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**FRAUD & ASSET RECOVERY
SURVEY FINDINGS**
APRIL 2009

**FRAUD & ASSET
RECOVERY**

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FRAUD & ASSET RECOVERY SURVEY

APRIL 2009

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EXECUTIVE SUMMARY



SURVEY REVEALS MIDLANDS' BUSINESSES WAKING UP TO EXPOSURE TO FRAUD

More than a third of UK businesses do not have any systems in place to help detect fraud and 47 percent do not invest in training staff on how to spot fraud.

A quarter of businesses surveyed believe that fraudulent activity in Birmingham and the Midlands has increased within the last six months, whilst more than 60 percent believe fraud is on the rise on both a national and international scale.

Overall, our Survey confirmed that over half of UK businesses are worried about business or commercial fraud. However, it is surprising therefore that more than 40 percent have no systems or trained, dedicated staff, in place to help detect fraud, especially in the current economic climate, and particularly as 75 percent of businesses taking part believe fraud is having a direct effect on their business.”

Businesses are increasingly aware of the potential losses they can suffer from fraudulent activities - which cost the UK economy £14 billion a year according to the Government's National Fraud Strategic Authority - but often believe they won't be targeted.

The Survey also revealed that businesses believe complacent internal procedures, the Banks and Government, are to blame for their increased threat from fraud.

According to the Survey, over 97 percent of businesses believe the increase in fraud will lead

to a rise in insurance premiums, followed by financial losses for the business (90%), increased end-user prices (82%) and overall a loss of commercial confidence (77%).

“The financial sector and on-line businesses are deemed at greatest risk from fraud, followed by the property and construction sector, retail, music and entertainment, and hospitality,” says Arun.

In Birmingham, only 40 percent of the Survey's participants know the city has its own dedicated Fraud & Asset Recovery experts.

- A third of businesses do not have any system in place to detect fraud.
- 60% believe fraud is on the rise in the UK.
- 50% are worried about fraud.
- 40% have no systems or trained, dedicated staff in place to detect fraud.
- 75% believe fraud is having a direct effect on their businesses.
- 97% think the increase in fraud will increase their insurance premiums.
- 40% are aware that Birmingham has its own dedicated Fraud & Asset Recovery experts.

SURVEY METHODOLOGY

The survey invited senior personnel from a wide range of businesses within the Midlands area and UK as a whole. Businesses ranged from professional services through to manufacturing, the private to public sector and SME's to larger organisations.

Conducted on-line, the 25 question survey was commissioned April 2009.

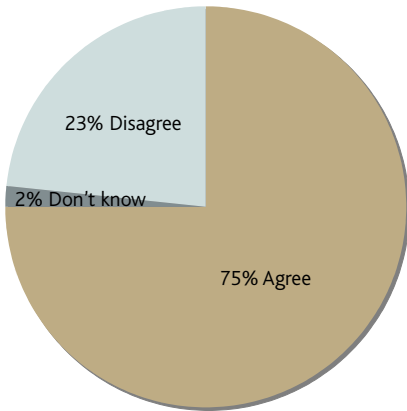
Topics included:

- Review of fraudulent activity
- Sectors likely to be affected by fraudulent activity
- The likely risk of business being affected by fraud and in what areas
- Areas that could be affected by fraud
- Who is to blame for the increase in fraud
- Knock-on effects of an increase in fraud
- Awareness of Fraud & Asset Recovery specialist teams
- Review of business measures in place to detect fraud
- Fraud training and preventative measures.

FRAUDULENT ACTIVITY

75% believe that the current economic climate has an effect on the current level of fraud, with over 60% believing it has increased on a national and international level. However, only 26% think it has increased in Birmingham and the Midlands. 50% believe the level of fraudulent activity has increased.

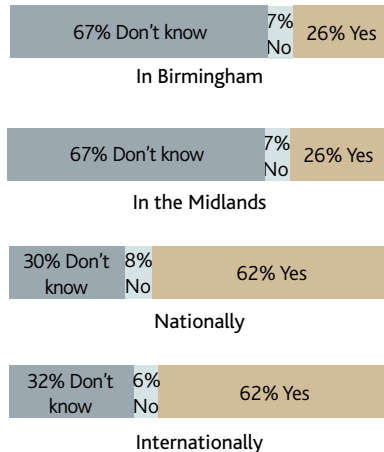
Figure 1 illustrates those that think the current economic climate has an effect on the level of fraud.



Respondents were asked if they considered fraudulent activity hasn't actually increased, but is simply detected more readily in the current economic climate. The survey revealed that:

- 26% Agree
- 50% Disagree
- 24% Don't know

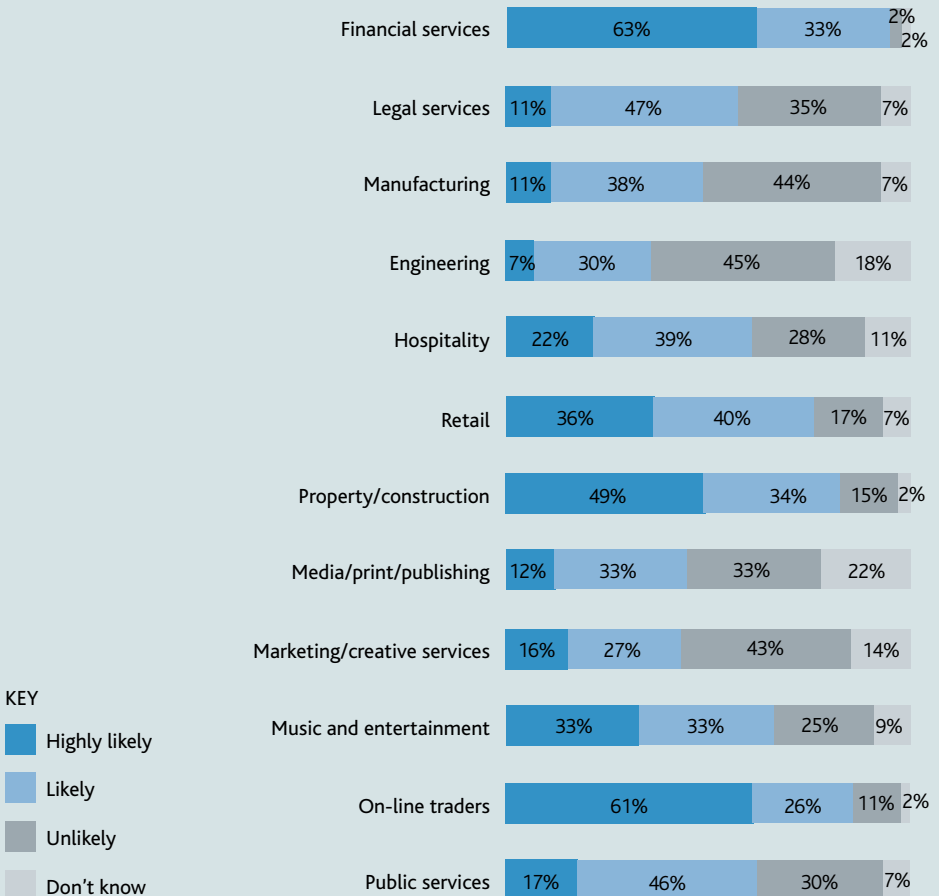
Figure 2 illustrates where respondents think fraudulent activity has increased.



RISK OF FRAUD

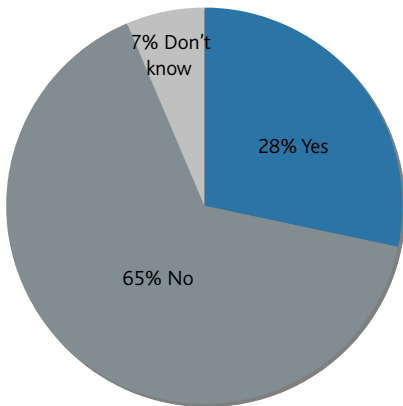
The survey revealed that a cross section of businesses are believed to be at risk from fraudulent activity. Those businesses deemed to be at greater risk were the financial sector (63%) and on-line businesses (61%) followed by the property and construction sector (49%), retail (36%), music (33%) and entertainment and hospitality (22%).

Figure 3 illustrates which sectors/professions are considered as being at greater risk from fraud.



Only 28% of businesses are worried about their business being affected by fraud, of which 80% said that their concerns have increased over the last 12 months. However, 41% feel there is a risk of their business being affected by fraud, whether by external fraud (61%), data security fraud (42%), employee (37%) and on-line transaction fraud (36%).

Figure 4 illustrates those worried about the chances of their business being affected by fraud.



When asked if they thought that there was a risk of their business being affected by fraud in 2009, the response was:

- 13% Highly likely
- 30% Likely
- 46% Unlikely
- 11% Don't know

And the areas that they were likely to be affected were seen as:

Respondents were also asked if their concerns had increased. The survey revealed that they had increased:

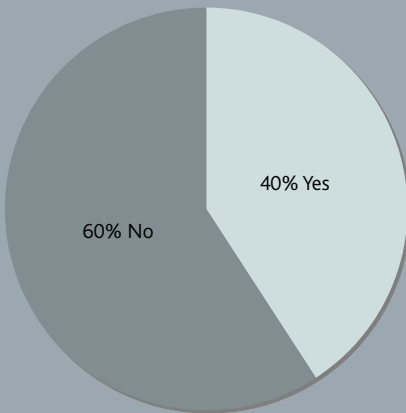
- 40% over the last 3 - 6 months
- 40% over the last 7 - 12 months
- 20% over 13 months

External fraud	61%
Data security fraud	42%
Internal fraud - employees	37%
On-line transaction fraud	36%
Asset fraud	33%
Cyber fraud	33%
Company finances fraud, including loans or investment fraud	22%
VAT fraud	18%
Factoring fraud	13%

SPECIALIST SUPPORT

40% of the respondents are aware of the fraud and asset recovery experts in Birmingham. 100% would expect to find experts in London, followed by Manchester (66%) and Edinburgh (45%). When asked, where they would locate a specialist fraud legal team, over 58% said it would be through a recommendation from a business associate, followed by the internet and FSA (both at 35%), while 12% did not know.

Figure 5 illustrates those aware of Fraud and Asset Recovery experts in Birmingham.



Asked where they would locate a specialist fraud legal team, the response was:

Recommendation from business associate	58%
Internet	35%
FSA	35%
Recommendation from business advisor	28%
Intelligence Bureau	26%
Directories	19%
Fraud organisation eg SFO	19%
The National Fraud	19%
Internet business directory	9%
Don't know	12%

Respondents also expected to find experts in:

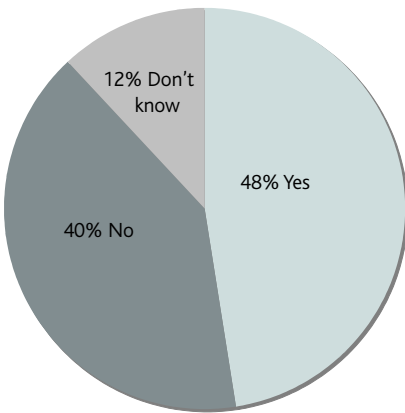
- London 100%
- Manchester 66%
- Edinburgh 45%
- Leeds 40%
- Bristol 37%

FRAUD SYSTEMS IN PLACE

Of concern is that 41% of businesses do not have any systems in place for detecting fraud or have anyone responsible for coordinating and monitoring fraud issues. Businesses that did have systems in place relied on their own staff, internal procedures and external consultants.

Only 45% of businesses provide fraud training for employees. 42% of businesses were worried about identity fraud and on a personal level 87% are worried.

Figure 6 illustrates whether businesses have a system in place to detect fraud.



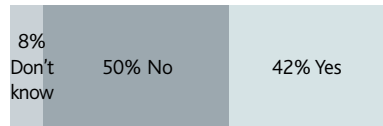
Respondents were also asked if the business had an individual(s) responsible for coordinating all fraud issues and any monitoring systems in place. The survey revealed that:

- 48% said yes
- 40% said no
- 12% didn't know

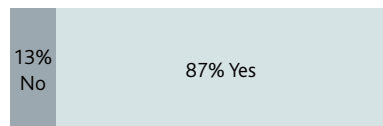
When asked if their business provided fraud training for employees, the survey revealed:

- 45% did provide training
- 48% provided no training
- 7% didn't know

Figure 7 illustrates if on a business and personal level respondents are worried about identity fraud/theft.



Business

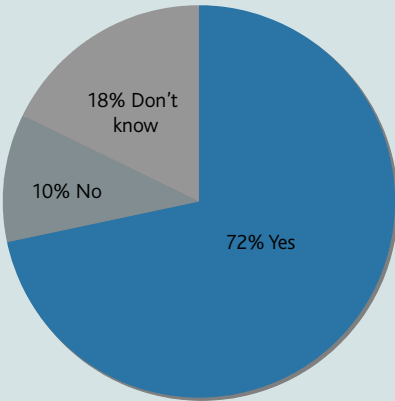


Personal

CURRENT FRAUD ACTIVITY

When asked if there is someone responsible for the current increased level of fraudulent activity, 72% of respondents said yes, of which they blamed fraudsters (66%), the government, banks and complacent business procedures (all at 59%).

Figure 8 illustrates those that consider there is someone to blame for the current increased level of fraudulent activity.



Asked who or what did they hold responsible for the increased level of fraudulent activity, the survey revealed:

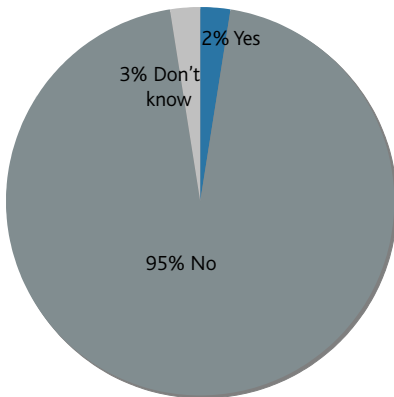
Fraudsters themselves	66%
The Banks	59%
The Government	59%
Complacent business procedures	59%
Opportunists	45%
Insufficient governing body guidelines/measures	41%
Lack of legislation	31%

54% of respondents feel there are insufficient measures in place to punish or deter fraudsters. 95% feel fraud is not a victimless crime and that ultimately we will all pay through increased insurance premiums (97%), followed by financial losses to the business (90%) and a loss of commercial confidence (77%).

Respondents were asked if they feel there are sufficient criminal or financial sanctions in place to punish or deter fraudsters, the survey revealed:

- 23% said yes
- 54% said no
- 23% didn't know

Figure 9 illustrates those who agree with the view held by some that fraud is a 'victimless crime'.



When asked what they thought were the potential knock-on effects of fraud, the survey revealed that:

Increased insurance premiums	97%
Financial loss to a business	90%
Losses passed on to end user, with increased prices	82%
Loss of commercial confidence	77%
Reduced business profit margins	69%
Higher level of business insolvency	56%
Stricter government legislation	54%

In order to prevent fraud it was felt the following was necessary:

Risk assessment	91%
Regular reviews of audit processes	90%
Anti-fraud policy	87%
Compliance training and audits	87%

IF YOU WOULD LIKE MORE INFORMATION
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