



SUPPORTING THE VICTIMS OF FRAUD

THE YEAR IN REVIEW 2014-2015



For too long the victims of fraud have been crime's forgotten victims – attracting little attention and receiving little sympathy.

But times may be changing.

Encouragingly, there now seems to be a new desire to provide the real support that very many fraud victims, especially the vulnerable, so desperately need.

In this year's review we highlight some of these initiatives and consider what they tell us about UK fraud-fighting today.

You will also find personal contributions from some of our trustees, who share their own views on the treatment of fraud victims and the obstacles they face in achieving anything like a fair and just outcome.



Championing anti-fraud best practice

The Fraud Advisory Panel is the respected, influential and independent voice of the fraud-fighting community.

We lead the drive to improve fraud awareness, understanding and resilience.

Our members are drawn from all sectors – public, private and voluntary – and many different professions. They are united by a common concern about fraud and a shared determination to do something about it.

CONTENTS

04	The chairman's overview
05	About the Panel
05	Our vision
05	Governance
05	Funding
05	Membership and its benefits
06	Trustees
06	Corporate members
07	Staff and consultants
08	Key achievements
08	Highlighting options for financial redress
08	Championing victim support
08	Helping fight cybercrime
09	Contributing to the national agenda
09	Educating and training
09	Supporting members
10	The year in review
11	Corporate fraud
11	Fraud against the individual and smaller businesses
11	Fighting fraud
12	Supporting the victims of fraud
13	We are all vulnerable now
14	Cifas – protective registration for the vulnerable
14	Action Fraud – victim care unit
15	Sussex Police – ‘Operation Signature’
16	North Yorkshire Trading Standards – a joined-up approach
16	Royal Bank of Scotland – branches on the alert
17	Co-operation isn't co-ordination
18	Is fraud different?
19	What do we mean by vulnerable?
20	Pension fraud turbo-charged
21	Personal perspectives
21	Fraud victims and the criminal justice system
23	Fraud statistics: the real scam?
25	Accountants as trusted business advisers
26	Acknowledgements

The chairman's overview

This is my first overview of the work of the Fraud Advisory Panel. I have spent most of my legal career dealing with fraud matters, both as a defence advocate and a prosecutor. Now I have a welcome and fascinating opportunity to stand back a little from the fray and look objectively at the many problems and clashing priorities thrown up by what has become the pervasive threat of financial crime.

The fraud landscape in the UK and internationally has changed dramatically since the Panel was first formed. But in that time it has worked tirelessly for a UK fraud-fighting response that is fit for purpose and victim-focused. Ten years ago fraud was still thought of as a victimless crime. It was the Panel that put the record straight and drew attention for the first time to the scandalous gap between the great suffering of victims and the feeble support they received. More recently, it was our extensive civil justice initiative that shone the brightest light so far on the many shortcomings of the civil and criminal systems and provided an expert and comprehensive agenda for reform. In this annual review we look back over those last ten years in particular, reviewing changing attitudes and looking at some of the new thought and action being aimed at better supporting all victims, but particularly the most vulnerable.

Recently we have been laying the foundations for the next phase of the Panel's evolution. These preparations have included a comprehensive upgrade and refresh of our website as well as a more modern logo and branding. The website in particular was a major undertaking for us. The site is a key tool for informing, advising, supporting, campaigning and educating, as well as being a repository of our many guides, reports and surveys. We are confident it will add very significant value to our work whilst also improving our ability to reach those who need our expertise and advice most.

Our commitment to fighting for the rights of fraud victims remains front and centre. Top of a full agenda for the coming years will be tackling the many and varied difficulties victims face in the aftermath of fraud. And because reporting fraud and recovering assets are never easy we have beefed-up the victim support section of our new website. It now includes an easy-to-use, interactive decision tree which victims will find invaluable from the moment they realise a crime has been committed. Our thanks go to Hannah Laming and the team at Peters and Peters for their help with this.

Prevention is a core activity for us. If there is any such thing as a cure for fraud, it lies in resilience. In the coming years we will be as busy as ever lobbying for safer systems, encouraging greater vigilance from the authorities and working with all business sectors to help them become more robust in the face of economic crime.

Our education and training programme is a large part of what the Panel does. Martin Robinson has spear-headed much of this work for more than ten years and, in so doing, has made a vital impact across a wide range of important issues. I would like to take this opportunity to thank him for what has been a most valuable, sustained contribution to an important aspect of the Panel's work.

My thanks also go to our trustees and members, who support the work of the Panel with first rate expertise. We are very fortunate to have such a dedicated, diverse and hard-working membership.

And finally I would like to personally thank Mia Campbell and Oliver Stopnitzky, both for their tireless work on behalf of the Panel and, in particular, for showing me the ropes!

David Kirk, July 2015

About the Panel

Our vision

The Fraud Advisory Panel is a small charity with a big vision: we want everyone to have the knowledge, skills and resources they need to protect themselves against fraud and to help protect others too.

We seek to make a tangible, practical difference in the fight against fraud and financial crime by championing anti-fraud best practice and helping people and organisations to increase their fraud resilience and risk awareness.

Our many, dedicated volunteers give very generously of their time, knowledge and experience to help us achieve our goals.

Governance

The Panel is governed by a board of trustee directors (their biographies are on pages 6 and 7) supported by two full-time members of staff.

Funding

We are funded through subscriptions, event registration fees and an annual grant from ICAEW. We also receive ad hoc sponsorship and in-kind donations of time, expertise, venues and refreshments.

Membership and its benefits

Membership is open to anyone with a professional interest in the prevention, detection, investigation and prosecution of fraud and financial crime.

Key benefits include:

- a practical, public commitment to fighting fraud and promoting best practice in prevention;
- access to the resources needed to keep up-to-date with the latest skills, trends and developments;
- opportunities to network and share ideas with like-minded professionals;
- access to an organisation with a nationwide reach and a growing international profile; and
- the chance to contribute to an expert and influential voice speaking with clarity and independence on the anti-fraud challenges of our times.

There are two ways to join – as an individual or as an organisation. Both offer a wealth of professional development opportunities and practical benefits. For more information please contact us on +44 (0)20 7920 8637 or membership@fraudadvisorypanel.org.

Trustees



David Kirk

Chairman

Partner, McGuireWoods, specialising in fraud matters with a particular emphasis on bribery, corporate liability and financial services regulation; chairman of editorial board, *The Journal of Criminal Law*; former chief criminal counsel, Financial Services Authority (2009–2013); former director, Fraud Prosecution Service (2006–2009).



David Clarke

Nominations committee member

Group head of translation compliance and multi-lingual due-diligence, Today Translations; specialist in counter-fraud measures, Today Advisory Services; former detective chief superintendent and member of the UK government's Fraud Review team, responsible for designing and leading the National Fraud Intelligence Bureau and Lead Force for Fraud.



Bill Cleghorn MBE

Deputy-chairman, nominations committee chairman

Director, Aver Corporate Advisory Services Ltd, specialising in fraud and financial crime investigation and corporate recovery across all sectors; fellow, Association of Business Recovery Professionals; lecturer on fraud-related issues and money laundering.



Frances Coulson

Managing partner and head of insolvency and business recovery, Moon Beaver Solicitors; founder partner, ShawnCoulson, specialising in personal and corporate insolvency, in particular contentious cases involving fraud and injunctive reliefs; former president of R3, now chair of its fraud group and member of its policy group; special constable, National Crime Agency.



Felicity Banks

ICAEW-appointed

Head of business law, ICAEW, with lead responsibility for representational work on legal and regulatory issues for professional accountants and specialising in economic crime; represents the profession on the UK government's money laundering advisory committee and the Financial Action Task Force's private sector consultative forum.



Phillip Hagon QPM

Senior security adviser, Sainsbury's; independent security consultant; former officer, Metropolitan Police Service (retired after 33 years with rank of commander); awarded the Queen's Police Medal in 2005 for distinguished service; City of London liveryman; sits on the court of the Worshipful Company of Security Professionals.

Corporate members

Absolute Partnership Ltd

Access Bank plc

Association of Certified Fraud Examiners

Association of Chartered Certified Accountants

Aviva plc

Baker Tilly

BDO LLP

Beever and Struthers

Cifas - the UK's Fraud Prevention Service

Corporate Research and Investigations LLC

Deloitte LLP

Dentons UKMEA LLP

EY

Financial Conduct Authority

Forensicus Ltd

Grant Thornton UK LLP

Griffins

Haslocks Forensic Accountants Ltd

ICAEW

Institute of Chartered Accountants of Scotland

International Compliance Training

Kennedys

KPMG LLP

Kroll

Law Society of Scotland

Maclay Murray & Spens LLP

Moon Beaver Solicitors

National Audit Office

Northern Ireland Audit Office

Omni Risk Management Ltd

Pinsent Masons LLP

PricewaterhouseCoopers LLP

Prudential plc

Royal Bank of Scotland Group

RSA Insurance Group

Smith & Williamson LLP

State Street Bank and Trust Company

Stroz Friedberg Limited

Transport for London

Our special thanks go to Steven Philippsohn, who served as a trustee director for almost 13 years until 11 November 2014, and David Skade, who served for almost six years until May 2015.



Barbara Hart

Nominations committee member

Retired chartered accountant; charities manager, ICAEW (2007-2008); finance director, CARE International UK (1998-2001) and Mothers' Union (2001-2007).



Monty Raphael QC

Investigation and legal process interest group chairman

Special counsel, Peters and Peters, specialising in all aspects of domestic and international business crime and regulation; chair, the cybercrime committee of the International Bar Association; honorary solicitor, Howard League for Penal Reform; trustee director, Transparency International (UK); author, *Blackstone's Guide to the Bribery Act*; lecturer and writer on fraud-related matters.



Dr Stephen Hill

Cybercrime interest group chairman

Director – data and intelligence, Absolute Partnership; specialist in counter-fraud, data protection, internet investigations and e-crime; honorary steering committee member, London Fraud Forum; volunteer, City of London Police support volunteer programme; associate, Association of Certified Fraud Examiners; MLIP and CIIP certified.



Patrick Rarden MBE

Head of execution products, State Street Global Markets; special police inspector, economic crime directorate, City of London Police; partnership ambassador for FareShare, the UK's largest food charity, having founded the FareShare late sandwich distribution channel for homeless hostels in London; adjutant, police detachment, Honourable Artillery Company.



Will Kenyon

Partner, forensic services group, PricewaterhouseCoopers LLP; founding head of forensic investigations, PwC Germany (1998-2001); specialist in the prevention, detection and investigation of fraud and financial crime across most industries, private and public sector; involved in investigations and recovery actions in some of the most significant fraud and corruption cases of the last 20 years.



Oliver Shaw

Detective superintendent, City of London Police; former member of the UK government's Fraud Review team; staff officer to two former City of London Police commissioners for their ACPO economic crime portfolios.

Staff



Mia Campbell

Manager and company secretary



Oliver Stopnitzky

Executive

Consultants



Martin Robinson

*Prevention and detection interest group chairman
Education and training consultant*

Key achievements

In addition to a packed calendar of training events, speaking engagements, written responses and new publications, the Panel made time to contribute new ideas to fighting cybercrime and supporting victims.

Highlighting options for financial redress

Following-on from our long-running campaign to improve outcomes for fraud victims in England and Wales we have now created an interactive online tool to explain the criminal and civil justice processes and how the two systems interact. We have also published new guidance on the options available for recovering losses. Both are featured on our new website, which was launched in June 2015 after 18 months of development.

Championing victim support

We were pleased to see the police developing some of our recommendations for improving the service and support given to fraud victims. Victims will now be informed if and when their case is sent to a local force for investigation. Meanwhile, a pilot economic crime victim care unit (ECVCU) has been established by the City of London Police, Metropolitan Police Service, British Transport Police and others (see page 14 for more details).

Helping fight cybercrime

We have been supporting a range of public policy initiatives designed to fight cybercrime, including: the government's Cyber Street campaign to improve online safety for consumers and small businesses; the development of a cyber-security e-learning course for legal and accountancy professionals; plans for law enforcement to assess the national threat from cyber-fraud. We also convened one of our expert roundtables to consider the risks associated with digital currencies (specifically cryptocurrencies) and to explore solutions.

New helpsheets included *Bring your own device policies* and *E-commerce risks to online retailers*.

All our publications are available free-of-charge from the 'resource' section of our website.

Contributing to the national agenda

We submitted a total of six written responses to consultations by the government and others. These covered a broad range of issues, among them: the London business crime strategy; tackling fraud and abuse in charities and the public sector; fraud reporting and company ownership. We also gave oral evidence to the joint parliamentary select committee on the draft Protection of Charities Bill.

The Panel's interests were represented on the National Crime Agency's economic crime command threat group and the Charity Commission's voluntary sector fraud group, as well as at stakeholder meetings on whistleblowing, cyber-theft and capacity building for new businesses (to name just a few).

Educating and training

Almost 400 anti-fraud professionals and business people attended eight Fraud Advisory Panel events in Belfast, Birmingham, Edinburgh and London, including a series of workshops delivered in partnership with the Consultative Committee of Accountancy Bodies (CCAB), which represents the collective interests of the main UK accountancy bodies. Our first ever Great Scottish Fraud Debate asked, 'Should Scotland adopt the Fraud Act 2006?', and generated much lively and thought-provoking discussion.

Three one-day training courses on auditing fraud risk were delivered on behalf of the Chartered Institute of Internal Auditors. A total of five external speaking engagements were fulfilled in the UK and Europe.

The Panel also teamed up with ICAEW to teach money management and fraud awareness skills to 12-16-year-olds as part of the Tottenham Hotspur Foundation's Imagine IF project.

Supporting members

A highlight of the year was the establishment of a new regional group in Northern Ireland.

Nationwide, more than 200 members and invited guests attended a total of 15 member meetings in order to network and exchange information, discuss new and current developments in the anti-fraud arena, hear from guest speakers and make a wide range of contributions to our activities.

We have rolled-out some new benefits for corporate members, perhaps the most significant being a new company visit scheme designed to encourage regular contact and continuing dialogue on the issues that matter most to members.

The year in review

Aftershocks from the age of light-touch regulation and the global crisis it spawned continue to make the news as they pass through the criminal justice system.

Away from the headlines, a growing appreciation of the great harm fraud does to ordinary people is at last producing signs of a more co-ordinated law enforcement response.



Corporate fraud

With fall-out from the global financial crisis having sharpened the public appetite for action, law enforcement agencies have been prompted to reassess the powers they need to combat financial misconduct. The Serious Fraud Office (SFO) is conducting several investigations into Libor fixing and foreign exchange manipulation, with the first major Libor trial due to open soon. Under s91 of the Financial Services Act 2012 specific new offences have been created to punish anyone found guilty of benchmark manipulation.

Meanwhile, the SFO is also working on corporate bribery cases which include allegations of 'failure to prevent' (as required by s7 of the Bribery Act 2010). The SFO director is keen to see a new offence of 'failing to prevent economic crime' also placed on the statute book, so it will be interesting to see how these bribery cases work out in practice. They are complicated by self-reporting and internal investigations in an international context, raising the possibility that deferred prosecution agreements (DPA) will be called for. So far no-one has been charged under the Act and, more than a year after their introduction, not a single DPA has been announced, let alone completed. Perhaps the coming year will finally demonstrate if this new regime really does work.

Fraud against the individual and smaller businesses

At the other end of the scale we find ordinary individuals being targeted as never before by an army of career criminals and organised crime groups, touting worthless investments (in shares, land, wine, even carbon credits), pestering for pensions to be cashed-in, or raiding bank accounts by more or less sophisticated means. These victims are all too easy to identify. Many are retired and elderly and have had to watch as their pension pots earned disappointing returns year after year. No wonder they are prepared to listen to the cold calls and impossible promises from boiler rooms – and then, ultimately, to hand over their money. They are losing their life savings, with severe hardship being the result.

SMEs too have their own stories to tell; they are falling prey to rogue employees from within as well as co-ordinated threats from without. The amounts taken can sometimes seem like a drop in the ocean, but they are big enough to cripple a small business, put its people out of work and do enormous damage to the surrounding local economy.

Fighting fraud

The total annual loss to the UK economy from frauds, large and small, probably exceeds £52bn. Roughly one-third of that is taken from the public purse. The damage done is not confined to financial losses. Public confidence in institutions is shaken. The value of major corporations is undermined. Investor returns are hobbled. As we saw in the financial crisis, in the very worst cases great institutions can come crashing down with savage consequences.

Against such a backdrop it might be thought that a rather obvious response would be to create a well-resourced plan for preventing fraud, prosecuting perpetrators and recovering funds. It would need to be supported by effective international co-operation and technical capacity-building, and then wrapped in a suitable legislative framework. And it would need to be well-executed not just in London but across the country. But surely such a thing would be a sound piece of public investment – promising excellent returns for taxpayers – even (or perhaps, especially) in times of austerity?

While the law enforcement response to fraud has been rather mixed in recent years, in fact there are now some encouraging signs that the authorities are putting together a properly co-ordinated plan. The National Crime Agency (NCA), the City of London Police, Action Fraud and others are working hard to devise strategies that will ensure individuals see their frauds resolved rather than consigned to a statistical never-never land. Meanwhile, those who tackle the most complex fraud (including the investigators and lawyers at the SFO, HMRC, FCA and the Competition and Markets Authority) are showing a determination to up their game. We welcome these various hopeful signs, but note that the Home Office will need to have its feet held to the fire if counter-fraud capacity across the board is to be not merely maintained but expanded, and significantly so.

Supporting the victims of fraud

It is ten years since our 2004-2005 annual review drew attention to the true cost of fraud and the lack of anything like an adequate attempt to support its victims, ushering in a decade-long Panel commitment to championing the interests of fraud victims.



We are all ‘vulnerable’ now

A decade ago light-touch regulation was *de rigeur*, political interest in fraud-fighting was limited at best, investigative and prosecutorial budgets for economic crime were stretched thin (soon to get thinner) and support for victims could seem almost non-existent. Fraud was commonly referred to as a victimless crime, or else the victims themselves were blamed for their own misfortune. Companies could afford the losses, it was said, while individuals got what they deserved for being stupid, naive or greedy.

Our 2004–2005 review told a very different story. Homes repossessed, jobs lost and businesses destroyed. Marriages, families and friendships damaged beyond repair. Hopes and dreams of all kinds ruined. A catalogue of pain and misery leading to physical and mental breakdown, early death, even suicide.

Today the consequences of this kind of thinking are still with us. In the largest ever study of victims in England

and Wales – *Not a Victimless Crime: the impact on individual victims and their families* – Portsmouth University found that as recently as 2012 support services for victims were still nothing like a match for the depth and complexity of their hardships. In the same year our own wide-ranging civil justice initiative – which recommended urgently-needed improvements to the civil and criminal justice systems for the benefit of all fraud victims in England and Wales – found a distinct lack of sympathy for victims among certain anti-fraud professionals. Meanwhile, the vast gap between the harm fraud does to society and the public resources committed to fighting it is as persistent, frustrating and hard to explain as ever.

But recently there have been some hopeful signs of a kinder and more logical approach. A number of new (mostly regional) initiatives are focusing closely on the broad needs of victims and those at risk, and particularly the vulnerable.

Cifas – protective registration for the vulnerable

A new free service, from Cifas – the UK’s Fraud Prevention Service, is helping local authorities protect the financial affairs of vulnerable people in their care. Under the Mental Capacity Act 2005 these people are unable to manage their own finances and are vulnerable to financial abuse by unscrupulous strangers, rogue traders, unpaid carers or even a manipulative family member.

Using the ‘protective registration for the vulnerable’ service a local authority can now have the vulnerable person’s details held securely and confidentially on the Cifas national fraud database. If a Cifas member then receives a request for credit or some other financial service from that person, the routine anti-fraud and credit checks immediately flag-up the applicant’s situation and an appropriate safeguarding response is triggered.

Lee Thorne is the service’s newly-appointed development manager: ‘The scheme was initially designed in response to an enquiry by Birmingham City Council and then launched in May 2014. We are already providing the service to nine local authorities. Many more are interested and we are actively seeking new relationships with local authorities to expand coverage and help protect more vulnerable adults.’

Pressured to make illegal cash transfers

A long-standing bank customer called into his branch one day wanting to change his account and be able to access his savings with a cash card through ATMs. The gentleman was accompanied by someone introduced as a ‘social worker’. The bank’s routine Cifas checks quickly revealed the customer’s true situation; he no longer had the legal power to perform such transactions. A call to the local authority confirmed that no real social worker was involved – or, indeed, would behave in this way – and the appropriate welfare checks were triggered.

Action Fraud – victim care unit

Report a fraud to Action Fraud and ideally it will be referred to your local police force for investigation and prosecution. Alternatively, your local force may only be able to point you in the direction of Victim Support. But there is a third possibility; your case is assessed by Action Fraud as not being solvable and you may get no follow-up from your local force either. Action Fraud concedes that this last group receives very little that might be called a service. Until now.

With initial funding from the Mayor’s Office for Policing and Crime (MOPAC), the City of London Police (working in partnership with the Metropolitan Police and the British Transport Police) has established an economic crime victim care unit (ECVCU). Its primary objective is to help vulnerable victims in London feel safer and to make them less likely to become repeat victims.

A four-month pilot used a matrix of factors to identify 400 victims to receive the new service. Each was assessed to see if they were vulnerable in any way and then contacted by phone to be offered tailored advice on how to avoid repeat victimisation and help finding additional sources of support.

A formal review process received positive feedback from victims and has so far found no evidence of repeat victimisation. Action Fraud is led by Pauline Smith: ‘The ECVCU is a direct result of the creation of Action Fraud. Without the Action Fraud data not only would it be impossible to target resources in this way, we’d still be unable to do things like bring disparate victims of a single fraud together so that they can take joint action or collectively engage professional help.’

The ECVCU pilot, due to finish at the end of March, is now being funded for another year with the objective of helping another 3,000 or so individuals and SMEs.

‘Dark and nasty’

Even though Pauline Smith – the new head of Action Fraud – has been involved in policing for 30 years, she has still been shocked by the callousness with which fraudsters target and groom their emotionally vulnerable victims before systematically exploiting them. ‘It’s dark and nasty – and very cruel by any standards,’ she says.

Sussex Police – ‘Operation Signature’

When Sussex Police received from the National Trading Standards scams team a so-called ‘suckers list’ with 1,537 local names on it, they decided to visit every one. What they found was shocking. The average age was high and the data was more than two years old, so more than one-third had already died or moved away (mostly into care homes). Of the remaining 900, 386 (43%) were found to be victims. Most were in their 80s or 90s and had no idea they’d been defrauded. Almost 100 had lost more than £1,000 each; the highest individual loss was more than £300,000; the total loss exceeded £2m; some were now living in extreme poverty. Most of these people would not normally have come to the attention of the police – scam victims are often in denial or unaware – but many of them were now easily identified as victims of other types of fraud as well.

Bernadette Lawrie is the Sussex Police financial abuse safeguarding officer: ‘PCSOs conducted the visits. They were managed through neighbourhood policing teams and that local knowledge and familiarity was very useful when visiting banks, businesses, sheltered housing, etc. The many elderly people responded positively to the sight of a uniform too. The PCSOs had a specially-designed questionnaire and risk scoring matrix so they could systematically gather the information we needed to be sure how and by whom the individual was being targeted, and how we might best prevent it happening again. The risk matrix scores also helped us calibrate the person’s future safeguarding and support needs.’

The programme – known as Operation Signature – was a great success and the model has now been made standard police procedure in fraud cases across both Sussex counties. In fact, the visits are now part of a much broader, joined-up approach. Banks and financial institutions are being encouraged to support prevention and help reduce local vulnerabilities (including repeat victimisation) by doing more to engage and communicate with their customers. A network of partnerships with third-sector, charitable and social care agencies is being developed to support victims beyond the initial assessment. In the pipeline are training tools to improve victim identification and reduce repeat victimisation by raising awareness across a broad front.

Based on this and the linked work being done locally to fight serious organised crime, Sussex Police have been asked by the Home Office to help develop a national best-practice blueprint for protecting vulnerable fraud victims. A training and information DVD is now available to forces nationwide. Devon and Cornwall Police have already adopted a similar model. Other forces are showing interest.

Simple measures make the difference

For safeguarding officer Bernadette Lawrie it was the miserable experience of one 94-year-old local man that opened her eyes both to the despicable nature of these crimes and the lack of adequate support for victims. This man, bombarded with calls and letters, had lost £100,000 to lottery scammers. He’d first come to the attention of police three years earlier – having lost ‘only’ £10,000 – but the investigation went nowhere because the criminals were overseas and nothing was done to protect him from further losses. This time things were different. Some simple preventative measures – a new telephone number, family involvement, name blocking with the money transfer companies and a police visit to the local Post Office – quite quickly brought his victimisation to an end.

North Yorkshire Trading Standards – a joined-up approach

North Yorkshire County Council and North Yorkshire Police have formed a joint team to deliver something completely new; a multidisciplinary fraud investigation and safeguarding response managed by the council's trading standards service. The needs of vulnerable fraud victims, which includes many repeat or 'chronic' victims, can be complex. For the first time they will all be addressed through a single, joined-up service.

Funding for the initiative is coming from the county's public health budget; a clear sign that its primary focus is broad victim impacts rather than criminal justice outcomes. Even so, the team also performs its own asset recovery proceedings as part of a broad philosophy which seeks to restore a victim's financial self-reliance where possible.

This is a big challenge for a small team. North Yorkshire is a popular retirement area with a population older, lonelier and richer than the national average. It also has a higher than average incidence of dementia diagnoses. In addition to its own cases the team receives 200 referrals a month from Action Fraud. So-called 'suckers lists' seized recently from scammers included more than 1,700 local names; each will now require a safeguarding visit. Even more suffering remains hidden; national trading standards research indicates that 90% of scam victims never report.

Exploited by false friends

One fit, spry 91-year-old North Yorkshire resident caught the attention of her bank by ordering a new chequebook every fortnight. Every day for many months scam letters would drop through her letterbox. She diligently answered every one, frequently enclosing a cheque. By the time the bank alerted trading standards the woman had lost £200,000. Every effort to change her behaviour, including repeated safeguarding visits, has so far failed to convince her that the letters are anything other than genuine communications from people she has come to regard as friends. When the family began to intercept the letters her reaction was close to grief.

Royal Bank of Scotland – branches on the alert

Towards the end of 2013 the threats of financial abuse faced by many vulnerable adults were causing concern at meetings of the Scottish Business Resilience Centre (a government initiative also backed by Police Scotland). Royal Bank of Scotland put its corporate hand up and volunteered to launch its own safeguarding pilot and then to share its experiences.

The bank created a single point of contact so that all its Scottish branches can easily report concerns about vulnerable customers. It also set about building closer working relationships with government agencies and third sector organisations across Scotland, including trading standards and social services departments, the police and the Office of the Public Guardian. All front-line branch staff in Scotland were trained to help them recognise the sorts of inappropriate transactions and unusual behaviour that are often a sign that something is amiss.

By the end of February 2015 the Scottish RBS branches had made 320 referrals with 97 of them resulting in safeguarding action. Originally intended as a nine-month pilot, the initiative has now been running for 18 months and plans are being made to roll it out to all UK branches.

We are all in it together

RBS deliberately uses a broad definition of what it means to be vulnerable, as Lesley Marjoribanks from its security and resilience function explains: 'The elderly and confused are an important group, of course, and working with Dementia Friends has enabled us to provide specialist training for front-line staff. But we also want to support any customer who might be deemed vulnerable, whether because of physical or mental difficulties, or because of a change in their personal circumstances such as a bereavement.'

Co-operation isn't co-ordination

We are encouraged to see so much good work being done to help vulnerable people avoid becoming fraud victims or to put their lives back together afterwards. We applaud everyone involved.

Nonetheless, it is hard not to be struck by the overlap between initiatives as well as encouraged by the many potential synergies. It reminds us not only that the UK lacks anything like a co-ordinating presence in the fight on fraud, but also how vitally-needed such a body still is.

Meanwhile, research confirms what our common sense tells us; the threats (especially from organised crime) are growing and the rapid pace of change is ensuring that what it means to be vulnerable is constantly shifting too, with the potential to capture any of us at one or more points in our life. The recent pension reforms are a case in point (see Pension fraud turbo-charged on page 20).

It can sometimes feel as if fraudsters sense weakness like sharks scent blood. We know they are constantly circling, looking for fresh vulnerabilities to attack, because we see the relentless flow of new and ingenious deceptions.

It is, then, the collective responsibility of us all to be just as alert, creative and organised in our own defence. As these projects show, the creativity is not in short supply. But a joined-up, national approach is still badly needed.

In an open letter to the new policing minister, Mike Penning MP, the Fraud Advisory Panel, Age UK, Cifas, the National Trading Standards Board, Victim Support and seven other national organisations have publicly called for a new national fraud indicator (a previous indicator was lost in 2014 when the National Fraud Authority was disbanded) and the creation of a National Scams Task Force to give new focus and vigour to the fight against the 'abhorrent' targeting of the elderly and vulnerable.

Is fraud different?

Once the 'victimless crime' myth is debunked, it can still be tempting to think of fraud as little more than theft by trickery.

In its draft *National Policing Strategy for the Victims of Fraud*, City of London Police, speaking as the national policing lead on fraud, now says that this is a serious misclassification with harmful consequences for individual victims and society. Fraud is better understood from the point of view of the criminal *modus operandi*. Which means the more appropriate comparison is not with theft but with violent predatory crimes in which targets are selected carefully, and then groomed, before being ruthlessly victimised, sometimes repeatedly. Just like other predatory criminals, the fraudster carefully creates a basis of trust and it is this trust that makes the crime possible.

Now that the entire lifecycle of the crime is beginning to be considered, and not simply the financial loss, others are seeing what the Panel has been saying for a decade – the psychological and emotional impact of the predatory phase often does more lasting harm to the victim than the financial loss itself.

We know that the quality of the support crime victims receive makes a big difference to how they recover from their psychological and emotional injuries. Why then, in spite of these similarities, are most fraud victims still receiving nothing like the support given to the victims of other predatory offences?



What do we mean by vulnerable?

What do fraud-fighting organisations mean when they talk about victims being ‘vulnerable’?

Mental capacity

A strictly legal definition is provided by the Mental Capacity Act 2005. This is the law under which local authorities take responsibility for the financial affairs of vulnerable adults. It is also necessarily the definition used by Cifas.

Victim’s code

The Home Office uses a broader definition. To be vulnerable in the eyes of its victim’s code you must meet one or more of the following:

- be under 17-years-old at the time of the offence;
- suffer from a mental disorder within the meaning of the Mental Health Act 1983;
- have a significant impairment of intelligence and social functioning;
- have a physical disability or suffer from a mental disorder.

Data-driven

Then there are statistical measures of vulnerability; the fluid definition revealed by the shifting patterns in, among others, Action Fraud’s reporting data. This kind of vulnerability changes over time; a combination of the hand fate deals us at any given moment, society-wide changes in the way everyday life is lived and organised (including the technology we use), shifting social attitudes and norms, public policy changes at the local and national level, to name just some.

Prevention

In the draft *National Policing Strategy for the Victims of Fraud* much is made of the importance of this dynamic definition of vulnerability when it comes to fraud prevention. A truly victim-focused approach to prevention needs to understand how an individual’s situation or circumstances contributes to their vulnerability, regardless of age, capacities or capabilities. Victims of the crimes that cause the most harm are more often than not ‘dynamically’ vulnerable in this way. For this group, with complex needs unique to each individual, it requires creativity and flexibility to provide a service that is both effective and affordable.

Pension fraud turbo-charged

Recent pensions reforms illustrate perfectly how individuals can be rendered newly-vulnerable by external factors, in this case a change in government policy.

From April 2015 people over 55 years of age can, for the first time, withdraw all of their pensions savings in cash. The idea of taking personal control of your pension pot is attractive. But many new retirees will find the practical reality challenging and stressful, making them perfect targets for a highly-developed pension fraud industry.

The under-55s are already being targeted by so-called 'pension liberation frauds' promising higher investment returns if they cash-in their pension early. Of course the high-yield investments are bogus, the returns never materialise and often every penny is lost.

A recent survey by consumer watchdog Which? found that one-third of people approaching retirement have been offered 'potentially dodgy' pension products such as unsolicited investment opportunities (21%) and free pension reviews (16%). Half of the people questioned were confident that they would be able to identify a real investment from a con, but 37% feared they could be tricked.

The latest pension freedoms have put new retirees in the same firing line. The system seems designed primarily for speed not security; the regulator has very few powers and pension trustee's must complete transfers within 90 days of a request. After that, a pensioner's prospects of a secure old age are only as good as the guidance they seek out for themselves.

The government's free Pensionwise guidance service, as well as the campaigns by the FCA (Scamsmart), the Pensions Regulator, the Association of British Insurers and the Pensions Advisory Service (among others), all draw attention to the warning signs of a pension fraud in-the-making.

But, like Age UK, we are very concerned about the wider impact on the future security of pensioners. In its recent evidence review – *Only the tip of the iceberg: Fraud against older people* – Age UK quotes one pensions expert as saying, 'The new pension freedom has given a massive turbo boost to fraudsters'.

Reforms in this country have a habit of ending up looking like a gift to the fraudsters and mis-sellers of the world. The Panel believes that these reforms too, well-intentioned though they are, will provide yet another case study in the failings of government when it comes to factoring fraud risks into the formulation of public policy.

In the pages that follow, Panel trustees take a personal look at the multi-layered challenges facing a typical fraud victim.

Fraud victims and the criminal justice system

Legal expert Monty Raphael QC charts a typical victim's journey through the criminal justice system and laments their meagre chances of redress.

Before attempting to chart the average fraud victim's path through the justice system, we must first note the regrettable lack of reliable statistics. This is primarily caused by low reporting rates (see Fraud statistics: the real scam, page 23). Figures from the Office of National Statistics tell us that 224,947 fraud offences were reported to the police through Action Fraud in 2014. But this is not the full picture. The real figure must be much higher because the National Fraud Intelligence Bureau received 411,590 reports from industry bodies over the same period. We can also be fairly certain that very many frauds go entirely unreported, with victims either unaware of what has happened, too embarrassed to report it, or unable to see the point in bothering.

Many frauds are resolved outside the justice system. Frauds on bank accounts and credit cards tend to be investigated by the banks, who will often cover the customer's losses themselves. Elsewhere though, victims seeking recompense can face numerous obstacles. With civil legal aid increasingly inaccessible, the majority of victims, unable to afford litigation, have little choice but to rely on the criminal justice system. This is the group I wish to focus upon: the majority of private individuals and small businesses who, unlike the larger corporations, simply cannot afford to pursue a civil claim.

Hurdles at every turn

For these victims things are difficult from the very start. Police non-investigation policies prevent vast numbers of fraud cases from ever entering the criminal justice system. Where an investigation does take place the Crown Prosecution Service (CPS) may still decide that there is insufficient evidence to prosecute. In a small number of these cases a private prosecution could be an effective alternative, but only for those with the necessary means. In any case, private prosecutions always carry the risk of being taken over by the CPS and then discontinued. Regardless of whether a prosecution is brought privately or at public expense, there is no guarantee of conviction. Ministry of Justice figures for the year ending September 2014 show a fraud conviction rate of 78.2%, marginally below the 80.6% for all indictable offences.

Missing compensation

But what if a case does make it to trial and the defendants are convicted? The victims are still unlikely to recover their losses. There is a dearth of statistics here too, but the most recent (from 2012) show that only 35.8% of offenders sentenced for fraud or forgery in the Magistrates' Court were subject to a compensation order. The equivalent figure for the Crown Court was an even more depressing 6.7%.

One of the main problems for victims is that in compensation proceedings, as in all other parts of a criminal trial, they have no *locus standi* (ie, no right to act or to appear in court). Orders are made on the application of the prosecution or the initiative of the judge. If neither occurs, the victim cannot challenge the decision. Compensation orders are never made if the defendant is thought to lack the ability to pay. If the case is a complex one these matters are likely to be considered more appropriate for civil proceedings, which the victim cannot afford to pursue.

Non-payment

Even when compensation is ordered, it still might not be paid. The Magistrates' Courts enforce these as if they were fines; if the fraudster defaults a means inquiry must be held, after which the amount of the order might be reduced. The defendant can be imprisoned for failing to pay, but only if the court believes that the default is the result of wilful refusal or culpable neglect and that all other enforcement methods are inappropriate or likely to be unsuccessful. Some defendants even choose prison over payment, thus terminating the compensation order and leaving the victim without redress.

Finally, some help is available from the Proceeds of Crime Act 2002 (POCA), but it is very limited. Where a defendant is subject to confiscation and compensation orders but cannot meet both, the court must require the compensation to be paid out of the money recovered by confiscation. But if no compensation order has been made, any restraint order imposed on the defendant's property might delay civil recovery. Since POCA requires the court to exercise its powers of restraint without regard to the defendant's obligations to third parties, victims who cannot show an ownership claim over restrained assets are treated as unsecured creditors with no hope of the restraint order being varied to release their funds.

The Fraud Advisory Panel believes that the government should make it a priority to provide adequate remedies for the victims of fraud. Perhaps it is time our adversarial system found a way for the victims of crime to be accommodated in the criminal trial process.

Fraud statistics: the real scam?

Senior police officer Oliver Shaw says incomplete official fraud statistics leave victims disadvantaged all over again.

Successive governments have acknowledged that official crime statistics do a bad job of recording the true extent of fraud in the UK. As far back as 2006 the attorney general's *Fraud Review* conceded that 'Fraud is massively underreported. Fraud is not a national police priority, so even when reports are taken, little is done with them. Many victims therefore don't report at all'. Whilst there have been a number of positive developments since the Fraud Review - not least the introduction of the Action Fraud national reporting mechanism - the collection of official fraud statistics remains critically flawed. At best the current system diminishes the interests of fraud victims; at worst it looks like a cynical mechanism to hide the true level of economic crime in the UK.

Why do statistics matter?

Incomplete crime statistics work against victims in a very direct way. The day-to-day business of police forces and their partner agencies, including the National Crime Agency's economic crime command, is driven by the national intelligence model, which exists to ensure that scarce resources are applied to the offences that do the greatest harm to victims. But without a sound understanding of the amount of fraud in the UK, and who it is hurting, the correct amount of attention cannot be applied to the problem. For an example of how improving our understanding of crime can benefit victims we need only look at the amount of law enforcement resources now focused on child sexual exploitation. Clearly, encouraging victims to report crime really does make a difference.

What is going wrong?

The government uses two methods to estimate the total number of fraud offences and both are flawed. Crimes recorded by the police are the primary source. These records date right back to 1898. The data are drawn directly from reports made to Action Fraud and then submitted monthly to the Home Office alongside the general crime figures. The second method is the crime survey for England and Wales (CSEW), now managed by the Office for National Statistics (ONS). Originally named the British crime survey, CSEW was introduced in the early 1980s because statisticians were concerned about a 'reporting gap' in the official figures. While offences such as burglary are generally well-reported, less serious crimes, including theft and criminal damage, are much less so. CSEW draws its information from face-to-face interviews, with researchers asking householders questions about their own experience of crime over the past twelve months. The current figures clearly demonstrate the reporting gap: in 2014 some 6.9m offences were reported by households, but only 3.8m were picked up by police records.

Both of the official datasets show a rise in fraud over the previous year (9% in the case of CSEW), but each also contains methodological limitations which under-represent the number of offences. CSEW asks only a limited number of questions about fraud, crucially excluding failed attempts and many cybercrimes. Action Fraud statistics exclude the large number of reports from industry (specifically credit and debit card fraud) that are ingested by the National Fraud Intelligence Bureau each year.

The ONS recognises the need to address its failings and has recently undertaken a comprehensive review of its survey questions in an attempt to capture a much greater range of offences, including the 'cyber-enabled' and 'cyber-dependant'. In the coming year the Fraud Advisory Panel will be working with the ONS, linking the nation's official statisticians with Panel members who have specific expertise in this field. We will also be encouraging the Home Office to conduct its own review and, crucially, to begin including industry reports in their dataset. The Panel is under no illusions about the political significance of such an adjustment, which would undoubtedly have a material impact on the annual crime totals.

The Panel leads the way

Among the Fraud Advisory Panel's major strengths is its reputation for independence allied to an ability to adopt an empirical approach to often-emotive national fraud issues. This means we are well-placed to lead efforts to improve the way fraud is recorded in the UK.

Another reason for us to become involved in this delicate area is our long-standing commitment to victims. Since our 2004-2005 project, *The Human Cost of Fraud*, we have made it our business to champion their often-overlooked interests. As a body of professionals, united by a common purpose to raise awareness of the immense human, social and economic damage caused by fraud, we can approach this important work with confidence, skill and vision.

Of course it would be wrong not to recognise the progress already being made in this area, and we commend the ONS for its willingness to look afresh at its own survey methodology. But it would also be surprising if the next twelve months did not see the Panel at odds with the Home Office on this matter. If a common methodology were to be applied to the already significant number of fraud reports made to the National Fraud Intelligence Bureau, the resulting numbers would very likely show that crime in the UK is in fact rising, not falling. We understand that this would be a very unpalatable message for any home secretary. But a vigorous approach to creating a more accurate picture of fraud – one that can feed a properly calibrated, fact-based approach to anti-fraud policy formulation and resource allocation – is surely the least the UK's legions of as-yet uncounted fraud victims deserve.

Accountants as trusted business advisers

Chartered accountant Felicity Banks explains why accountants are so often the first port of call for small businesses seeking fraud advice.

Years ago small businesses would lean quite heavily on the close and continuing relationship they frequently had with their local high street bank manager. Today the retail banking model is much changed and the link between branch and customer is seldom as close (but see Royal Bank of Scotland – branches on the alert, page 16). Unsurprisingly, small businesses continue to look for convenient and reliable sources of general business advice, and many of them find it in their accountants.

The *Small Business Survey 2014* by the Department for Business, Innovation and Skills (BIS) found that small businesses were more likely to seek private sector advice and information from an accountant than a bank or solicitor. Furthermore, research conducted among small businesses by the Institute of Chartered Accountants in England and Wales (ICAEW) found that 48% considered their accountant to be their most trusted business adviser. These findings are not that surprising when you recall the great burden of official administration small businesses must carry these days. Much of that burden is, of course, financial. There are the obvious tax returns, annual financial statements and cash flow forecasts for the bank. But then there are the many consequences of government efforts to integrate tax, social security and pensions reporting, and boost pensions take-up. This too is the natural habitat of the accountant.

For small businesses concerned about their vulnerability to fraud, or who fear they might already have become a victim, the accountant can make a good first port of call. Thanks to the disciplines of the tax year, they will generally already have a detailed and up-to-date picture of the client's business, its challenges, performance and prospects. The core content of a chartered accountancy qualification includes business management and control skills, including risk management. Audit training covers not only the practical but the regulatory aspects too, including the recognition of exactly the kinds of errors and omissions that can point to fraud. Where client needs exceed the chartered accountant's capabilities, most will also be ready and able to recommend suitable additional sources of specialised technical, professional and legal help.

The wider fraud-fighting community can also benefit from the specialised, detailed knowledge accountants will frequently possess about clients and their commercial milieus. For example, it can sometimes be much easier to get important anti-fraud advice and information to small businesses by cascading it down to their accountants via the accountancy profession as a whole. In fraud investigations, whether the small business is a suspect or a victim, the accountant's close knowledge of its business model and processes can help investigators avoid many a false conclusion or misunderstanding.

ICAEW is an important Fraud Advisory Panel supporter and donor

Acknowledgements

The Fraud Advisory Panel extends its thanks to all the individuals and organisations who have helped during 2014–2015, whether with sponsorship or in-kind donations of time, expertise, venues and refreshments.

Individuals

Steven Adams	Kirstin Gillon	Mathew Orr	Kate Winter
Wendy Addison	Peter Gray QC	Michael Parsons	Sir David Wootton
Richard Anning	Chris Gribbin	Sandra Peaston	Rosalind Wright CB QC
Jane Atwood	Phil Goodwin	Amy Pirie	Heather Younger
Richard Bach	Phillip Hagon	Monty Raphael QC	Lara Xenoudakis
David Bacon	Matt Hall	Martin Robinson	
Kevin Barry	Sarah Hallett	Matthew Russell	Organisations
Alison Bell	Barbara Hart	Nicholas Ryder	Aver Corporate Advisory Services Ltd
Dave Birch	Tim Harvey	Esther Schutzer-Weissmann	Baker Tilly
Chris Bostock	Tony Hetherington	Ian Shackell	Deloitte LLP
Hon Lord Brailsford	Garrick Hileman	Ernie Shippin	DWF LLP
Salina Brindle	Stephen Hill	Jennifer Sim	EY
Christopher Brooks	Mike Hurst	Alistair Smith	ICAEW
Laura Buchan	Ali Imanat	Pauline Smith	KPMG LLP
Lee Campbell	Cathy James	Jayne Snelgrove	Peters and Peters Solicitors LLP
Arun Chauhan	David Kirk	Professor Roger Steare	Pinsent Masons LLP
William Christopher	Richard Kusnierz	Chris Stewart-Smith	
David Clarke	Hannah Laming	David Stevens	
Richard Clarke	Paul Lewis	Tom Stocker	
Bill Cleghorn	Claire Lipworth	Stewart Thom	
Frances Coulson	Brian Lord OBE	Saif Ullah	
Stephen Crooks	Peter Mandich	Juan Carlos Venegas	
Claire Cross	Alex Marine	Carl Watson	
Laura Davies	Simon Maylam	Rob Watson	
Ian Defty	Graeme McGowan	Brendan Weekes	
Scott Devine	Tara McSorley	George Weir	
Neil Gamble	Katherine Montgomery	Bill White	
	Tim Nursall		

FRAUD ADVISORY PANEL

Chartered Accountants' Hall
Moorgate Place
London EC2R 6EA
+44 (0)20 7920 8721
info@fraudadvisorypanel.org
www.fraudadvisorypanel.org

Registered Charity No. 1108863
Company Limited by Guarantee Registered
in England and Wales No. 04327390

© Fraud Advisory Panel 2015