



Financial Fraud Action UK

Working together to prevent fraud



Cheque &
Credit
Clearing
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PRESS RELEASE

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Fraud losses drop on UK cards, cheques and online banking

- **Card fraud losses at lowest level since 2000 – £365.4m in 2010: down from all-time high in 2008 (£610m)**
- **Banks' special police unit reminds customers, despite this good news, to remain on their guard**

New figures released today (9 March 2011) show that banking industry initiatives are successfully keeping the fraudsters away from customers' cards and bank accounts. Fraud losses on UK cards, cheques and online banking all fell in 2010 compared with 2009.

Total fraud losses on UK cards fell to £365.4 million in 2010 – a 17 per cent reduction compared with losses in 2009. This is the lowest annual total since 2000 and follows on from a fall of 28 per cent in 2009. This current downward trend is due to the banking industry's ongoing investment to deter, detect and prosecute fraudsters. Initiatives include: better awareness amongst retailers about how to protect their chip and PIN equipment from criminal attack; greater sign-up to online fraud prevention initiatives such as MasterCard SecureCode and Verified by Visa by cardholders and retailers; improved industry sharing of fraud data and intelligence; increasing use of fraud detection tools by banks and retailers; the increasing roll-out of chip and PIN abroad and the upgrade of chips on UK cards.

Online banking fraud losses totalled £46.7 million in 2010 – a 22 per cent fall on the 2009 figure. Factors contributing to this fall include customers better protecting their own computers with up-to-date anti-virus software combined with banks' use of sophisticated fraud detection software. This decrease has occurred despite a continuing rise in phishing attacks, up 21% from 2009.

Phone banking fraud losses totalled £12.7 million during 2010, **an increase of five per cent** from 2009. Most losses involve customers simply being tricked into disclosing their personal security details - through cold calling or fake emails - which the criminal then uses to commit fraud. This suggests that some customers are still not aware that their bank will never cold call or email them to ask for login details and passwords.

Cheque fraud losses decreased from £29.8 million in 2009 **to £28.9 million** during 2010. The vast majority of attempted fraud gets stopped before the cheque is paid. The industry's ongoing work to prevent cheque fraud has helped drive these losses down. The continuing drop in cheque usage has also contributed to the **three per cent fall** in overall cheque fraud losses.

Detective Chief Inspector Paul Barnard, Head of the Dedicated Cheque and Plastic Crime Unit (DCPCU) - the industry-sponsored specialist police unit that tackles the organised criminal gangs behind fraud - comments:

"Whilst another drop in fraud is good news, the fraudsters haven't shut up shop which is why there can be no room for complacency on the part of the banking industry, retailers, law enforcement or indeed customers themselves. By taking simple steps, such as: shielding our PIN with our free hand whenever we enter it, particularly at cash machines; being wary of unsolicited emails or calls; and making sure that our computers have regularly updated anti-virus software in place, we can make life harder for the criminals.

"Fortunately in the UK - unlike some other countries - innocent victims of any type of payment fraud on their debit or credit card or account are protected and should not suffer any financial loss."

Melanie Johnson, Chair of The UK Cards Association, which represents UK credit and debit card providers said:

“The cards industry is greatly encouraged by the major decrease in card fraud losses for a second successive year, but we will not be easing off our efforts as a result. It is essential to us that customers feel safe and secure when they use their cards and we will continue to invest in a wide range of fraud prevention initiatives to keep it this way.”

Fraud figures released by the National Fraud Authority (NFA) earlier in the year also serve to put these banking fraud losses into perspective. The NFA estimated that fraud in all its guises costs the UK more than £38 billion a year – card and banking fraud accounts for just over one per cent of this figure.

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Annual plastic card fraud losses on UK-issued cards 2006 to 2010

Card Fraud Type – on UK issued credit and debit cards	2006	2007	2008	2009	2010	% +/- 09/10
Phone, internet and mail order fraud (Card-not-present fraud)	£212.7m	£290.5m	£328.4m	£266.4m	£226.9m	-15%
Counterfeit (skimmed/cloned) fraud	£98.6m	£144.3m	£169.8m	£80.9m	£47.6m	-41%
Fraud on lost or stolen cards	£68.5m	£56.2m	£54.1m	£47.7m	£44.4m	-7%
Card ID theft	£31.9m	£34.1m	£47.4m	£38.2m	£38.1m	0%
Mail non-receipt	£15.4 m	£10.2m	£10.2m	£6.9m	£8.4m	+22%
TOTAL	£427.0m	£535.2m	£609.9m	£440.0m	£365.4m	-17%
Contained within this total:						
UK retail face-to-face transactions	£72.1m	£73.0m	£98.5m	£71.8m	£67.4m	-6%
UK cash machine fraud	£62.0m	£35.0m	£45.7m	£36.7m	£33.2m	-9%
Domestic/International split of total figure:						
UK fraud	£309.9m	£327.6m	£379.7m	£317.4m	£271.5m	-14%
Fraud abroad	£117.1m	£207.6m	£230.1m	£122.6m	£93.9m	-23%

Annual online and phone banking losses 2006 to 2010

	2006	2007	2008	2009	2010	% +/- 09/10
Online banking fraud losses	£33.5m	£22.6m	£52.5m	£59.7m	£46.7m	-22%
Phone banking fraud losses	-	-	-	£12.1m	£12.7m	+5%

No of phishing attacks	14,156	25,797	43,991	51,161	61,873	+21%
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Cheque fraud losses 2006 to 2010

	2006	2007	2008	2009	2010	% +/- 09/10
Forged cheque fraud	£22.4m	£20.5m	£17.4m	£15.7m	£13.1m	-16%
Fraudulently altered cheques	£6.1m	£9.2m	£16.9m	£9.3m	£12.0m	+29%
Counterfeit cheques	£2.1m	£3.8m	£7.6m	£4.7m	£3.8m	-19%
TOTAL	£30.6m	£33.5m	£41.9m	£29.8m	£28.9m	-3%

* Due to rounding, the sum of separate items may differ from the totals shown.

For further information contact the press office on 020 3217 8251/ 020 3217 8316/ 020 3217 8340.

Note to editors:

1 There is no one single reason for the drop in card fraud, rather it is the result of a number of initiatives including:

- The increasing use of sophisticated fraud screening detection tools by retailers and banks, which is helping to tackle phone, internet and mail order fraud (card-not-present fraud). Additionally, the continuing growth in the use of *MasterCard SecureCode* and *Verified by Visa* (online fraud prevention solutions that make cards more secure when online shopping), by both online retailers and cardholders is a contributory factor.
- The work of the Dedicated Cheque and Plastic Crime Unit (DCPCU) – the industry-sponsored special police unit. The DCPCU was set up in 2002 and was a groundbreaking initiative. During its nine years of support by the banking industry the Unit has helped prevent approximately £368 million of fraud. The Unit is made of seconded officers from both the City of London and Met Police. Because of the global nature of organised fraud gangs the Unit has worked with forces both across the UK and abroad both to investigate crime but also to share its expertise.
- The card industry continues to work closely with the retail community to raise awareness of the ways in which retailers can protect their chip and PIN equipment from criminal attack.
- Increasing numbers of retailers are also implementing the cardholder data protection processes required of them through the Payment Card Industry Data Security Standard (PCI DSS).
- Fraud abroad losses have more than halved in the past two years. One of the factors causing this is the fraud detection systems used by the banks and card companies, which monitor for unusual spending - meaning that potential fraud is stopped before it happens. The increasing rollout of chip and PIN in more and more countries around the world also makes it harder for criminals to commit counterfeit card fraud.
- Continued investment by cash machine owners in technical defences to help prevent criminals from copying or skimming the magnetic stripe details from genuine cards.
- The rollout of updated chip cards. Cards with an updated integrated circuit card verification value (iCVV) have been rolled out since 1 January 2008. These cards - there are now 129 million of these cards in issue (as at end September 2010) - help tackle the type of fraud seen where fraudsters tamper with chip and PIN terminals to harvest card details. If an iCVV card was compromised in this way, the data would be useless to the fraudster (i.e. a fake magnetic stripe card created via a

compromise of this type would not work overseas in a non-chip and PIN country). Issuers are also rolling out Dynamic Data Authentication (DDA) cards and as at end September 2010 there were 50.7 million of these in issue.

2 The UK Cards Association is the leading trade association for the cards industry in the UK. With a membership that includes all major credit, debit and charge card issuers, and card acquiring banks, the role of the Association is both to unify and represent the UK card payments industry. It is responsible for formulating and implementing policy on non-competitive aspects of card payments including codes of practice, fraud prevention, major infrastructural changes, development of standards and other matters where cross-industry benefits are identified. More information about The UK Cards Association is available at www.theukcardsassociation.org.uk.

3 Financial Fraud Action UK is the name under which the financial services industry co-ordinates its activity on fraud prevention, representing a united front against financial fraud and its effects. It provides the payments industry voice on overarching financial fraud matters.

4 The Fraud Control Steering Group is an unincorporated association of financial institutions who participate in retail banking and the payments market in the UK. It is responsible for formulating and implementing policy and ensuring a co-ordinated industry approach to fighting payment, cheque and lending fraud.

5 The Cheque & Credit Clearing Company (C&CCC) is the industry body that manages the cheque clearing system in Great Britain, including the processing of bankers' drafts, building society cheques, postal orders, warrants and government payable orders. Its wide remit also covers the management of the systems for clearing paper bank giro credits, euro-denominated cheques and US Dollar cheques. C&CCC shares information with Financial Fraud Action UK regarding fraudulent activity in the cheque and credit clearing world.

6 The Dedicated Cheque and Plastic Crime Unit (DCPCU) is a squad of police officers and banking fraud investigators who work together to help reduce the UK's card and cheque fraud losses. The Unit is fully sponsored by the banking industry.

7 Regional card fraud losses mirror the decrease in the national figures, with the exception of the south west, which showed a very small increase. This increase in the south west was due to an increase in card-not-present (CNP) fraud. Despite the national decrease in CNP fraud, this region's increase in CNP fraud has contributed to an overall rise in the total loss figure. This does not necessarily mean that cardholders in the south west have been targeted by CNP fraudsters, but could simply point to the fact that the head offices of a number of mail order, phone and internet shopping business are located in the south west.

Regional fraud losses 2006 - 2010

Region	2006	2007	2008	2009	2010	+/- % 09/10
South East	£176.6m	£179.0m	£204.6m	£167.8m	£156.6m	-7%
North West	£35.7m	£35.6m	£42.4m	£39.0m	£23.5m	-40%
East Midlands	£15.0m	£22.8m	£24.3m	£19.4m	£13.6m	-30%
West Midlands	£17.2m	£24.4m	£23.5m	£22.4m	£16.5m	-26%
Yorks & Humberside	£27.2m	£24.0m	£22.1m	£18.5m	£15.4m	-17%
South West	£9.7m	£11.8m	£19.2m	£13.0m	£13.4m	+3%
Scotland	£9.9m	£11.5m	£17.9m	£11.4m	£10.6m	-7%
North East	£6.8m	£7.7m	£10.0m	£10.1m	£7.8m	-23%
East Anglia	£5.4m	£4.8m	£7.6m	£6.1m	£5.4m	-11%
Wales	£5.7m	£5.3m	£7.4m	£8.2m	£7.9m	-4%
N Ireland	£0.7m	£0.7m	£0.7m	£1.36m	£0.83m	-39%
Total UK-issued UK-acquired fraud	£309.9m	£327.6m	£379.7m	£317.4m	£271.5m	-14%
Fraud abroad on UK cards	£117.1m	£207.6m	£230.1m	£122.6m	£93.9m	-23%
Total	£427.0m	£535.2m	£609.9m	£440.0m	£365.4m	-17%

* Websites to visit for more information:

www.financialfraudaction.org.uk

www.becardsmart.org.uk

www.identitytheft.org.uk

www.chegueandcredit.co.uk

www.banksafeonline.org.uk

www.theukcardsassociation.org.uk