

BDO Stoy Hayward

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FRAUD DOUBLES YET EXPERT SAYS THE WORST IS STILL TO COME

BDO Stoy Hayward's six monthly update to their annual fraud report has seen the rate of fraud growth nearly double. Reported fraud for the whole of last year was a staggering £1.2bn yet that figure has nearly been reached in only the first six months of the year. Figures show fraud to June costing the country £960m. The total number of fraud cases has jumped by a third.

Simon Bevan, head of the fraud services team at BDO Stoy Hayward, says: "From a fraud point of view we are a long way from bottom. It is extremely likely that the total fraud figures will treble during the course of the recession".

He goes onto say that "There is a whole wave of commercial lending fraud that is yet to crash around the ears of UK and overseas banks." Bevan predicts frightening fraud levels of £3bn per annum and says: "It is no surprise to see that reported mortgage fraud has rocketed or that management 'cooking the books' has risen by nearly 50 per cent."

This is alarming when one takes into account Bevan's opinion that 95 per cent of all fraud does not make it into the above figures. He says: "Over the past four years we have investigated a significant number of high value frauds yet only one of those has been through the criminal courts in the UK."

Of particular interest are mortgage and procurement frauds.

Bevan states that what a lot of these mortgage frauds have in common is the over valuation of property prices which has been exposed in the recession. "I am not at all surprised that real estate fraud is now at £97m. What really surprises me is that the figure is so low. We know from experience that banks, property companies, housing associations etc that are hit by property frauds are very unlikely to go to the criminal courts."

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However, on face value it is a surprise to see that procurement fraud dropped in the last six months. According to BDO this should not be a surprise. Simon Bevan states: "As a recession starts, organisations focus on cost reduction and reducing their procurement spend which leads to an initial reduction in such frauds. However as the recession deepens, and persists, management start looking for ways to make recoveries. They start mining their procurement data which will lead to more procurement frauds coming to light this time next year."

The finance and insurance sectors suffered £657m of fraud in the first six months but it is interesting to see retail and counterfeiting increase. Bevan states: "We are increasingly asked to look at counterfeiting problems that emanate out of the Far East. These problems are not a few pirate DVDs but the wholesale manufacturing of products which are sold on the internet and then really hit the sales figures of the genuine manufacturer."

Whilst London and the South East are hardest hit by fraudsters, there was a substantial increase in fraud in the North East of England. Bevan warns of complacency saying that his team have undertaken investigations the length and breadth of the country. Bevan says "No-one is immune from the problem and all firms should increase their fraud awareness during these difficult economic times."

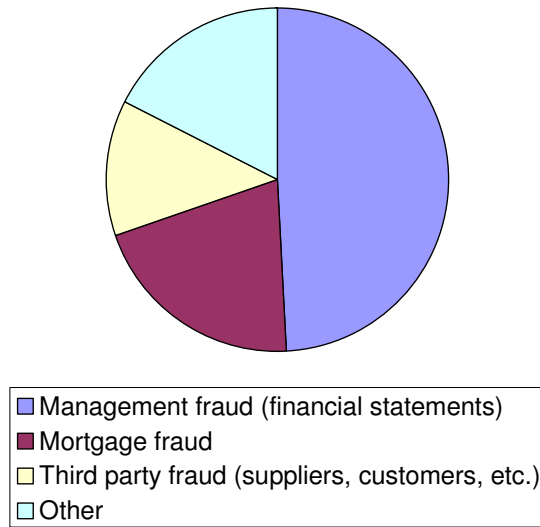
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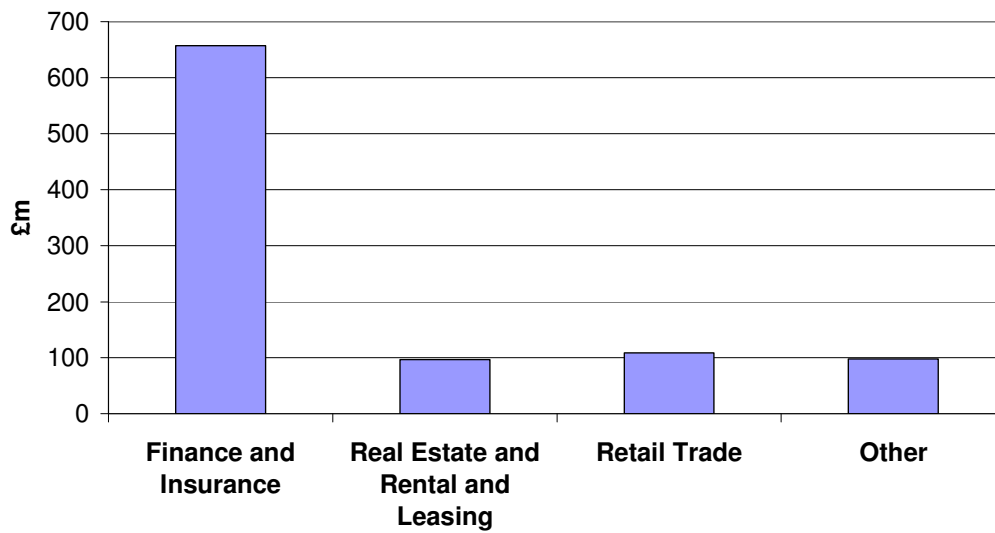
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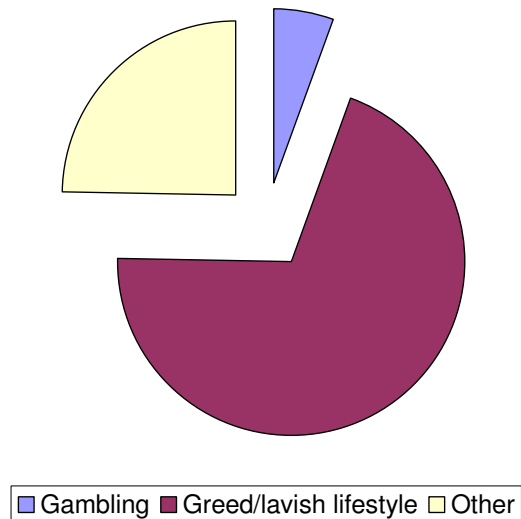
Background information:

Fraud by type



Fraud by Industry Sector



Motive

Simon P Bevan is BDO Stoy Hayward's head of the fraud services team. He has over twenty years experience of investigating fraud both in the UK and other international locations.

Procurement fraud: Typically found in an entity's purchasing operation with a fraudulent employee perhaps working with an outside accomplice to defraud the employer through bogus or inflated invoices for goods and services. Large scale frauds often taken place in relation to sizeable purchases of Information Technology or other fixed assets. Will also include the corruption of management with purchasing authority by suppliers to encourage orders being placed with a particular business.

FraudTrack is prepared by BDO Stoy Hayward and is based on all reported fraud cases of over £50,000 from December 2008 to May 2009. The sources for the database are publicly available and include the UK's national, regional and local press.

Notes to editors:

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