraudster and the basic theory still holds up: fraud is likely to occur if the subject has some kind of financial pressure, a perceived opportunity to relieve that pressure, and the ability to rationalise his or her conduct so that there is a lessening of guilt or a feeling of justification.

In terms of ‘pressure’, there are many red flags that might be apparent: redundancy, living well beyond means, an expensive divorce, etc. But it could also be ‘aspirational’ whereby the individual desires an ‘ideal’. It could be that a nagging need exists and is triggered into action because an opportunity presents itself, e.g. lack of controls inside the individual’s employer, a ‘too good to miss’ opportunity to invest in some shares, etc.
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Fraud mules will commit a fraud on behalf of another party. This could take the form of the mule taking on contracts for expensive mobile phones that are handed over to the ringleader for a payment. The mule may have some cash in hand, but is left with a contract in default as they have no ability to pay, and a less than perfect credit file. The mule could alternatively allow their bank account to be used for fraudulent and/or money laundering purposes in exchange for a relatively small payment.

Why would an individual be motivated to do this? There are numerous possible explanations. It could be due to coercion, e.g. where there is an outstanding debt or a threat of some kind; it could be ignorance whereby the individual doesn’t even realise they are committing a fraud; it could be opportunism where the long-term repercussions of the action are outweighed by the short-term rewards.

Whatever the motivation, the factors at play within the fraud triangle explained above can all be applied at differing levels.

A very human problem
Scam, swindle, hoax – whatever we choose to call it, fraud has been around for centuries and boils down to one party tricking another, usually for the former’s benefit and at the cost of the latter. The victim is often left out of pocket, but the effects can be much more profound and debilitating, as outlined earlier in this article.

Technology has allowed fraud to proliferate and has also allowed organised criminal gangs to operate with ease and on a massive scale. Law enforcement agencies are struggling to cope and because of the insufficient resources at their disposal they are often limited to disruption tactics. The scale of the fraud problem presents a clear danger. Commerce relies on trust and if we, as consumers, cannot engage in commerce for fear of being duped then our economies will suffer. The human effects of fraud are to be ignored at our peril.

To find out more, contact Peter on 07887 596 097 or by emailing peter.harrison@equifax.com.

Idea in brief

THE SITUATION
Despite many frauds going unreported, the scale of the fraud problem is huge and continues to grow.

THE CHALLENGE
The effects of fraud on the victim are pervasive and cannot be underestimated.

THE TAKE AWAY
The human effects of fraud are to be ignored at our peril.