

It's a fraudster's world

Exploring the scale, impact, and globally interconnected nature of fraud against consumers

TWO-MINUTE SUMMARY

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SMF

Social Market
Foundation

KEY TAKEAWAYS

- **The world has a fraud problem.** Across 15 countries, our [research](#) found that volume fraud against consumers is highly prevalent, creating more than 70 million victims a year, between 2021 and 2023.
- **For the first time, we can compare fraud outcomes internationally,** through the SMF's Fraud Threat Prevalence Index (FTPI). It estimated the scale of the threat against the populations of each of the 15 countries.
- **We found that in relative terms the UK does better than many of the others,** with a lower threat level than all but one of those we surveyed.
- However, the **UK still had 10 million victims over the three years,** 2021 to 2023.
- **A lot of the fraud against the countries such as the UK is perpetrated from abroad** through digital technologies such as social media platforms and is made easier by the integration of payment and transfer services.
- Consequently, **a concerted international response that recognises the interdependence amongst countries over fraud is required to beat the global problem.**

The scale of the fraud problem

Victimisation levels in the UK and across 14 other countries

For the first time, our report provides comparable international data about the scale of the fraud being committed and the harm being suffered by individual victims.

We surveyed the adult populations of 15 countries (with a sample of over 28,000 people) about their experiences of fraud.¹

Our survey results revealed that, on average, across the 15 sample countries, 21.5% of adults fell victim to fraud at least once between 2021 and 2023. As a proportion of its population:

- The US experienced the highest level, with nearly a third (31%) of adults falling prey to fraudsters.
- Japan saw the lowest level of fraud, with 8% of Japanese adults experiencing a fraud.
- The UK had the fifth lowest victimisation rate (18%) of the countries we surveyed.

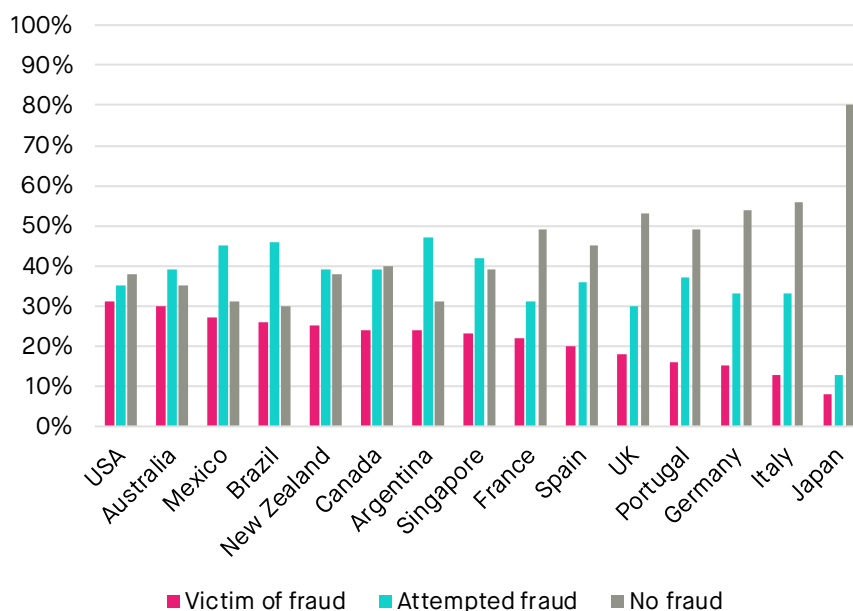
Using our findings, we estimate that, there were around 228 million fraud victims over the three-year period across the countries we polled. This equates to 7,096 victims annually for every 100,000 adults across the surveyed nations.

¹ Argentina, Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, Portugal, Singapore, Spain, United Kingdom, United States (US).

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Figure 1: Rate of fraud victimisation against individuals between 2021 - 2023



The cost of volume fraud perpetrated against individuals

The aggregated annual direct financial cost resulting from the only or most recent fraud experienced in the 15 countries averaged £56 billion each year. The typical loss per victim across the whole international sample was around £1,060, with significant variation between countries. For example:

- The average loss was highest in
- Singapore (£2,113) and lowest in Brazil (£282).
- The mean loss by individual victims in the UK was £907.

Relative to the GDP per capita in each of the jurisdictions we examined:

- The highest average relative financial loss for a fraud was experienced by victims in Mexico, which we calculated to be 11% of GDP per capita.
- The lowest was suffered by victims in the US and UK (2%).

The Fraud Threat Prevalence Index (FTPI)

The UK compares well with many other countries over the prevalence of the fraud threat

Drawing on our survey results, we developed the FTPI (see Annex for the full ranking). It enables us to show a more holistic picture of the fraud threat against each country and to compare more easily and comprehensively the fraud situation across the sampled nations. Using the FTPI, we believe that:

- The UK suffered from the second lowest fraud threat of the 15 countries we surveyed between 2021 and 2023.
- Singapore had the worst rating in the FTPI and consequently we believe had the worst fraud problem amongst those states we surveyed, during the period 2021 to 2023.

The importance of the right incentives

Plausible reasons for the UK's relatively good positioning in the FTPI include the efforts made by payment services providers such as banks in recent years to reduce their liability

for fraud reimbursements to consumers, along with the financial regulator including fraud more explicitly in its evaluation of banks’ risk management activities. This implies that changing the incentives facing organisations can make a difference and perhaps therefore offers a glimpse of a way forward for policymakers.

Fraud remains a significant problem for the UK

Despite the UK’s position in the FTPI, almost 10 million Britons fell victim to fraud between 2021 and 2023, incurring (short to medium-term) socio-economic costs of around £16 billion over that time. In addition, there are longer-term negative effects that are more difficult to measure, which include the erosion of the rule of law and the cross-subsidy of other crimes like people trafficking and terrorism.

The UK’s lacklustre response to fraud is a key reason why it remains prevalent in Britain

Currently, the UK response to fraud against consumers remains inadequate. This was a consistent message from the qualitative research with key experts that also informs this report. Specific criticisms we heard in our interviews included:

- Fraud is insufficiently prioritised by government which, in turn, is a key determinant of the scale and efficacy of the response to fraud.
- Law enforcement is poorly organised to deal with the nature of the fraud threat and has insufficient capacity and a capability deficit, which prevents it from mounting a serious and sustained crime control effort against fraudsters.
- The organisations that constitute the “fraud chain”, such as online platforms, social media companies, payment services providers (e.g. banks) and telecoms companies, have failed to take the necessary measures to prevent and

Figure 2: Satisfaction with the law enforcement response to the victim’s only or most recent fraud reported to law enforcement, 2021 – 2023

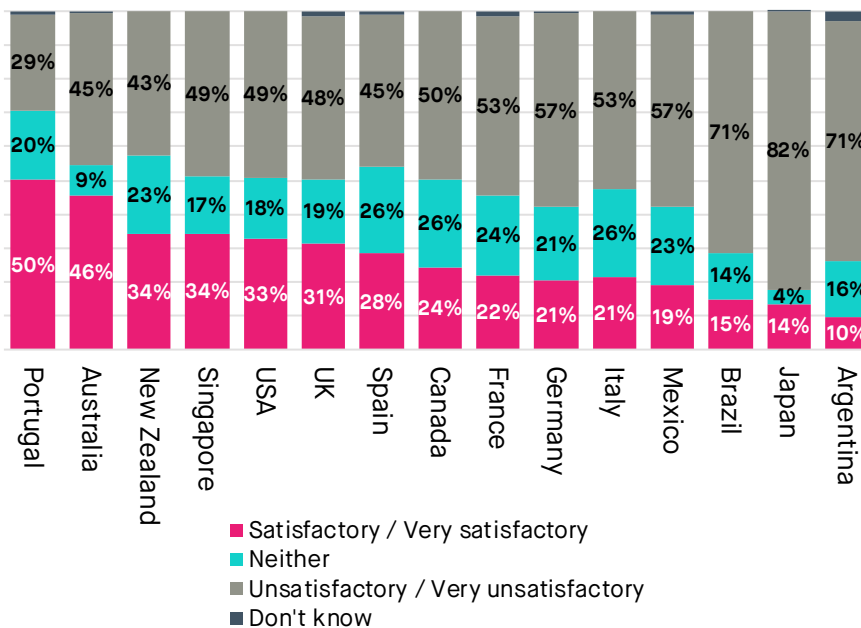
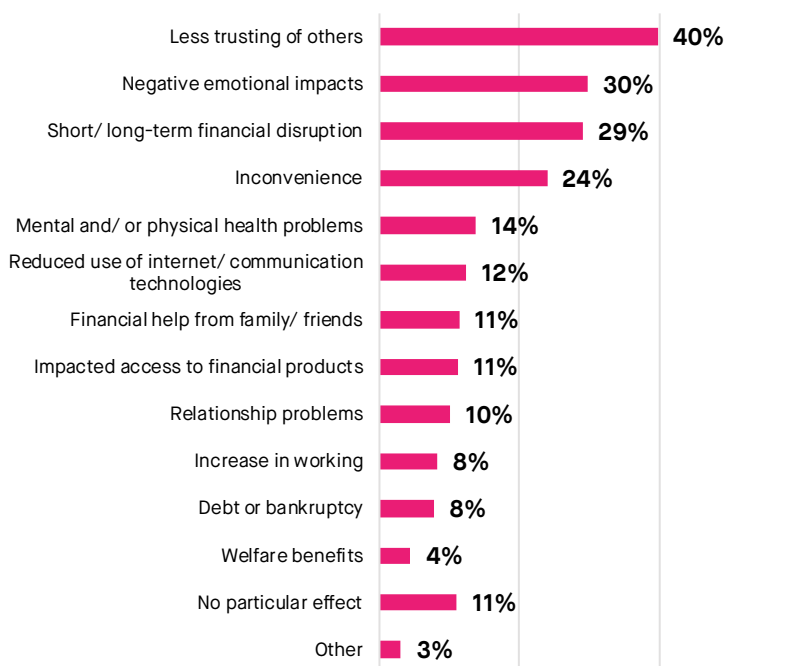


Figure 3: Types of wider negative impacts experienced by fraud victims aggregated across 15 countries, 2021- 2023



disrupt the fraud propagated through their services.

- There is a significant international dimension to the fraud problem as a result of the growth of cross-border fraud and the consequent interdependency between states, which has not been adequately reckoned with.

The wider costs of fraud

Our report also shows the prevalence of the wider impacts of fraud on people and societies.

For example, using our survey data, we believe that across the 15 countries we surveyed, volume fraud against individuals generates around £140 billion in (short to medium-term) socio-economic costs each year.

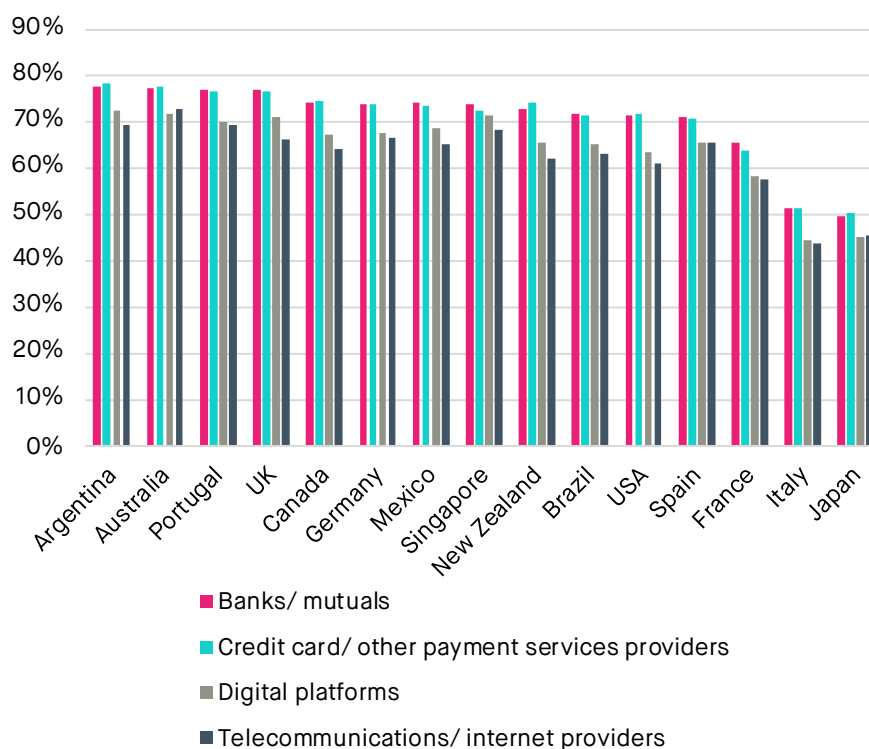
A better response to fraud in the UK and around the world

States have so far failed to rise to the fraud challenge

The experts we spoke with for our research pointed out that the spread of digital technology, financial services innovations that utilised those communications technologies and changing consumer behaviour on the back of technological changes, have been central to the “globalisation of fraud”. However, they also highlighted that the response from states had lagged severely behind criminals who have quickly taken advantage of these developments in order to reach more victims and find new ways of defrauding people.

We polled victims across the fifteen countries about their experience of the law enforcement response to them reporting the most recent or only fraud they had suffered in the period 2021 to 2023. By a ratio of two to one, victims reported their experience as poor.

Figure 4: Support for a sanctions regime against organisations in the “fraud chain” that fail to prevent and disrupt fraud



Putting in place the kind of measures needed to build an effective response to fraud at both domestic and international levels, will require global cooperation, to ensure that all states:

- Are aligned on the goal of tackling fraud.
- Agree on the domestic measures which are needed and will be implemented.
- Galvanise those organisations that constitute the “fraud chain” in every country to instigate the necessary measures to prevent and disrupt fraud.
- Prioritise appropriate cross-border collaboration between law enforcement and regulatory agencies.

Further, as was noted in some of the expert interviews we undertook to inform our report, the international dimension of fraud is only likely to be effectively dealt with when individual countries have sufficient domestic counter-fraud capacity and capabilities that they have the foundations to then to be able

to collaborate across borders to deal with the interdependency problem.

Collective action problems bedevil a more effective UK and global counter-fraud effort

Collective action problems sit behind the failures of the public and private sectors to properly get to grips with fraud. These stem from misaligned interests between those entities relevant to the fraud problem and insufficiently strong incentives to stimulate appropriate action at scale from them. This is as true of the domestic response in the UK as the international situation. Indeed, in the latter context, if anything, the myriad of interests and the inadequacy of incentives is even greater.

There are effective and popular solutions governments can implement to tackle the domestic collective action problem

Our research revealed potential policy measures which could help tackle the domestic collective action problems in countries like the UK, were popular amongst the public in each of the 15 countries we surveyed. that constrains the implementation of the most effective measures against fraud in countries like the UK. For example:

- On average, 91% of people across the 15 countries agreed that banks and other payment services providers should bear “some” of the cost of fraud, while 71% agreed that banks and other payment service providers ought to be subject to financial sanctions for not taking adequate counter-fraud steps.
- 88% of those surveyed supported digital platforms sharing the costs of fraud losses, and 65% agreed that platforms should suffer penalties for not implementing effective counter-fraud measures.
- 84% said that telecoms and internet providers should contribute to covering individual fraud losses and 63% wanted to see them face fines for not taking action to squeeze out fraud from their services.

Ameliorating the domestic collective action problem creates the impetus for other measures which, together, can create an effective counter-fraud regime.

Extensive data and intelligence sharing is a vital tool for tackling fraud and needs to be implemented in all countries

We believe that our survey data shows that there are a number of other policies that have sufficient public support across the 15 countries we polled, to form the basis of an international policy consensus on tackling fraud. For example, our survey results found that data and intelligence sharing commands typically commanded a plurality of support across the countries surveyed, with explicit opposition to such arrangements was consistently lower than the levels of support

or indifference. For example, across the sample as a whole:

- 47% supported data and intelligence sharing between banks and other relevant financial services firms.
- 42% were behind expansive sharing arrangements, which include the digital platforms, telecoms/internet providers and law enforcement as well as financial services firms.

Overall more people support rather than oppose frictions in payments systems to help reduce fraud

We also identified consistent majorities (73% on average) for enhanced security checks around payments and transfers. There was, however, less enthusiasm for slower payments and transfers. Support was highest in Argentina and Singapore (both 53%), with the UK just behind at 47%. However, in no countries did opposition outweigh support. For example, in Japan, where support was lowest, it was nevertheless at 28% compared to outright opposition at 19%.

Reforms to improve the UK's domestic response to fraud and build an effective international counter-fraud approach

Domestic measures to maximise the efficacy of UK's anti-fraud approach

Recommendation one: The UK government should prioritise the fight against fraud and, to reflect this, a cross-departmental Economic Crime Leadership Group (ECLG) should be set-up to lead on policy development and oversee implementation.

Recommendation two: The UK government should boost the law enforcement response to economic crime and in particular fraud, by:

- Funding the recruitment and training of 30,000 specialist police officers and support staff
- Reviewing the law to identify where the criminal law could be bolstered and how

the civil law and administrative powers might be enhanced.

- Increasing the maximum sentences that can be handed out to fraudsters and introducing minimum sentences for those defrauding multiple victims.

Recommendation three: To solve the collective action problem inhibiting a more effective response to fraud within the UK by the organisations in the “fraud chain”, the government should:

- Place legal duties on the organisations in the “fraud chain” to ensure that they prioritise the prevention and disruption of fraud and bear some of the costs of the fraud that is perpetrated through their services.
- Require “fraud chain” firms and relevant parts of the public sector to take part in enhanced data and intelligence sharing arrangements.
- Overhaul the payments system rules so that payments and transfers are subject to stronger security measures and those at greater fraud risk are slowed down.

Recommendation four: The government should ensure that the new “Stop! Think Fraud” public awareness campaign has long-term funding to enable it to continue for the next five years.

International measures to boost the global counter-fraud effort

Recommendation five: The UK government should push for a comprehensive international agreement in which countries will:

- Commit to prioritising and investing more resources into tackling fraud, with a significant emphasis on cross-border law enforcement and regulator cooperation.
- Take actions to reduce the current disincentives to greater cross-border law enforcement cooperation e.g. modernising the Mutual Legal Assistance Treaties (MLATs) network.
- Agree to implement measures which incentivise the organisations in the “fraud chains” of each signatory country to take the necessary steps to better prevent and disrupt the fraud being perpetrated over their services.

Recommendation six: The UK government should increase its support for building up the anti-fraud law enforcement and regulatory capacity and capabilities in low and middle-income countries to enable them to make an increasingly extensive and effective contribution to the global fight against fraud.

Annex: The Fraud Threat Prevalence Index (FTPI)

1	Singapore (highest)
2	Brazil
3	Australia
4	United States
5	Canada
6	Mexico
7	New Zealand
8	France
9	Germany
10	Spain
11	Portugal
12	Argentina
13	Japan
14	UK
15	Italy (lowest)

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