



Financial Fraud Action UK

Working together to prevent fraud



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PRESS RELEASE

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2011 FRAUD LOSSES CONTINUE DOWNWARD TREND

- **Fraud losses on the nation's debit and credit cards fall to £341.0m – a new ten-year low**
- **Online banking fraud losses fall. Minor increases in telephone banking and cheque fraud losses**

The latest payment fraud losses for 2011, released today (7 March 2012) by the banking and card payments industry show that credit card, debit card and online banking fraud levels have fallen again. This continued success is thanks to efforts by the industry, partners, and importantly, customers. Fraudsters' activities in other areas have caused a minor increase in cheque and telephone banking losses.

Fraud losses on UK cards fell 7% from £365.4m in 2010 to £341.0m in 2011, resulting in a three-year reduction of nearly 45%. Losses are at the lowest levels since 2000. This healthy trend is a result of the industry's efforts to deter, detect and prosecute fraudsters. Current initiatives include: sign-up by retailers and consumers to online protection initiatives such as MasterCard SecureCode, Verified by Visa and American Express SafeKey; successful campaigns to raise customer awareness of fraud protection advice; improved sharing of fraud data and intelligence within the industry and with law enforcement and other sectors; raising retailer awareness of good practice to safeguard their chip and PIN equipment, along with both retailers and banks using fraud detection tools; continued upgrading of the chips on UK cards (see note 1); and increased roll-out of chip and PIN abroad.

Online banking fraud losses fell 24% from £46.6m in 2010, to £35.4m in 2011. Factors contributing to this fall include: customers better protecting their own computers with up-to-date anti-virus software; banks' use of sophisticated fraud detection systems; and banks providing customers with additional software and hand-held devices to log on to internet banking. This decrease has occurred despite a continuing rise in phishing attacks and attacks involving malware. Phishing attacks are up 80 % from 2010.

Telephone banking fraud losses rose from £12.7m in 2010 to £16.7m in 2011 (an increase of 32%). Most losses involve customers being duped by criminals, using fake emails or cold calling, into disclosing their personal security details such as telephone banking passcodes. These details are then used to commit fraud. Individually, banks use sophisticated security systems to protect their customers' accounts. These systems are constantly upgraded to maintain their effectiveness. Collectively, the banking industry shares information and intelligence on this type of fraud with law enforcement and the telecommunications industry: to identify fraudulent activity and those seeking to undertake it, and to maintain the security of telephone-based services.

Cheque fraud losses rose from £29.3m in 2010 to £34.3m during 2011 (an increase of 17%). This rise is mainly from an increase in fraudsters stealing genuine cheques and altering the payee name or using details from genuine cheques to

create counterfeits. Over 90% of attempted cheque fraud gets stopped before the cheque is paid. The industry continues to work with cheque printers to enhance security features on cheques, and also to provide advice to consumers regarding best practice when writing and receiving cheques.

Melanie Johnson, Chair of The UK Cards Association comments:

“Driving down fraud and keeping cards safe continues to be a priority for the industry. This is the third year card fraud losses have fallen - clear proof that our endeavours to fight fraud are packing a punch. Customers have also played their part in driving down losses by taking heed of advice about looking after their personal and financial details. Fortunately, they can always be confident that if they are the innocent victim of fraud, they have excellent fraud protection that they don’t get if they use cash.”

DCI Paul Barnard who heads up the industry-sponsored police squad, the Dedicated Cheque and Plastic Crime Unit says:

“As technological advances have made our payments more secure, we’ve seen a spike in more simplistic crimes. Many scams involve customers being conned into handing over their cards and PINs, or their telephone banking security details by someone calling, pretending to be their bank or police. Our appeal to the public is to be wary of any unsolicited phone calls or emails – never hand over your card and PIN or bank security details in full as neither your bank or the police will ever ask you for these.”

ENDS

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Note to editors:

Annual fraud losses on UK-issued cards 2007 to 2011

Card Fraud Type on UK-issued credit and debit cards	2007	2008	2009	2010	2011	% +/- 10/11
Telephone, internet and mail order fraud (card-not-present fraud)	£290.5m	£328.4m	£266.4m	£226.9m	220.9m	-3%
Counterfeit (skimmed/cloned) fraud	£144.3m	£169.8m	£80.9m	£47.6m	£36.1m	-24%
Fraud on lost or stolen cards	£56.2m	£54.1m	£47.7m	£44.4m	£50.1m	13%
Card ID theft	£34.1m	£47.4m	£38.2m	£38.1m	£22.5m	-41%
Mail non-receipt	£10.2m	£10.2m	£6.9m	£8.4m	£11.3m	34%
TOTAL	£535.2m	£609.9m	£440.0m	£365.4m	£341.0m	-7%
<i>Contained within this total:</i>						
UK retail face-to-face transactions	£73.0m	£98.5m	£71.8m	£67.4m	£43.2m	-36%
UK cash machine fraud	£35.0m	£45.7m	£36.7m	£33.2m	£29.3m	-12%
<i>domestic/international split of total</i>						
UK fraud	£327.6m	£379.7m	£317.4m	£271.5m	£261m	-4%
Fraud abroad	£207.6m	£230.1m	£122.6m	£93.9m	£80m	-15%

Annual online and telephone banking losses 2007 to 2011

	2007	2008	2009	2010	2011	% +/- 10/11
Online banking fraud losses	£22.6m	£52.5m	£59.7m	£46.7m	£35.4m	-24%
Telephone banking fraud losses	-	-	£12.1m	£12.7m	£16.7m	32%

Phishing attacks (number)	25,797	43,991	51,161	61,873	111,286	80%
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Cheque fraud losses 2007 to 2011

	2007	2008	2009	2010	2011	% +/- 10/11
TOTAL	£33.5m	£41.9m	£29.8m	£29.3m	£34.3m	17%

Debit and credit card fraud figures are gross losses whilst the online and telephone banking and cheque figures are net losses.

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

2010 cheque fraud losses were restated at the start of 2011.

1. The introduction of chip cards has played a major part in reducing fraud on UK cards, and means that the industry is able to maintain a programme of continual improvement in card security. Cards with an updated integrated circuit card verification value (iCVV) have been rolled out since 1 January 2008. These cards - at end-December there were 134 million - 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; a fake magnetic stripe card created via a compromise of this type could not be used overseas in a non-chip and PIN country. Issuers are also rolling out Dynamic Data Authentication (DDA) cards, which make each transaction unique. By December 2011 there were 98 million of these cards.

2. The industry's education campaigns provide customers with straightforward tips to protect themselves against fraudsters, helping them to keep their personal details safe. Be Card Smart Online, launched in 2008, offers advice on staying safe when shopping over the internet, whilst the industry's 'Money Mules' campaign raises awareness of the serious repercussions associated with knowingly being recruited by criminals to launder funds. The industry also provides clear advice to those who are at risk of being conned out of their card details over the telephone.

3. Financial Fraud Action UK is the name under which the financial services industry co-ordinates its activity on fraud prevention, presenting a united front against financial fraud and its effects. Financial Fraud Action UK works in partnership with The UK Cards Association on industry initiatives to prevent fraud on credit and debit cards, with the Fraud Control Steering Group on non-card fraud matters and the Cheque and Credit Clearing Company on credit clearing and cheque fraud.

4. The UK Cards Association is the leading trade association for the card payments industry in the UK. With a membership that includes all major credit, debit and charge card issuers, and card payment acquirers, the Association contributes to the development of legislative and regulatory frameworks; develops industry best practice; safeguards the integrity of card payments by tackling card fraud; develops industry standards; and co-ordinates other industry-wide initiatives across matters relating to both card payments and the provision of credit.

5. 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 coordinated industry approach to fighting payment, cheque and lending fraud.

6. 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.

7. 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.

8. Regional credit and debit card fraud losses 2007 – 2011

Region	2007	2008	2009	2010	2011	+/- % 10/11
South East	£179.0m	£204.6m	£167.8m	£156.6m	£149.9	-4%
North West	£35.6m	£42.4m	£39.0m	£23.5m	£21.1	-10%
East Midlands	£22.8m	£24.3m	£19.4m	£13.6m	£16.6	21%
West Midlands	£24.4m	£23.5m	£22.4m	£16.5m	£14.1	-14%
Yorks & Humberside	£24.0m	£22.1m	£18.5m	£15.4m	£12.1	-21%
South West	£11.8m	£19.2m	£13.0m	£13.4m	£10.3	-24%
Scotland	£11.5m	£17.9m	£11.4m	£10.6m	£9.8	-6%
North East	£7.7m	£10.0m	£10.1m	£7.8m	£4.8	-38%
East Anglia	£4.8m	£7.6m	£6.1m	£5.4m	£8.1	50%
Wales	£5.3m	£7.4m	£8.2m	£7.9m	£7.6	-2%
N Ireland	£0.7m	£0.7m	£1.4m	£0.8m	£6.3	652%
Total UK-issued and acquired fraud	£327.6m	£379.7m	£317.4m	£271.5m	£261.0	-4%
Fraud abroad on UK cards	£207.6m	£230.1m	£122.6m	£93.9m	£80.0	-15%
Total	£535.2m	£609.9m	£440.0m	£365.4m	£341.0	-7%

Regional card fraud losses generally mirror the decrease in the national figures, with the exception of Northern Ireland, East Anglia and the East Midlands where the increases were due to a rise in card-not-present (CNP) fraud. This does not necessarily mean that customers in these areas have been targeted by fraudsters, but could simply point to the fact that a number of head offices of organisations that accept CNP transactions are located in these areas.

Websites to visit for more information:

www.financialfraudaction.org.uk

www.identitytheft.org.uk

www.chequeandcredit.co.uk

www.banksafeonline.org.uk

www.theukcardsassociation.org.uk