



Experian UK Fraud Index

Q2 2022, April–June



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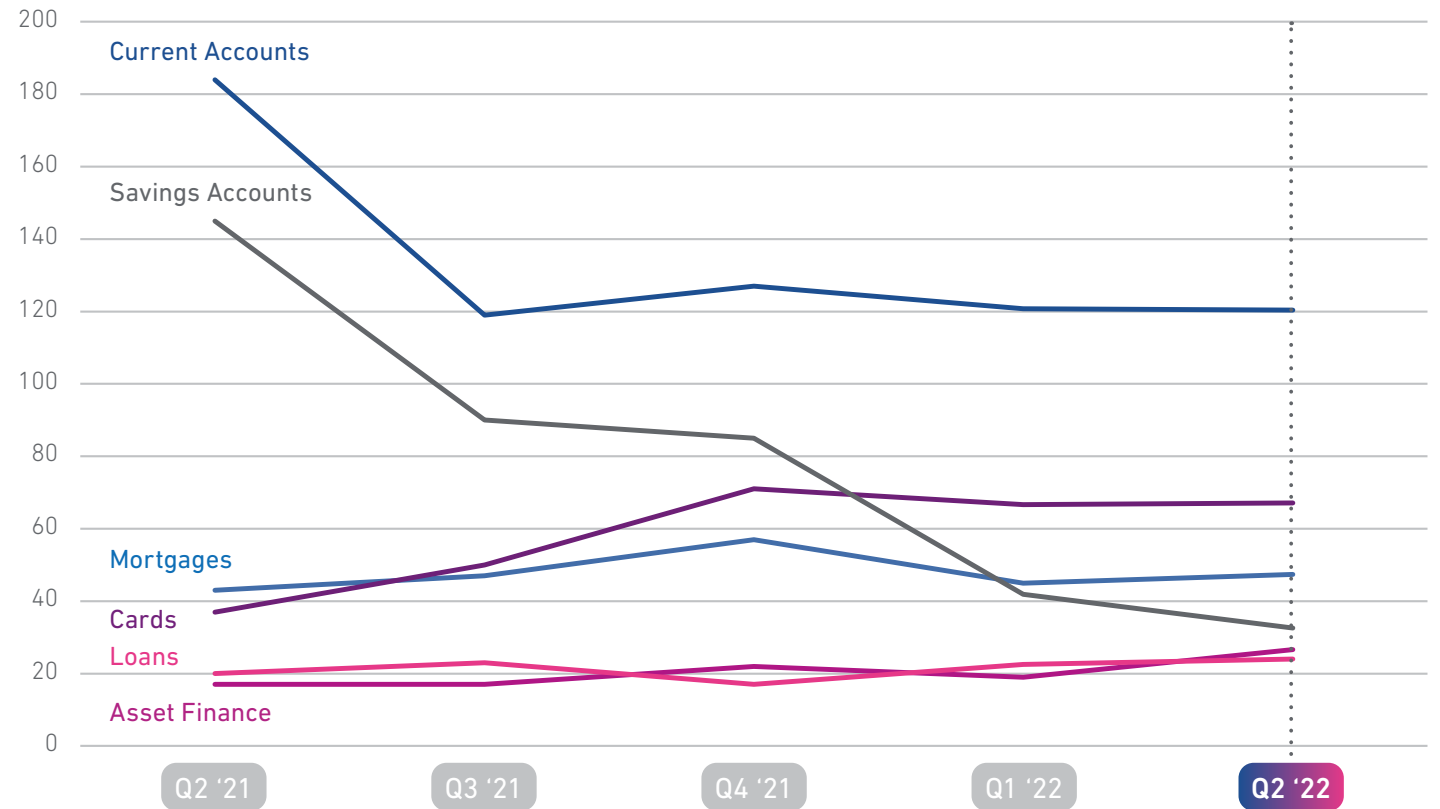
Overall fraud Q2 2022, Apr–Jun

Card fraud remains at the highest levels we have seen since 2017, a trend that started in Q4 2021.

Loans fraud continues to increase, predominantly driven by a surge in first party fraud during the latest quarter.

Asset Finance fraud rates are among the highest seen over the last 24 months.

The Experian Fraud Index is the number of confirmed detected and/or prevented fraud applications per 10,000 applications received



Note: The index includes externally notified confirmed fraud and does not include suspected fraud cases.

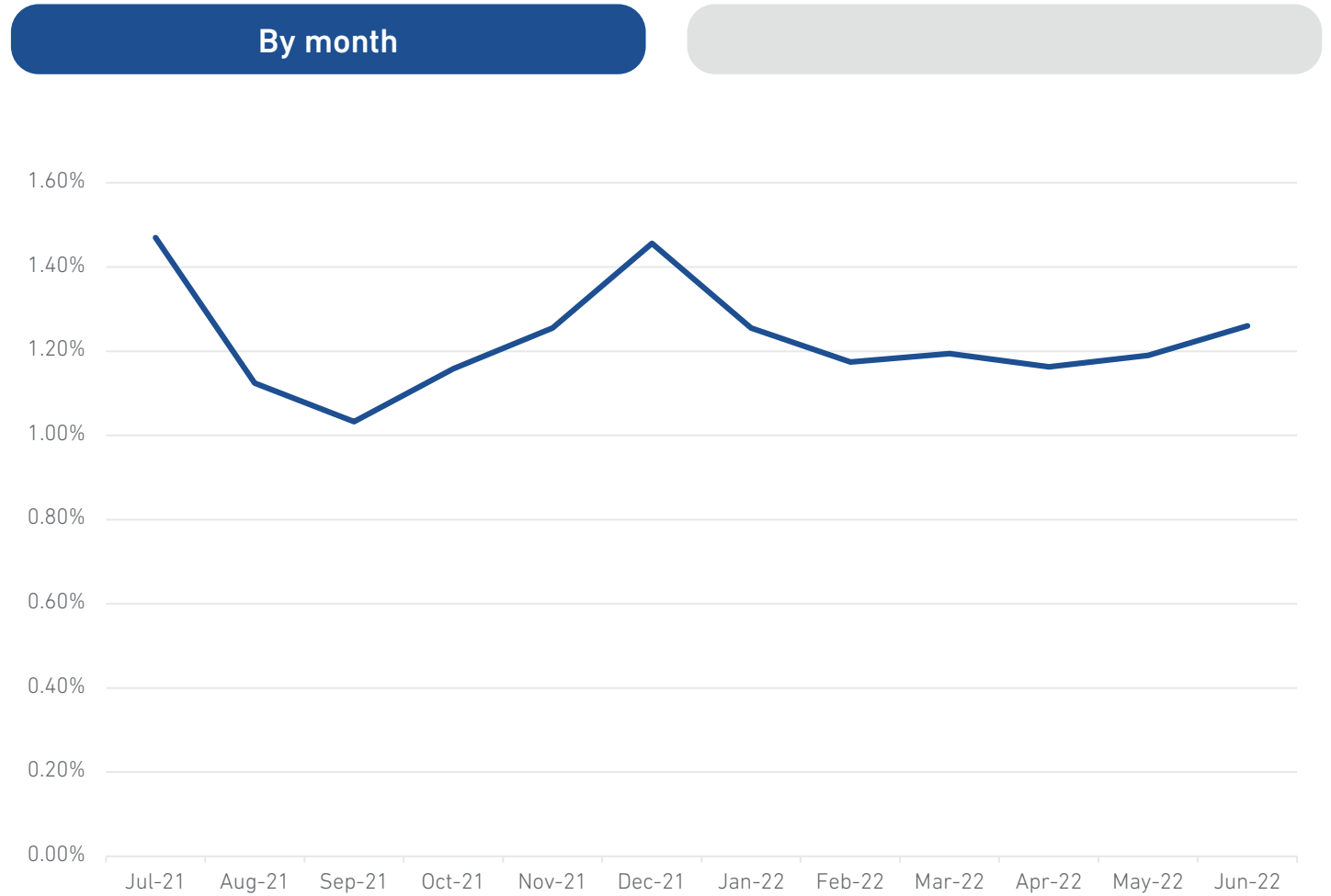


Current Accounts

Fraud rate

Current Account fraud rates have remained consistently around 1.2% throughout H1.

This breaks the trend of the annual peak in Current Account fraud which we have seen during April over the last few years. Instead, we appear to be in a period of stability, with fraud rates only just starting to climb marginally in June.

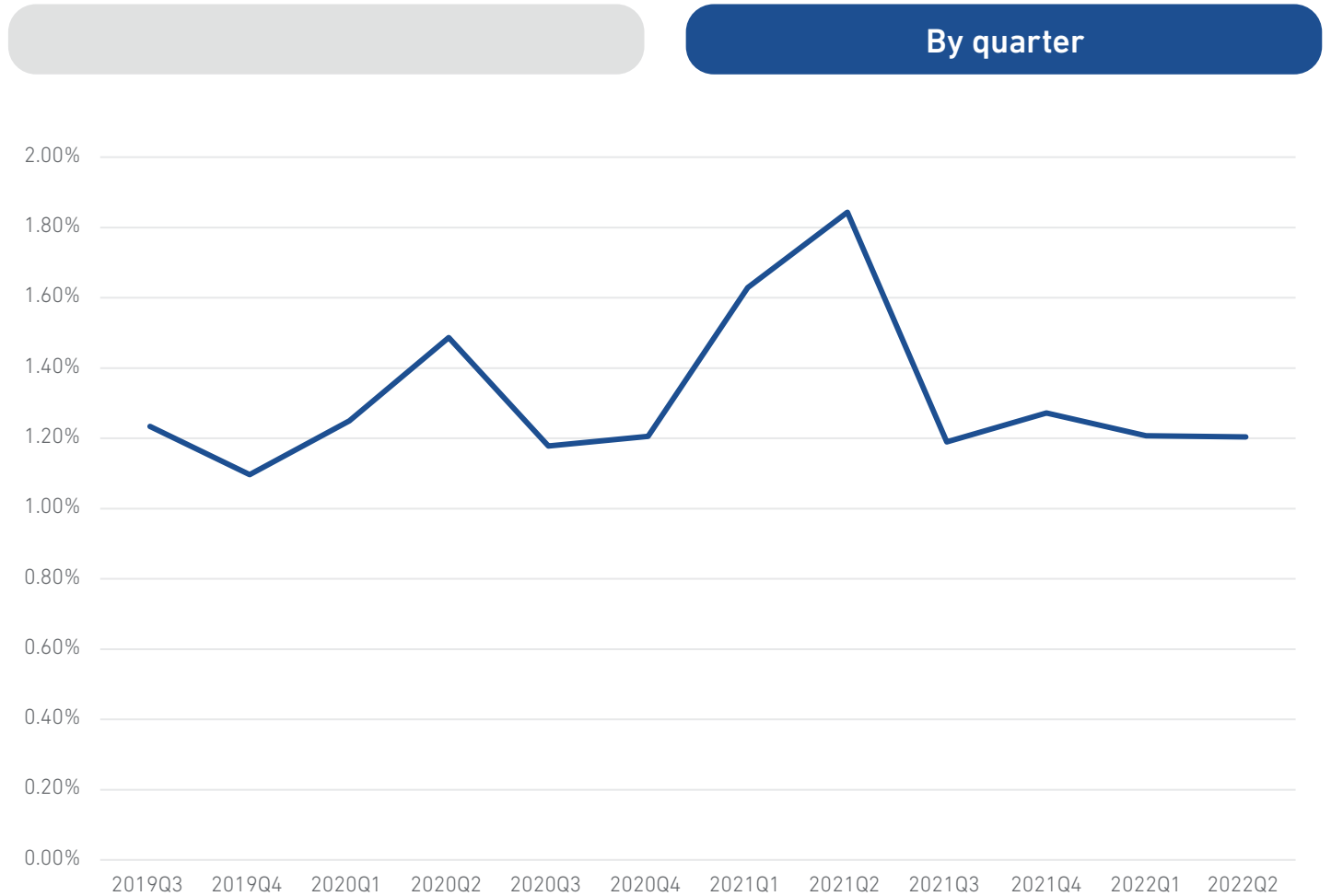


Fraud rate

H1 bucking the trend of the last 3 years is even more evident when looking at the quarterly view.

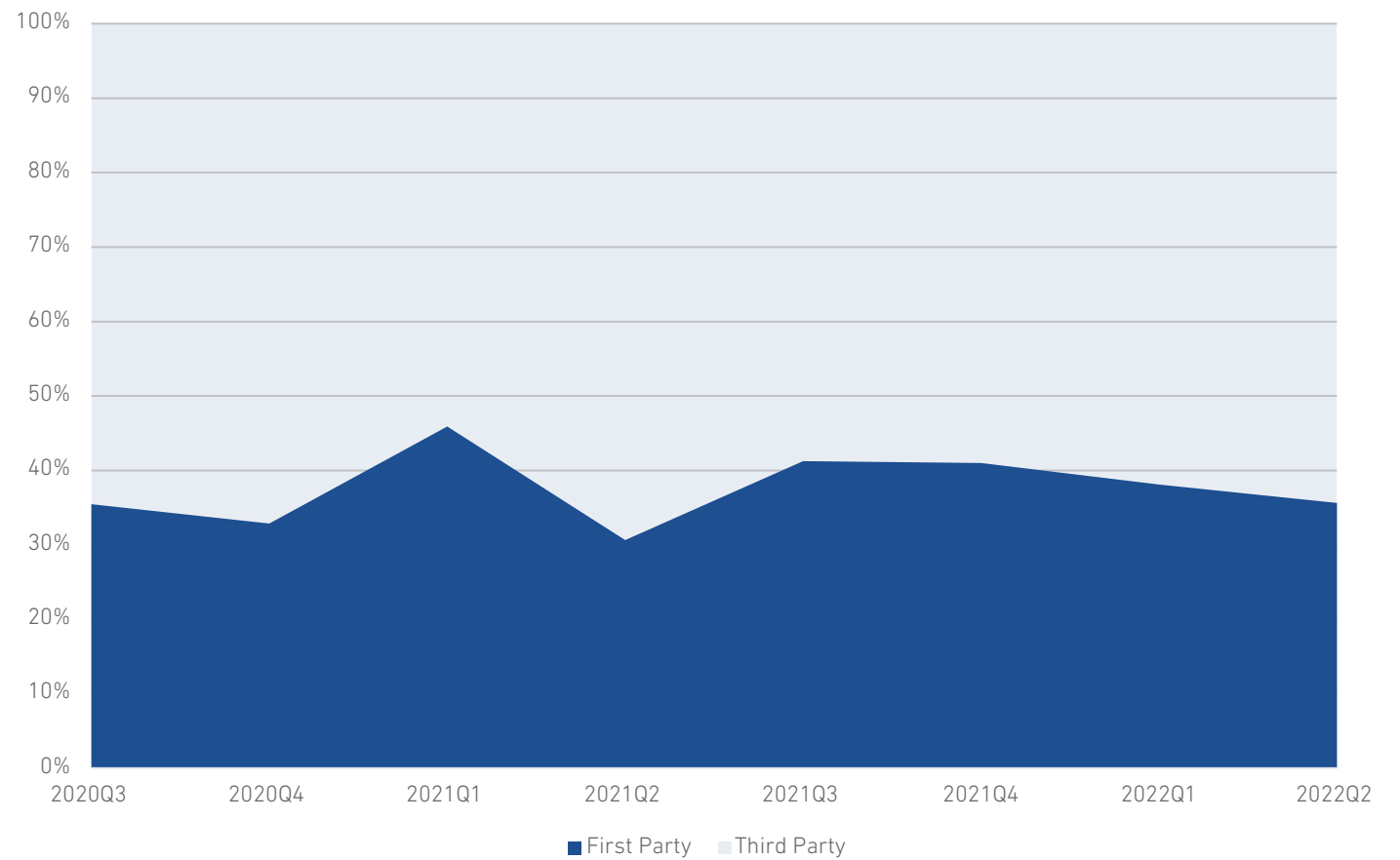
The seasonal increase in fraud throughout Q1 which then peaked in Q2 of 2020 and 2021 is nowhere to be seen this year. Instead, the fraud rates of last 4 quarters have been the most consistent we have seen in several years.

It will be interesting to see whether this trend continues throughout Q3 or if a new seasonal trend potentially starts to develop.



Fraud type

Current Account fraud has been gradually shifting even more towards 3rd party over the last 12 months, increasing from 59% to 64% in favour of 3rd party, bringing it back in line with the distribution seen during 2020.

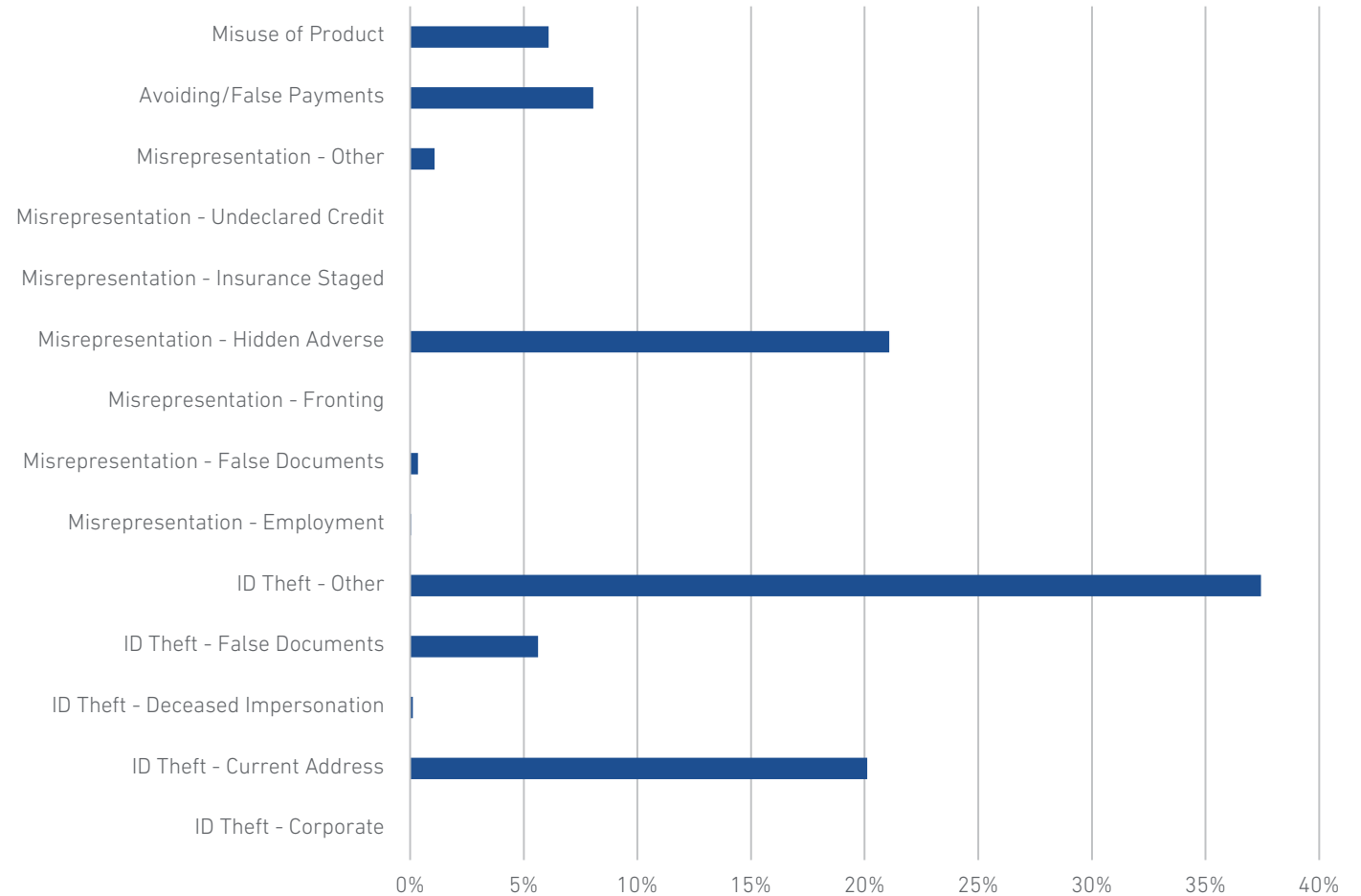


Fraud Categories

Combined, ID Theft continues to be the most common type of Current Account fraud, contributing to 57%.

The misrepresentation rate remains around 20% seen in Q1 2021, with cases usually centered around address manipulation in order to hide adverse credit.

Payment related fraud and misuse of product account for 14% of frauds reported. In addition to misuse of overdraft facilities this also includes money mule activity, which is still an industry challenge.



Age and Gender

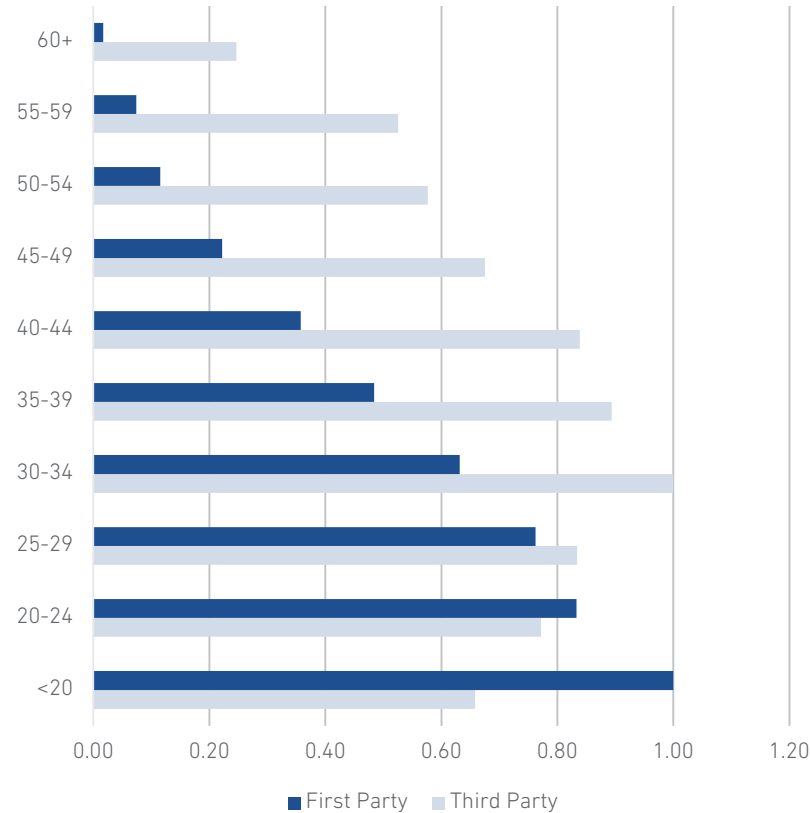
There is a dramatic difference in the age distributions between first and third party fraud.

For first party fraud, as your age group increases your corresponding fraud risk reduces, with under 20s being the highest risk group.

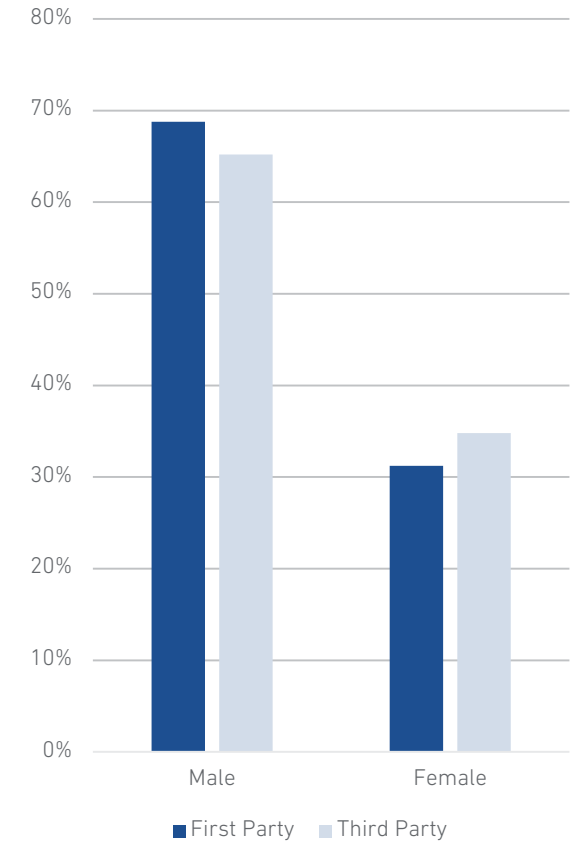
For third party fraud, a bell curve centered on the 30-34 age group can be seen, however the over 60s remain the lowest risk.

Females continue to be around 50% less likely to either commit 1st party or be victims of 3rd party fraud than males.

Normalised and indexed age distribution



Gender distribution



These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).

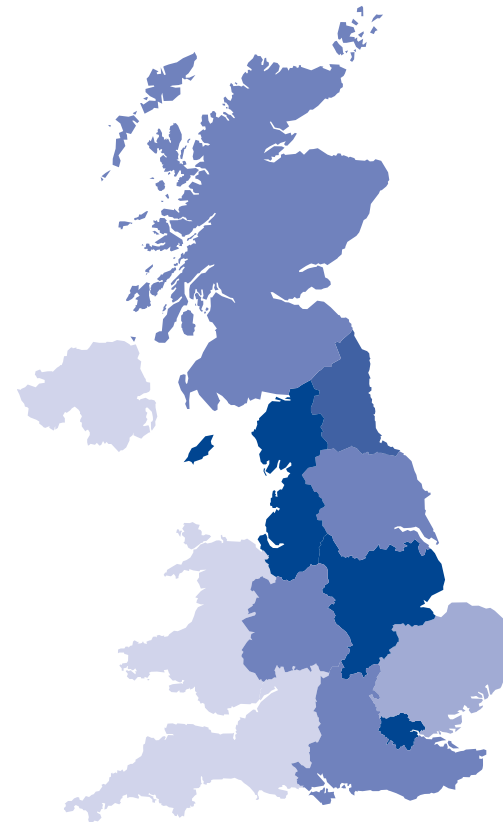


Geography

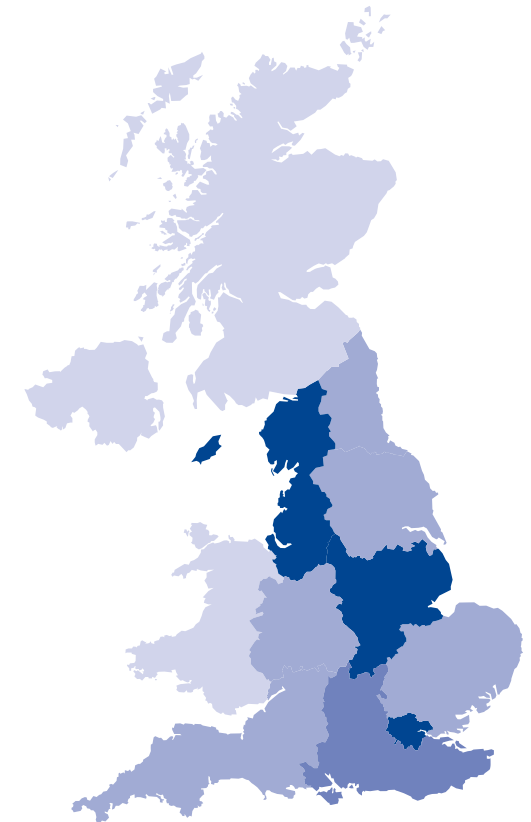
London, East Midlands and North-West England are the highest risk regions across both first and third party fraud in Current Accounts.

Both Northern Ireland and Wales are among the lowest risk for both fraud types, with Scotland joining these for third party and South-West England for first party.

First party



Third party

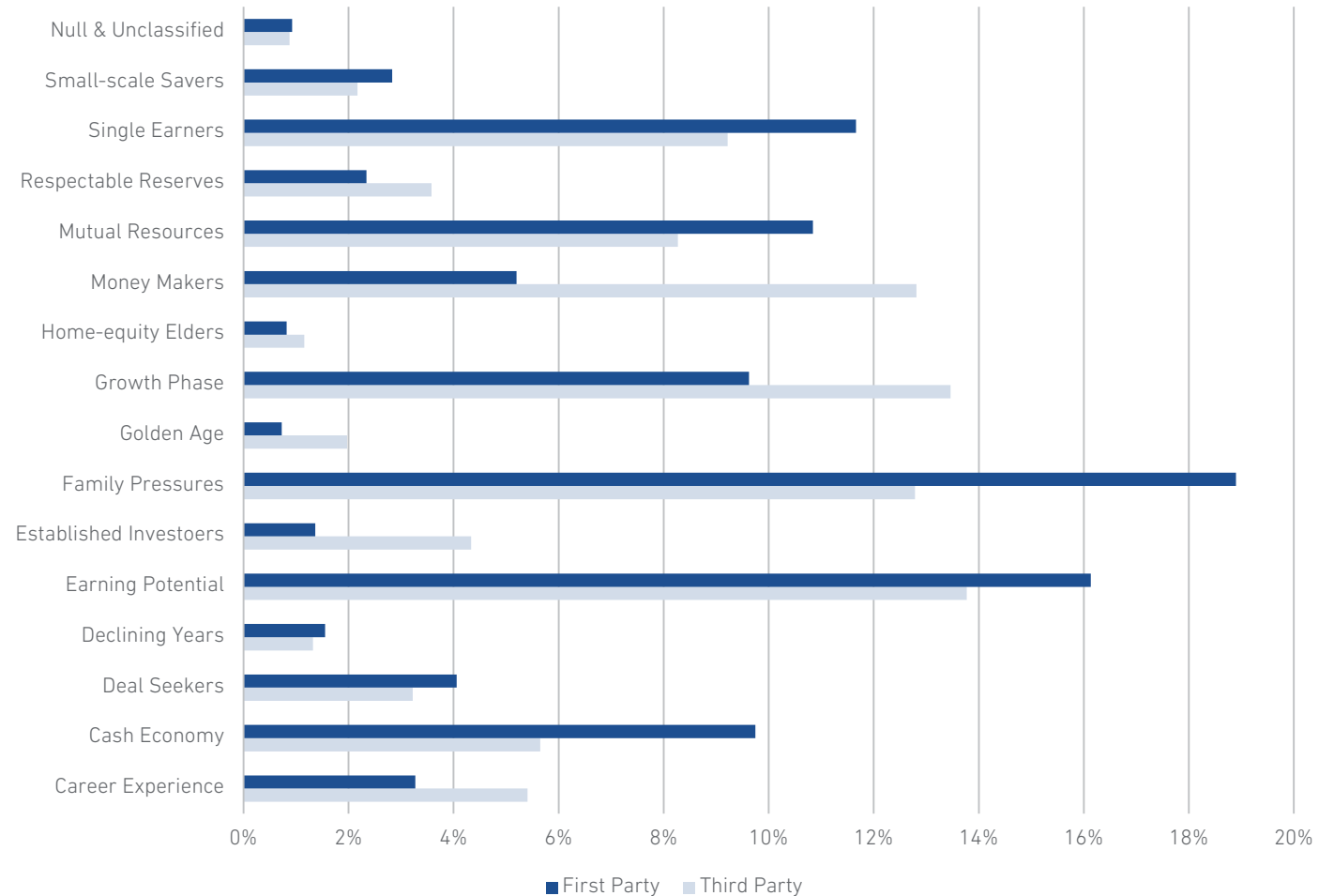


Demographics

First party fraud is concentrated within those groups that are associated with low disposable income or people at the start of their careers.

The older generations are much less likely to be driven to first party fraud, likely due to increased financial stability.

Similarly, third party fraud can be seen among the same group however they are also joined by Money Makers as the most likely to be victims of fraud.

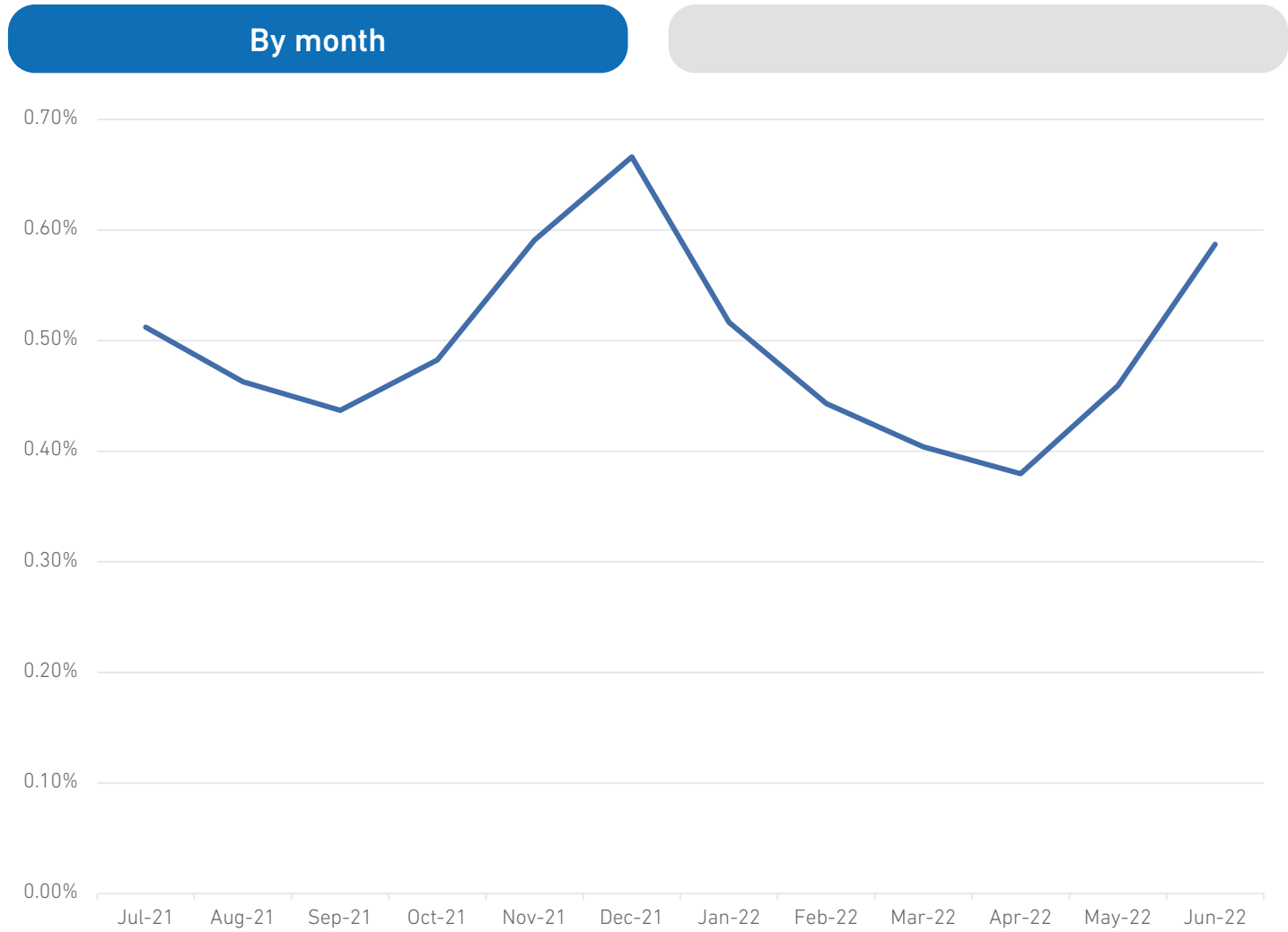


Mortgages



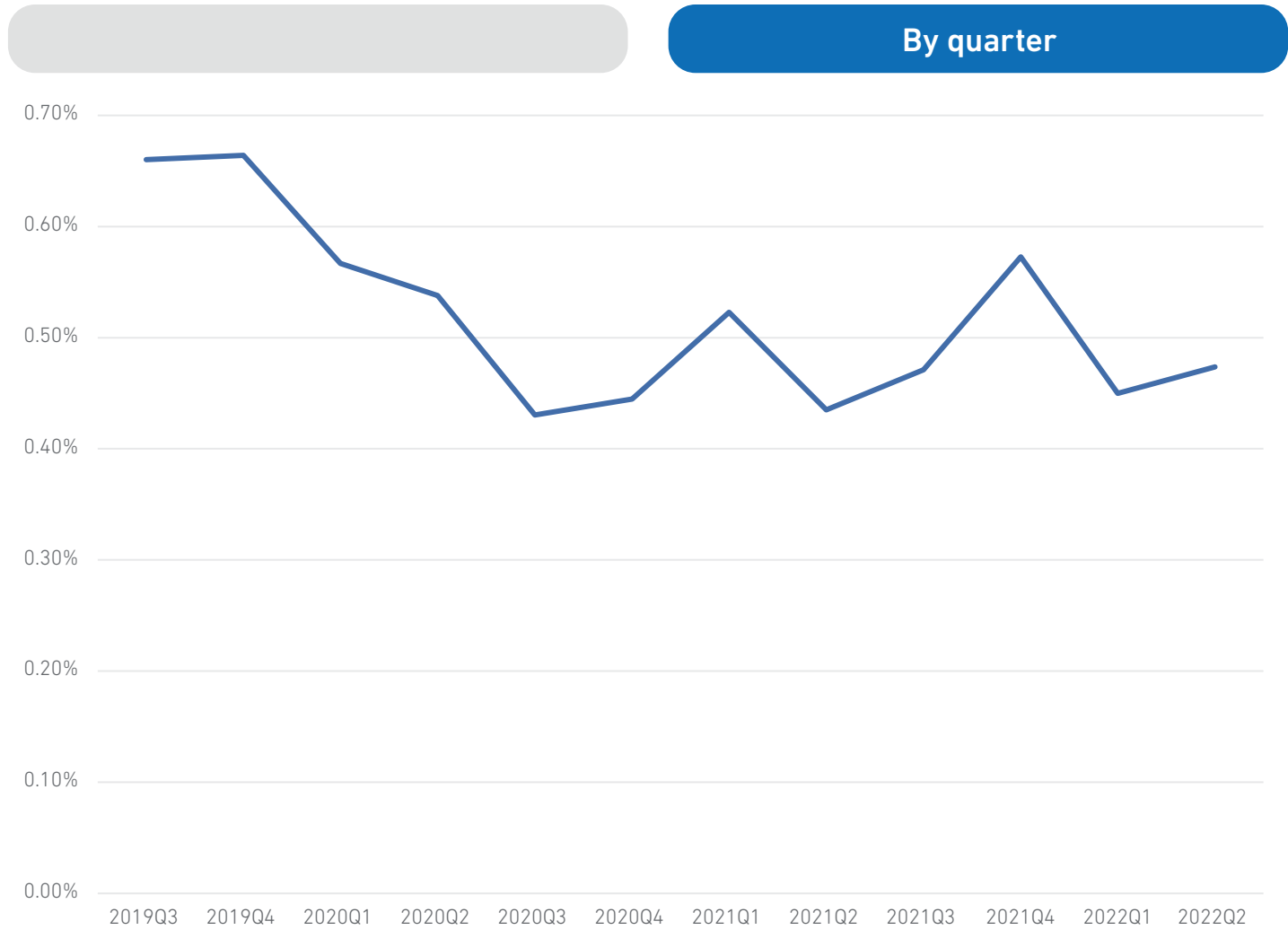
Fraud rate

Over the last 3 months Mortgage fraud has started to increase again, reaching 0.59% in June. This coincides with an increase in application numbers however this is still some way short of the volumes seen in late 2019.



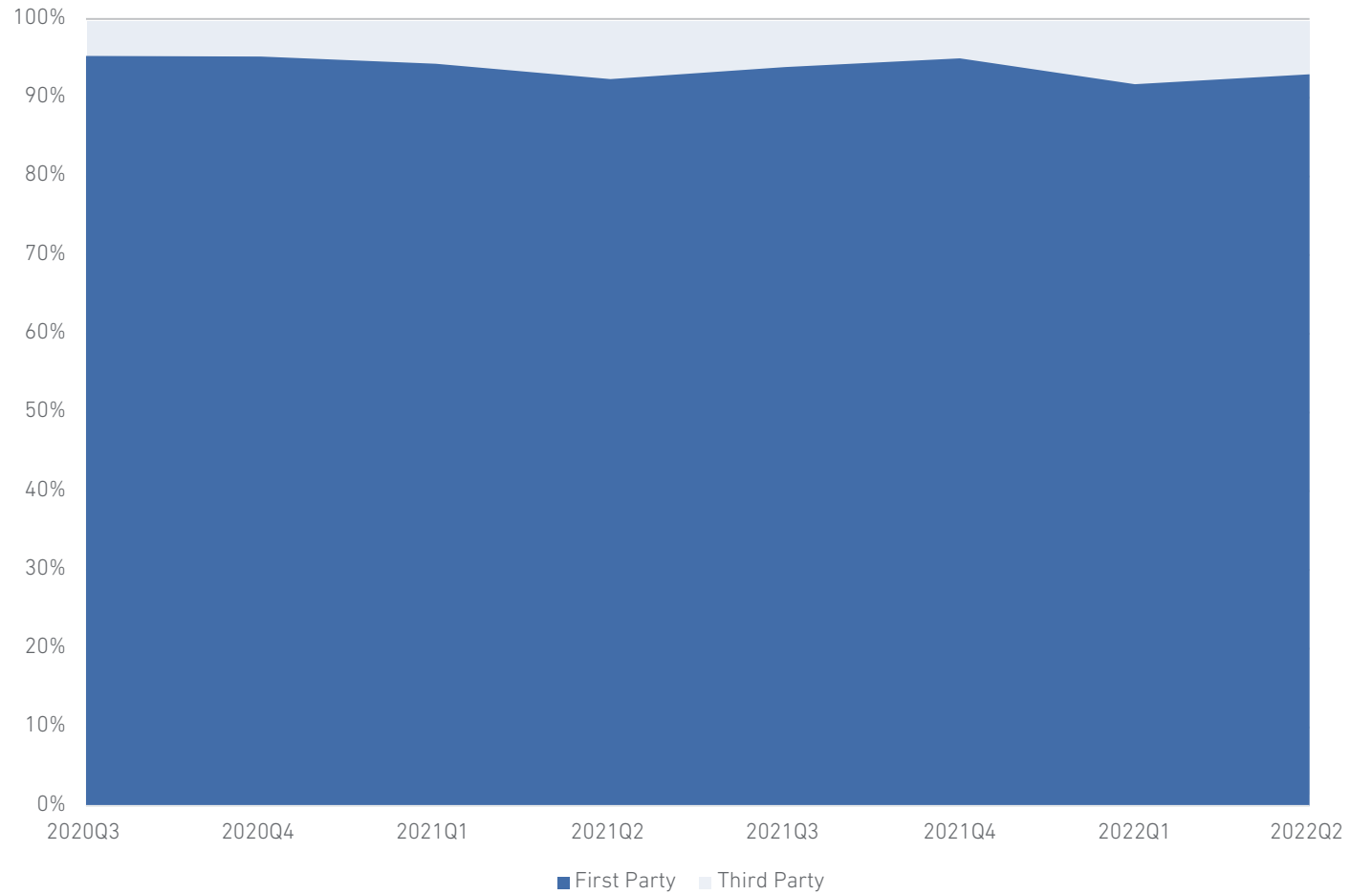
Fraud rate

Although Mortgage fraud rates remain among the lowest seen over the last 3 years, volumes are on the increase and should they return to the levels seen in 2019, the fraud rates of that period could similarly rematerialise.



Fraud type

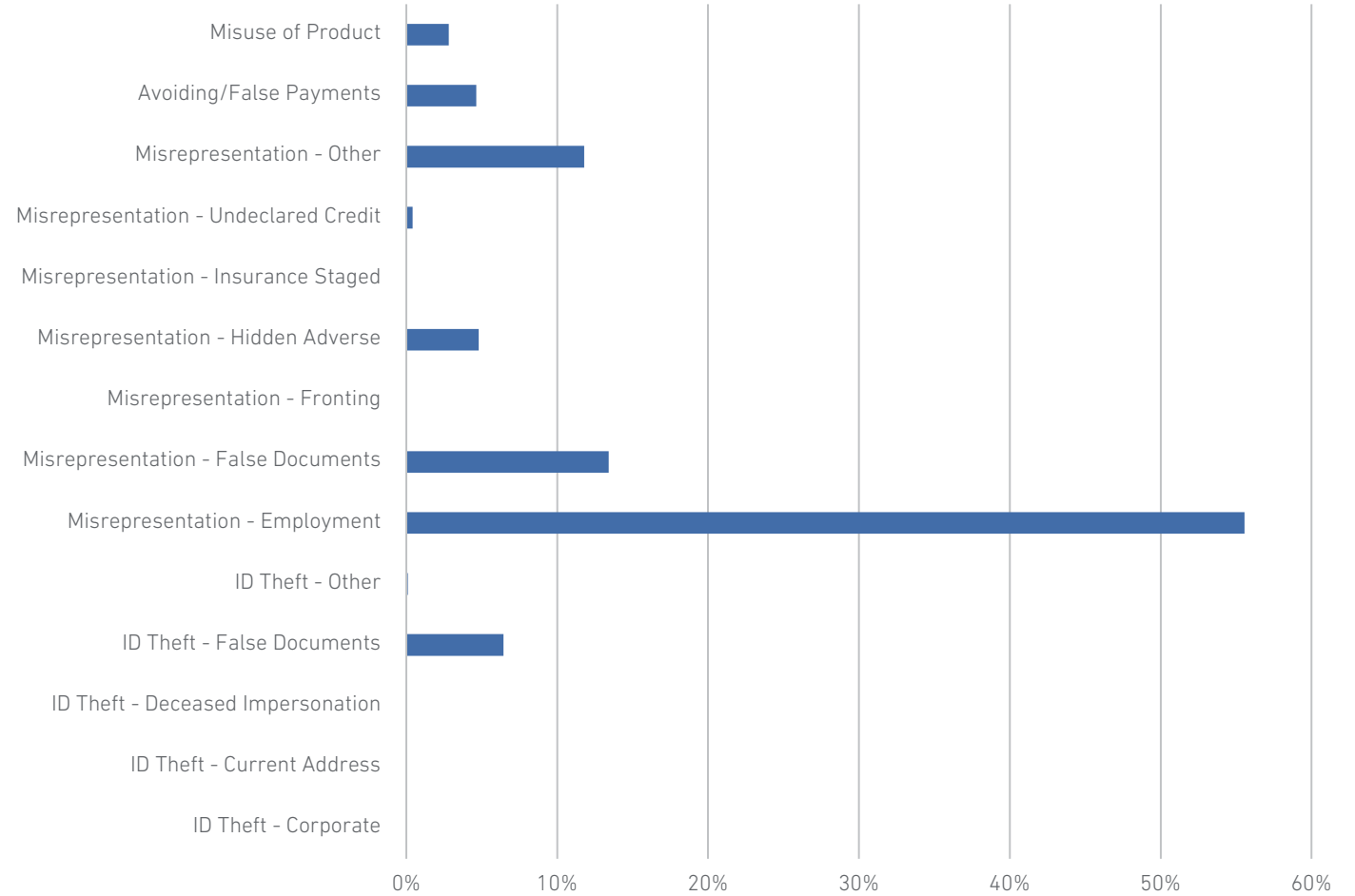
Although third party fraud has gradually crept up from 5% to 7% over the last 2 years, Mortgage fraud continues to be predominantly first party.



Fraud Categories

Misrepresentation of employment includes activity such as falsifying contract length, salary or duration of employment, and this continues to be the main fraud identified in Mortgages.

False Documents are the second most common reason, and this commonly includes both false pay slips and bank statements.

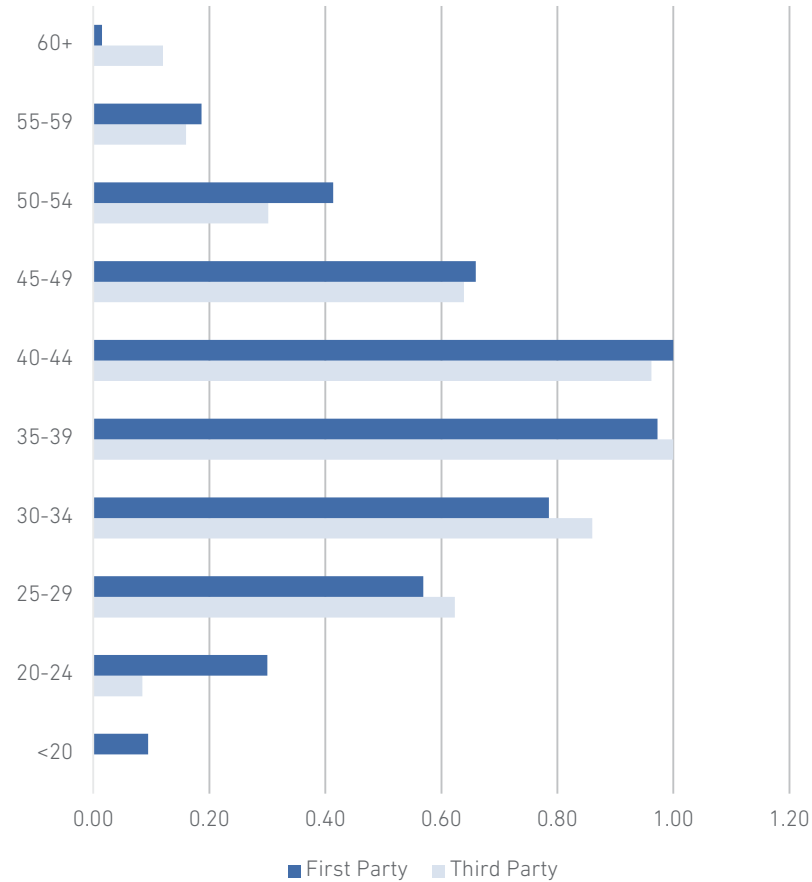


Age and Gender

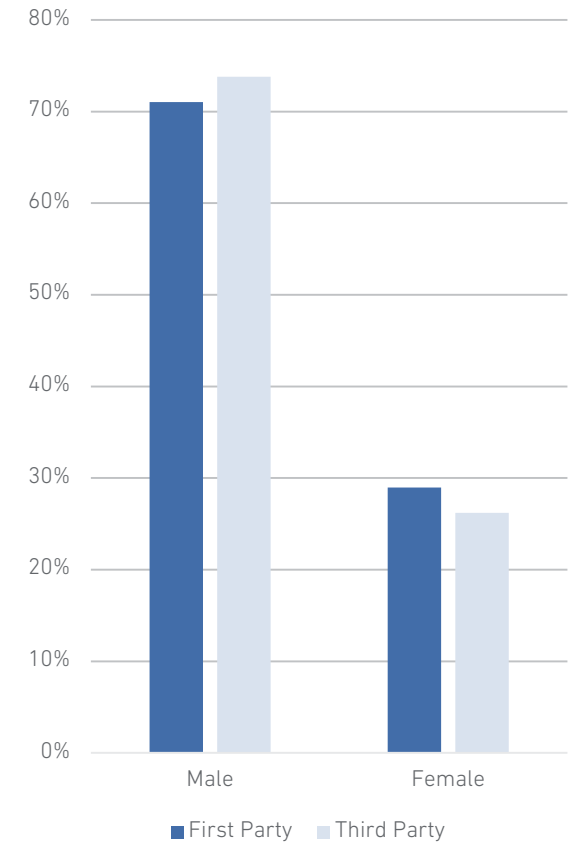
First and third party fraud both track very similarly when looking at age. The 35 to 44 age range are the highest risk, with this then decreasing below and above this age bracket.

In terms of gender, like all products, males are over-represented for both fraud types .

Normalised and indexed age distribution



Gender distribution



These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).



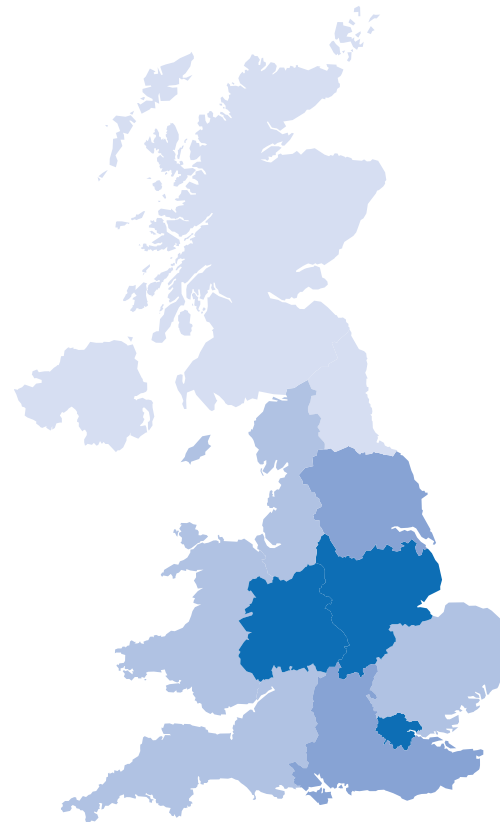
Geography

London is the highest risk region across both first and third party fraud in Current Accounts, even when data is normalised based on relative population.

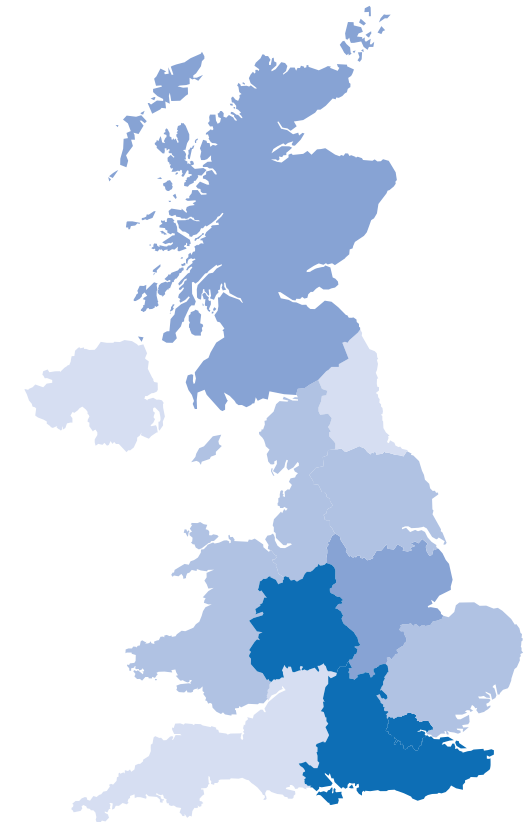
For first party fraud, the West and East Midlands are also in the top 3, with the lowest risk regions being Northern Ireland, Scotland and North-East England.

For third party fraud, West Midlands and South-East England join London as the riskiest regions, whilst Northern Ireland, North-East and South-West England make up the bottom 3.

First party



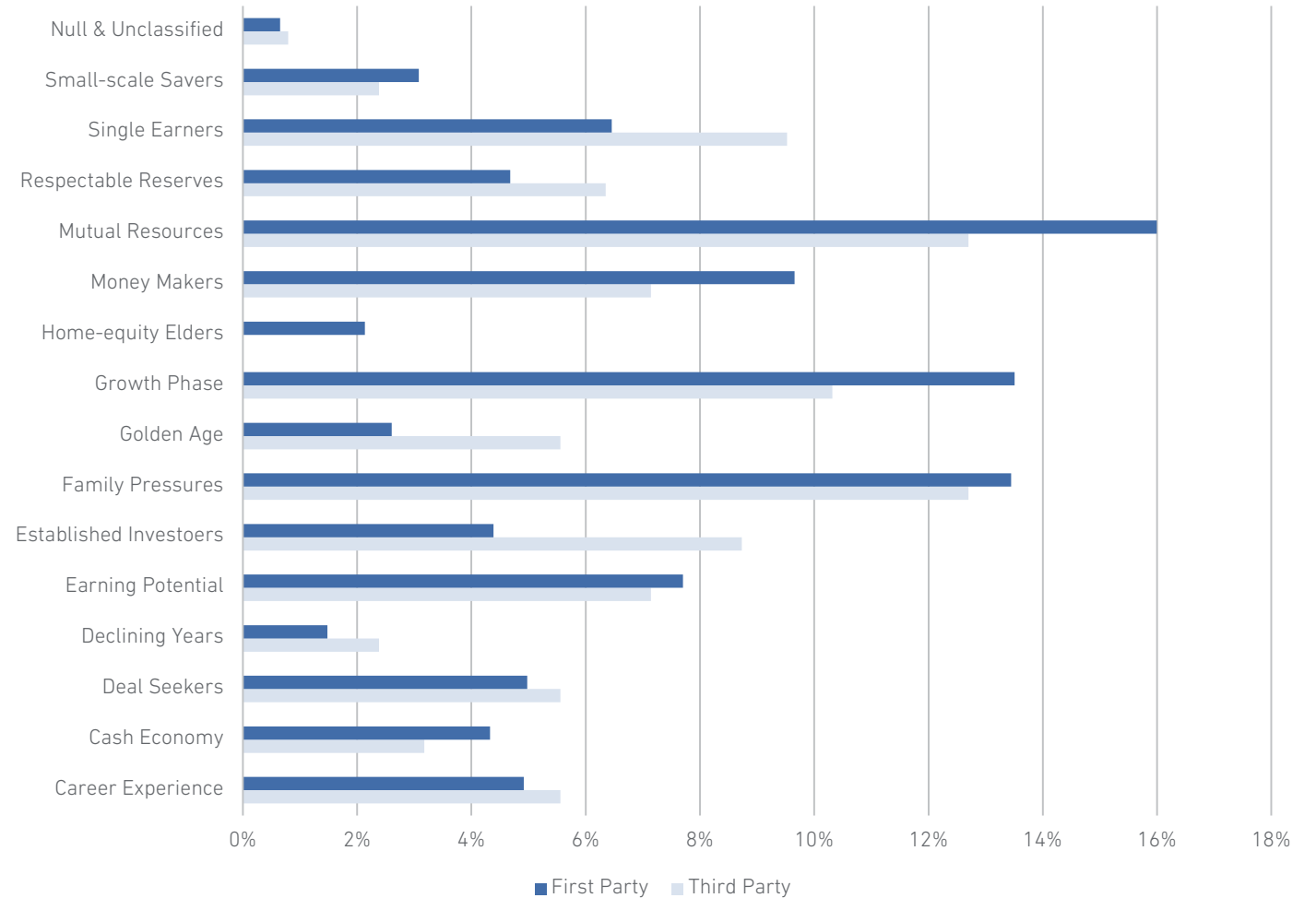
Third party



Demographics

There remains a strong correlation between first and third party fraud across the demographic groups. The riskiest segments for both fraud types are those that have lower disposable income, either due to having to rely on family or community for some level of financial support (Mutual Resources), having good income but high expenditure (Growth Phase) or Family to financial support (Family Pressures).

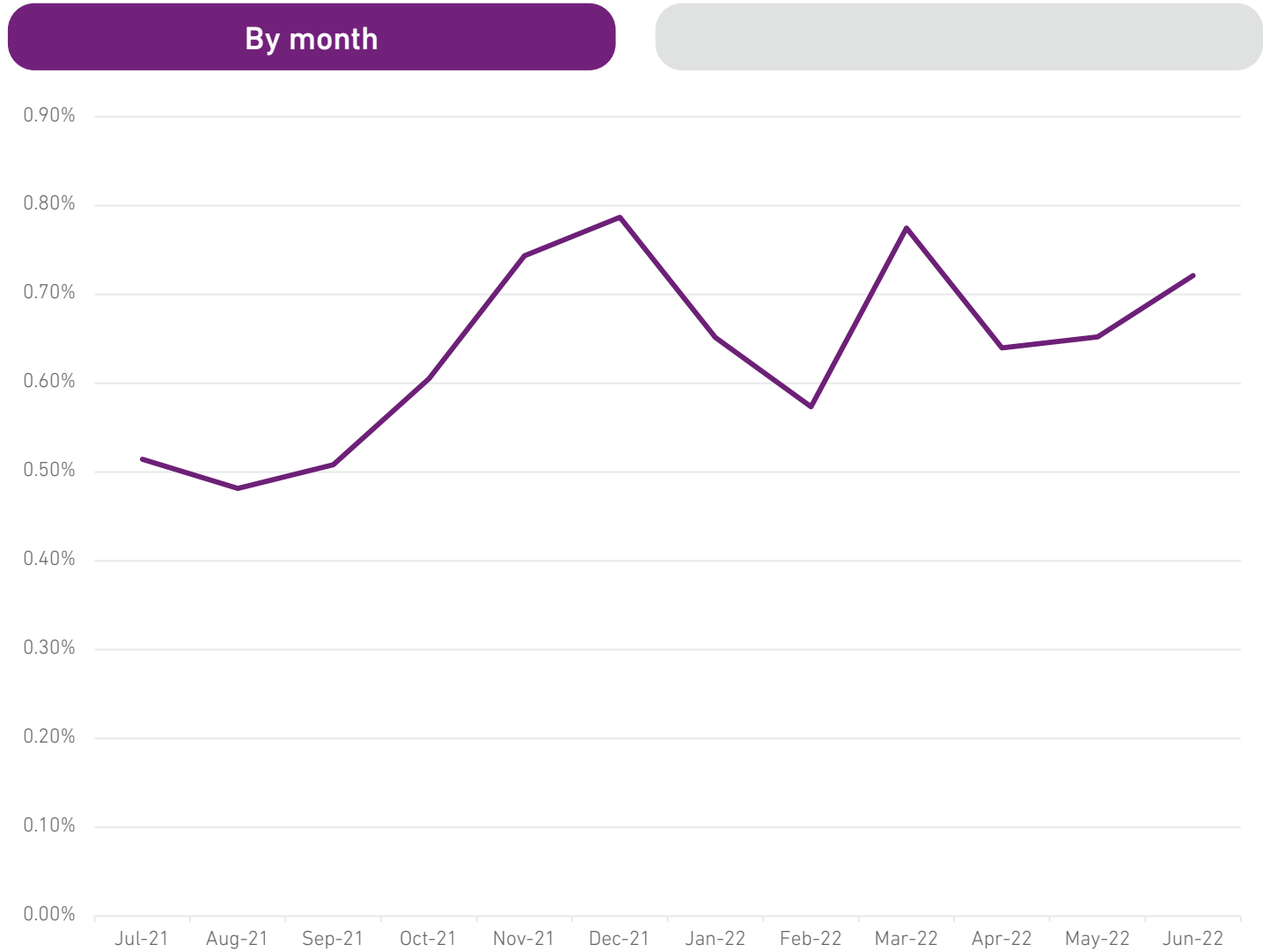
The lower risk groups are predominantly the older generations.



Cards

Fraud rate

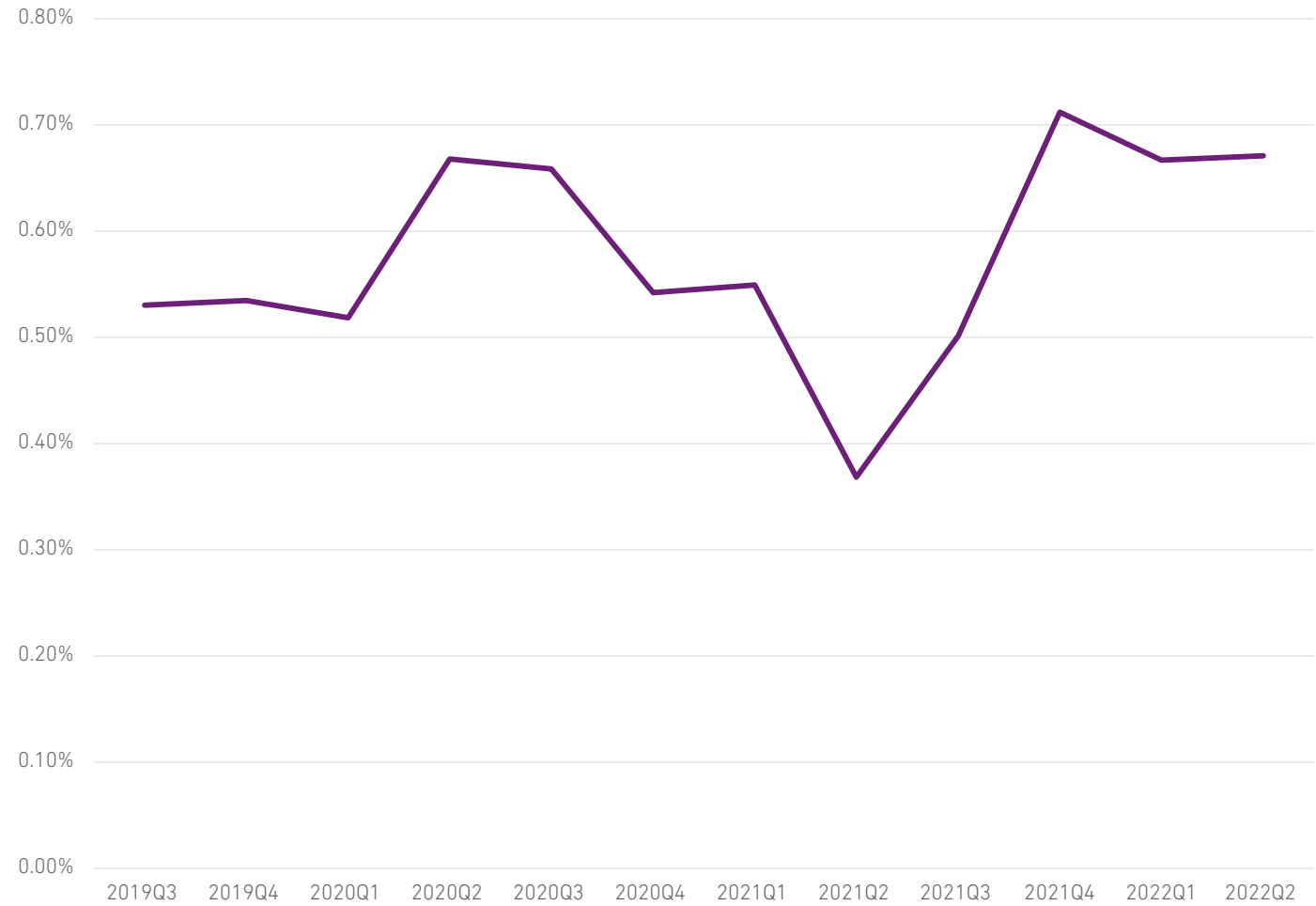
Although Cards fraud rates are down from where they were during December (0.79%) and March (0.77%), they have been gradually increasing again over the last 3 months, reaching 0.72% in June.



Fraud rate

The last quarter's Cards fraud rate is an 81% increase in comparison to the same quarter during 2021.

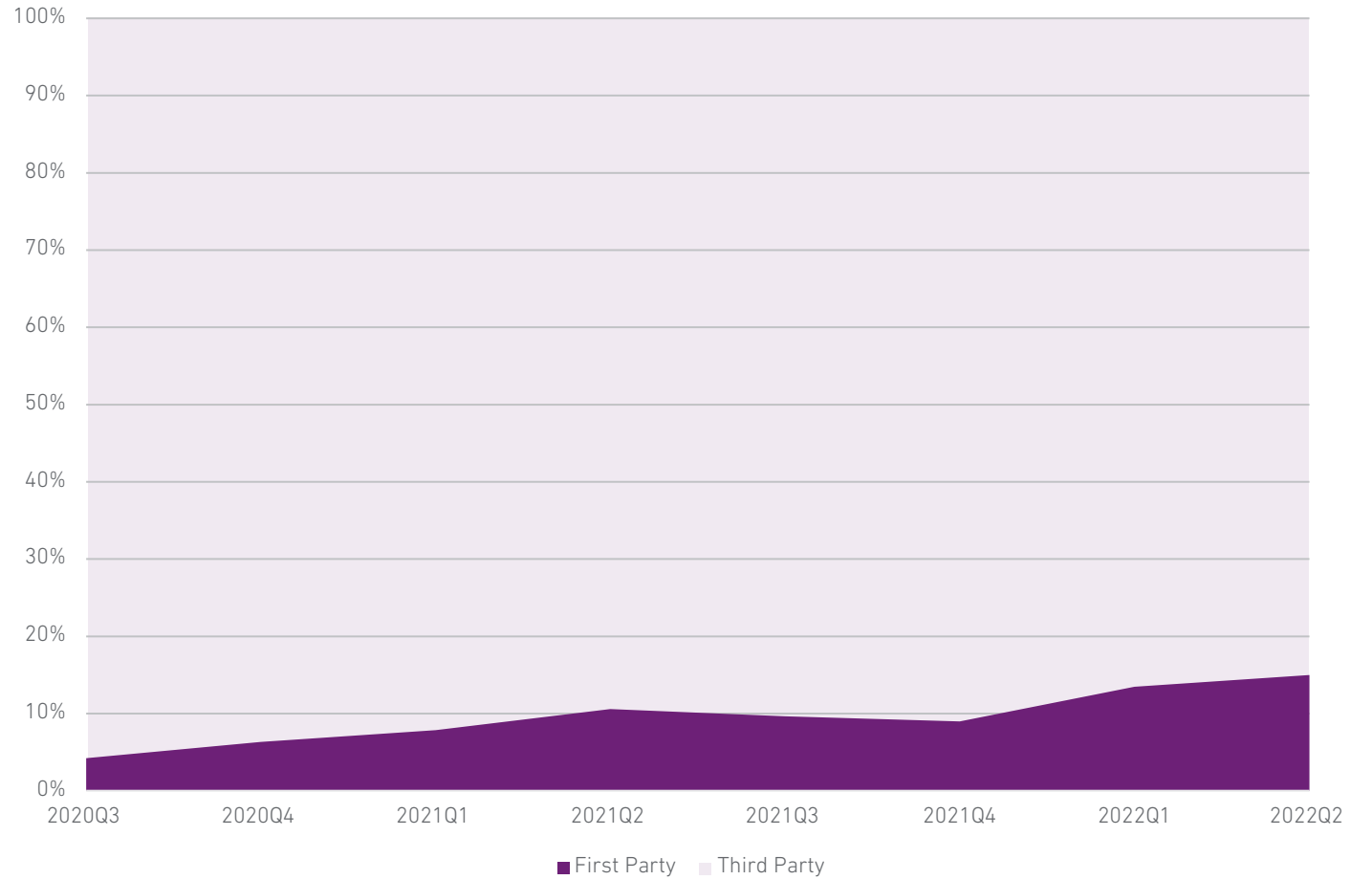
Rates have reduced slightly from the final quarter of last year, but they still remain among the highest seen over the last 3 years.



Fraud type

The increase in first party Cards fraud has continued into this last quarter with it now representing 15% of all Cards fraud.

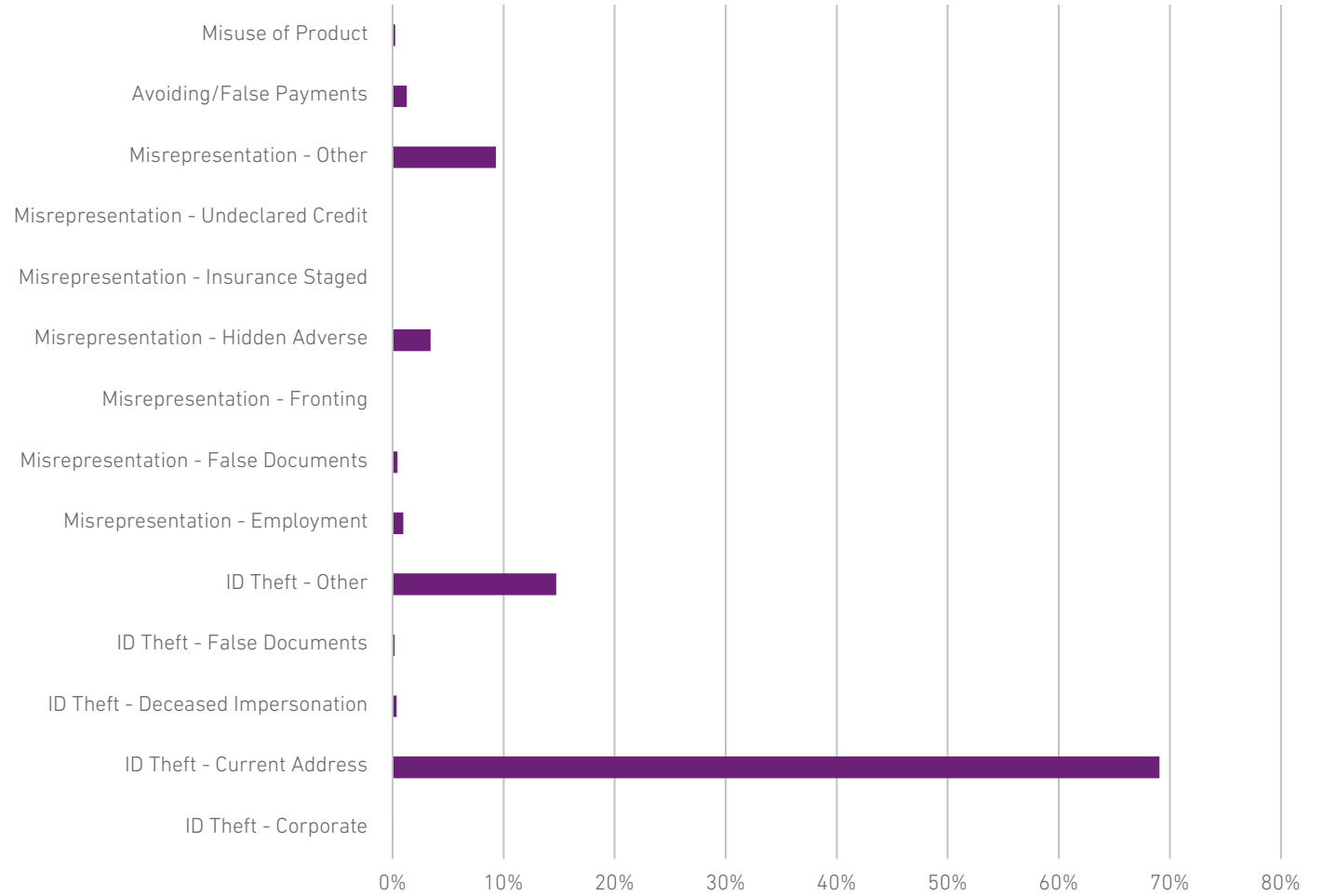
When compared to the split seen between the fraud types in the second half of 2020, first party fraud has increased threefold over the last 18-24 months.



Fraud Categories

As first party fraud continues to increase within Cards, so have its associated fraud categories such as Misrepresentation of hidden adverse or not divulging aspects such as number of dependents.

Combined, Identity Theft continues to represent over 80% of all fraud, as although first party fraud is on the increase, third party still is far more common.



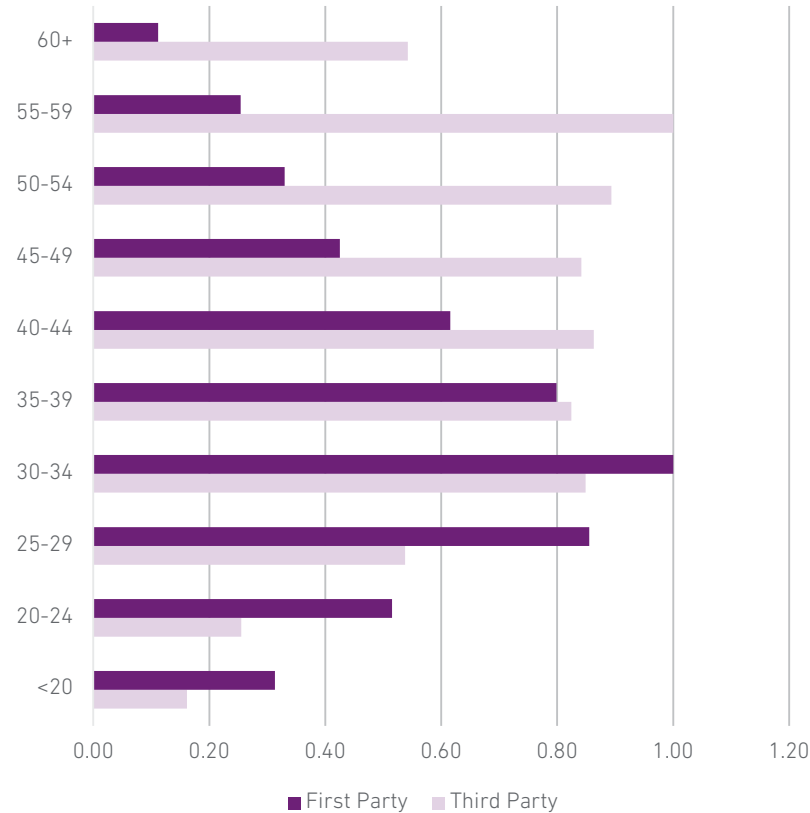
Age and Gender

The highest risk age groups for Cards fraud have remained the same for the last 6 months with 30-34 the riskiest for first-party and 55-59 for third party.

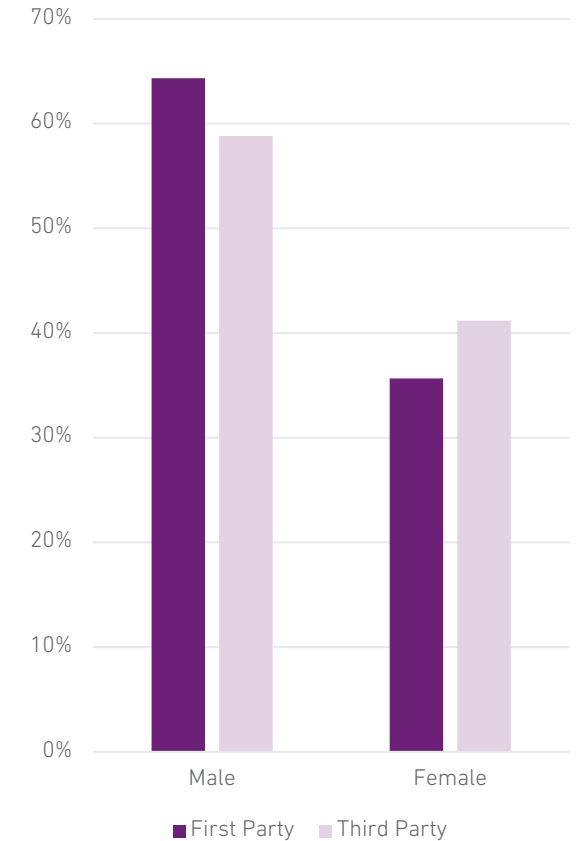
The risk of first party Cards fraud reduces the further away an applicant is from the ages of 30-34. Third party however is more evenly distributed with high rates across ages 30-59.

Gender is skewed to males with slightly higher male population in first party compared to third.

Normalised and indexed age distribution



Gender distribution



These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).

Geography

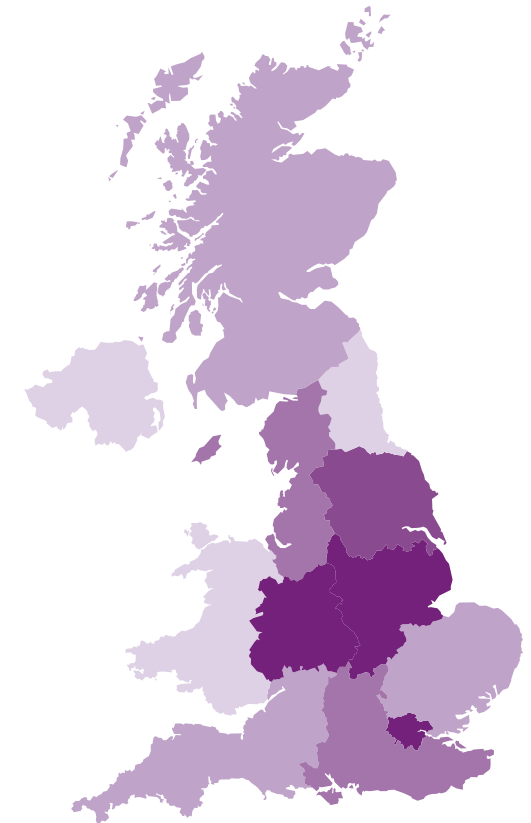
The highest risk regions for both first and third party fraud are identical, including both West and East Midlands alongside London.

Although the lowest risk regions differ between the two fraud types, these have remained consistent for both types over the last two quarters, with Wales featuring in both groups.

First party



Third party

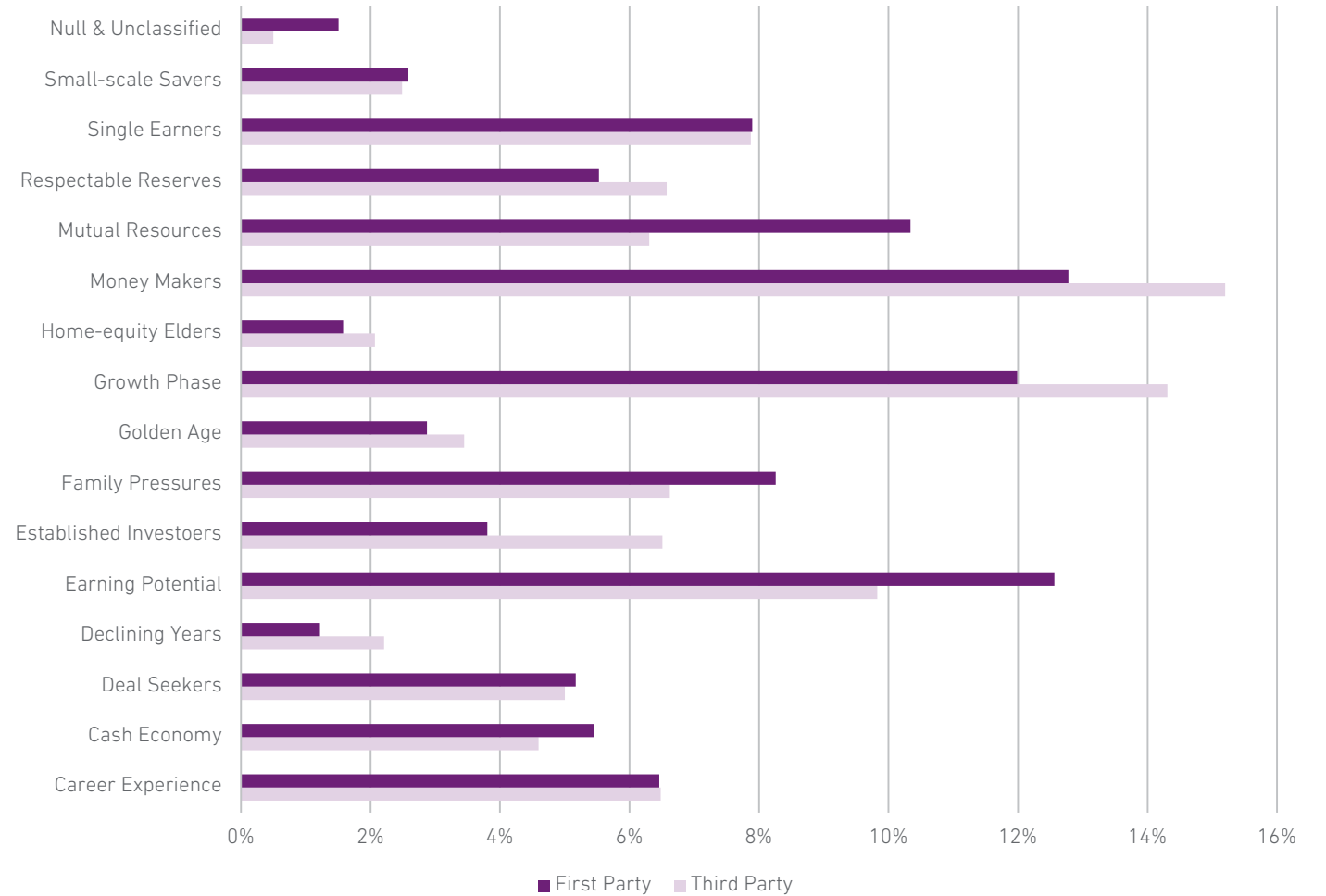


Demographics

The similarities between first-party fraudsters and victims which were identified in the first quarter of the year have continued throughout H1.

The two highest risk groups are Money Makers, Growth Phase and Earning Potential.

Similarly to other products, the older age groups are at a lower risk of committing or being a victim of Cards fraud.

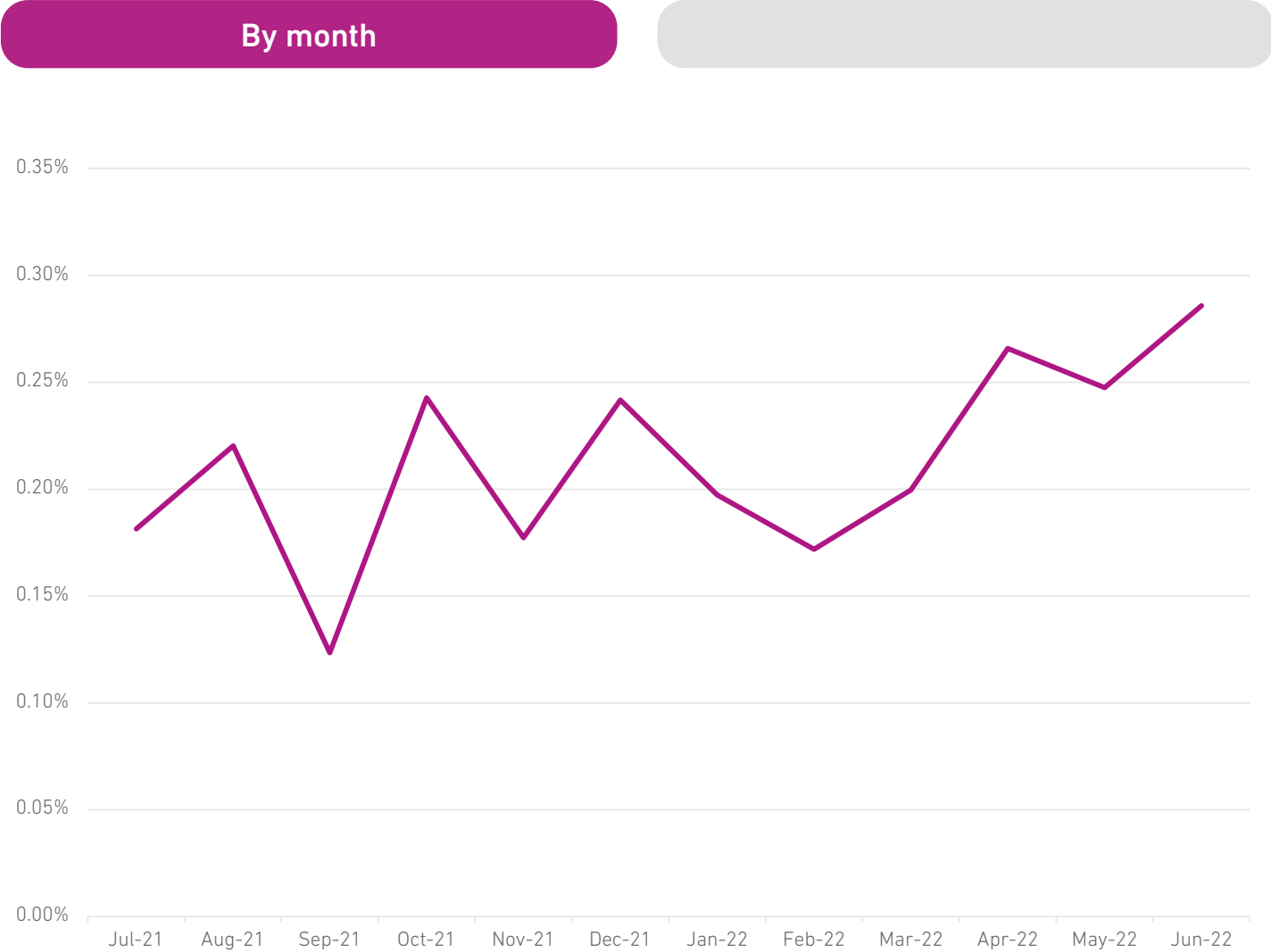


Asset Finance

Fraud rate

Asset Finance fraud has been on a steady increase since February 2022, with June's fraud rate of 0.29% being the highest for over a year.

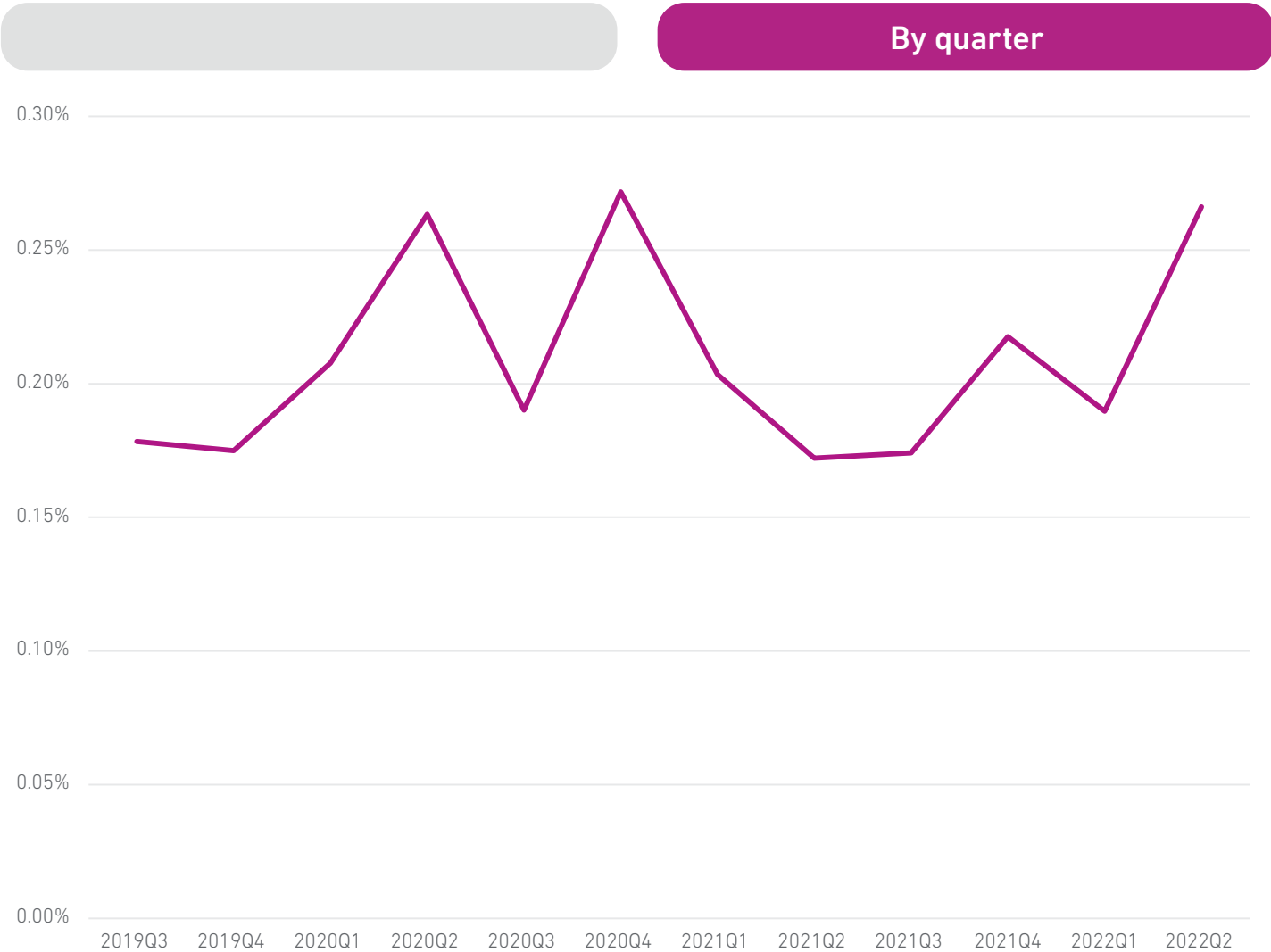
In comparison September's fraud rate of 0.12% is among the lowest seen since the first half of 2019.



Fraud rate

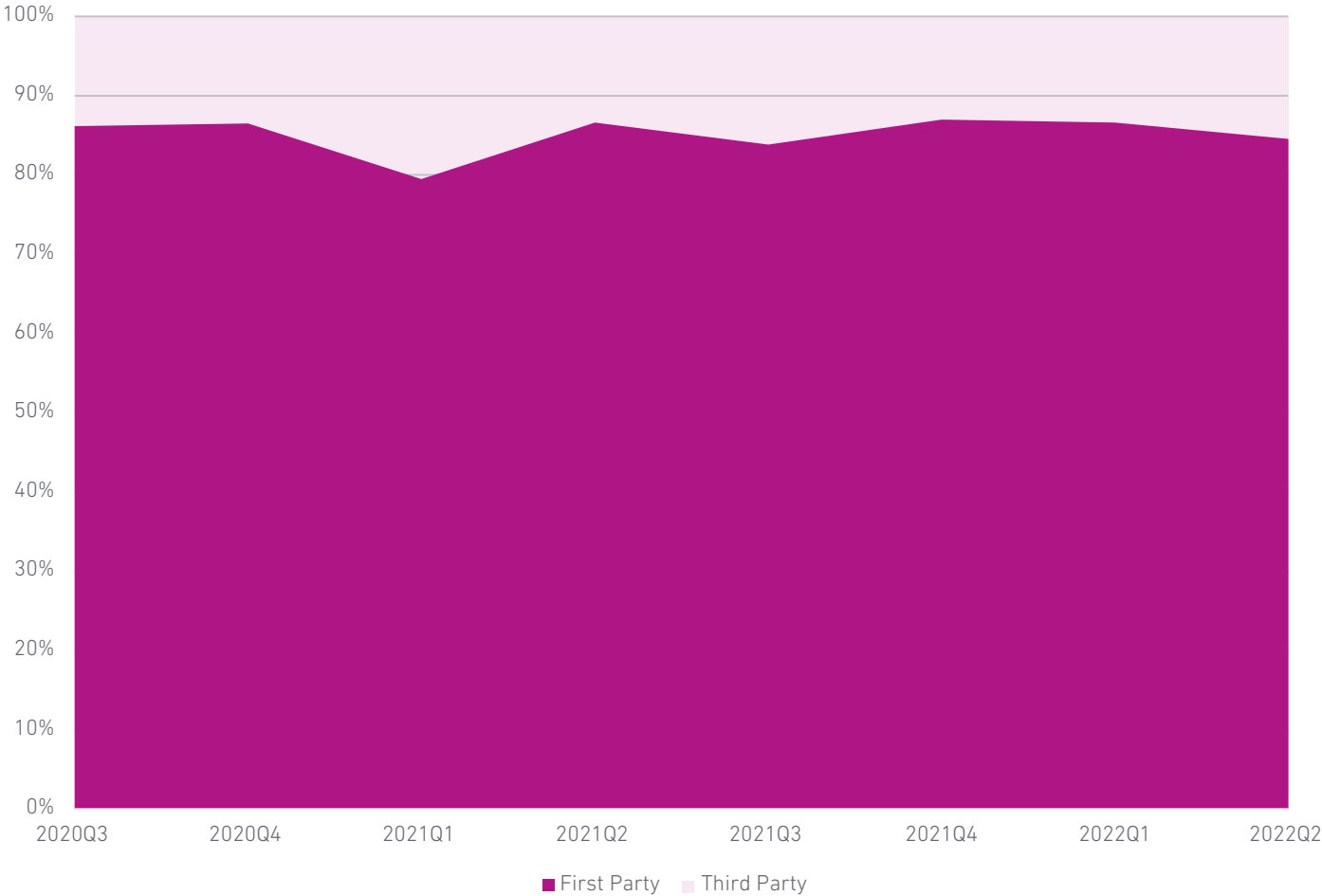
Looking back at the last 3 years, we can see that this spike in fraud during the second quarter of the year mirrors that which was seen in the same quarter of 2020. This is likely due to a delay in reporting following the release of new license plates in March.

This and the similar Q4 seasonal spike were not seen in 2021, potentially due to the limited availability of new vehicles last year. As component supply lines continue to improve throughout 2022, it will be interesting to see whether we see the return of a final quarter spike this year.



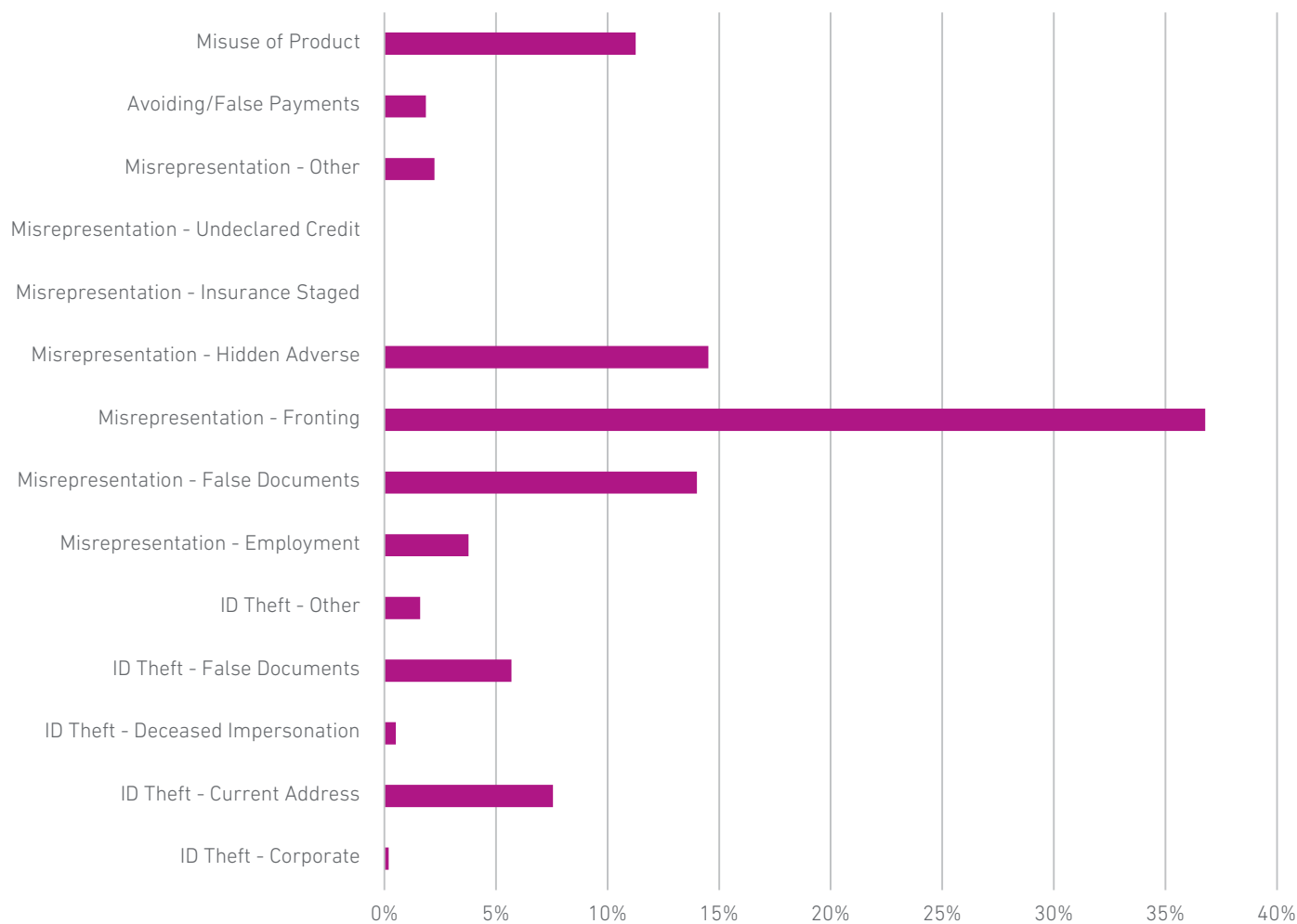
Fraud type

First party fraud continues to be the predominant fraud type, remaining relatively consistent over the last couple of years.



Fraud Categories

Although Fronting, in which an individual takes out credit on behalf of another, remains the predominant fraud type for Asset Finance, this has reduced since last quarter with a corresponding increase in Hidden Adverse and False Documentation fraud.

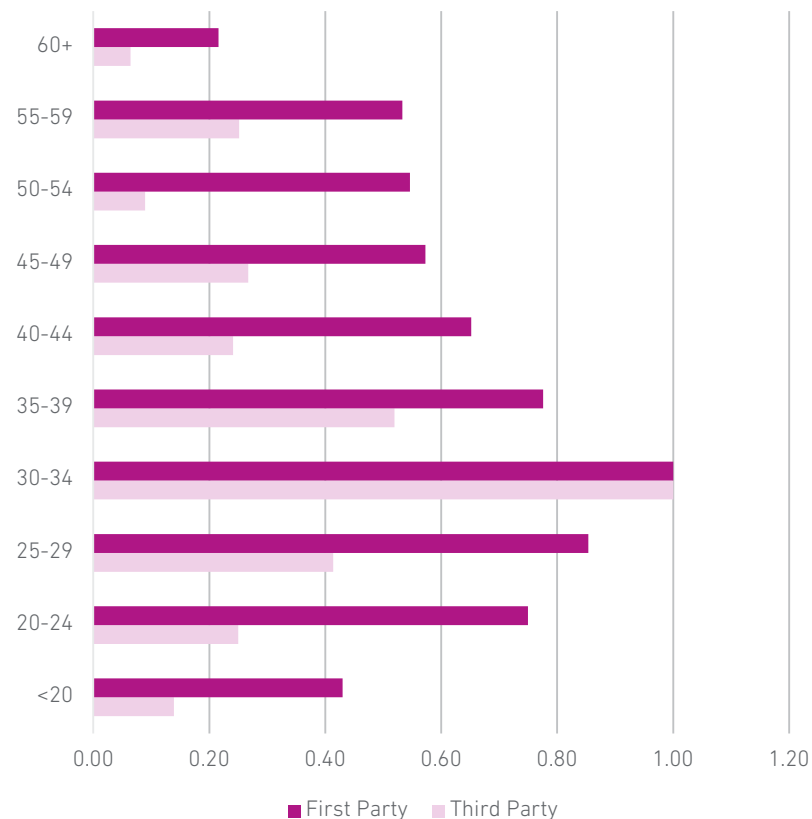


Age and Gender

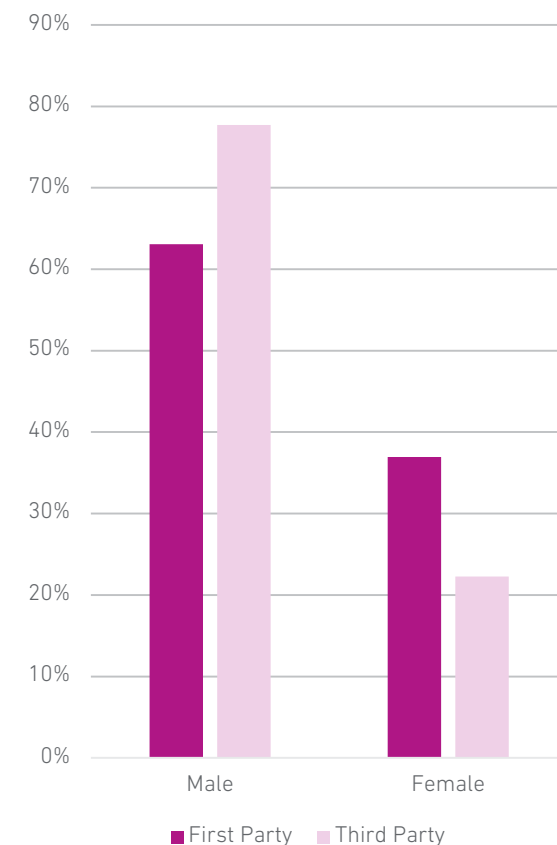
Even though first and third party fraud both share the 30-34s as their highest risk age group, first party sees a more even spread which gradually tapers away from this peak, whereas third party drops off significantly due to being highly focused within this age group.

Gender is again skewed towards males but with third party 15% higher, which is different to most other sectors where it is more even.

Normalised and indexed age distribution



Gender distribution



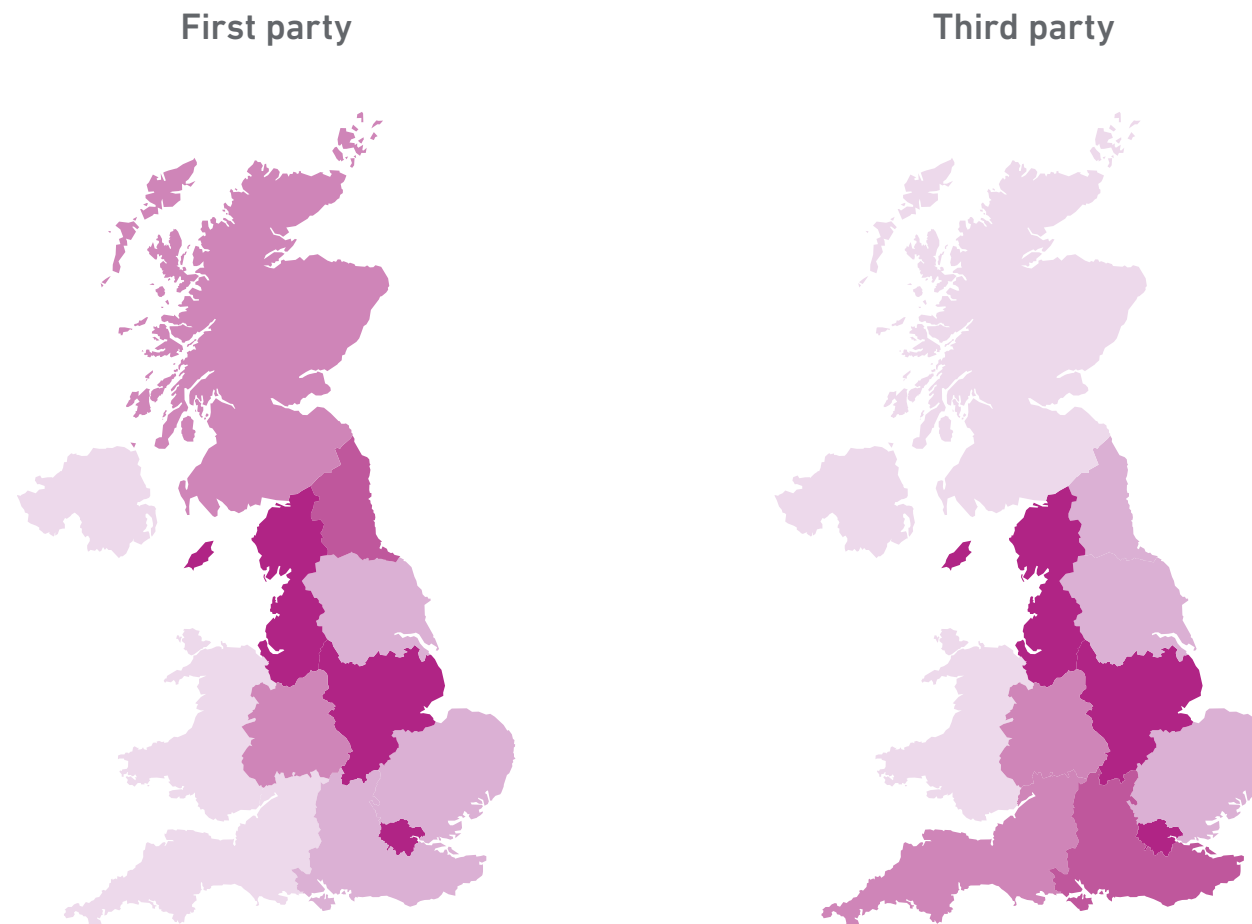
These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).



Geography

From a first-party fraud perspective, London, the North West and East Midlands are the biggest risk regions. The South West, Wales and Northern Ireland represent the lowest risks.

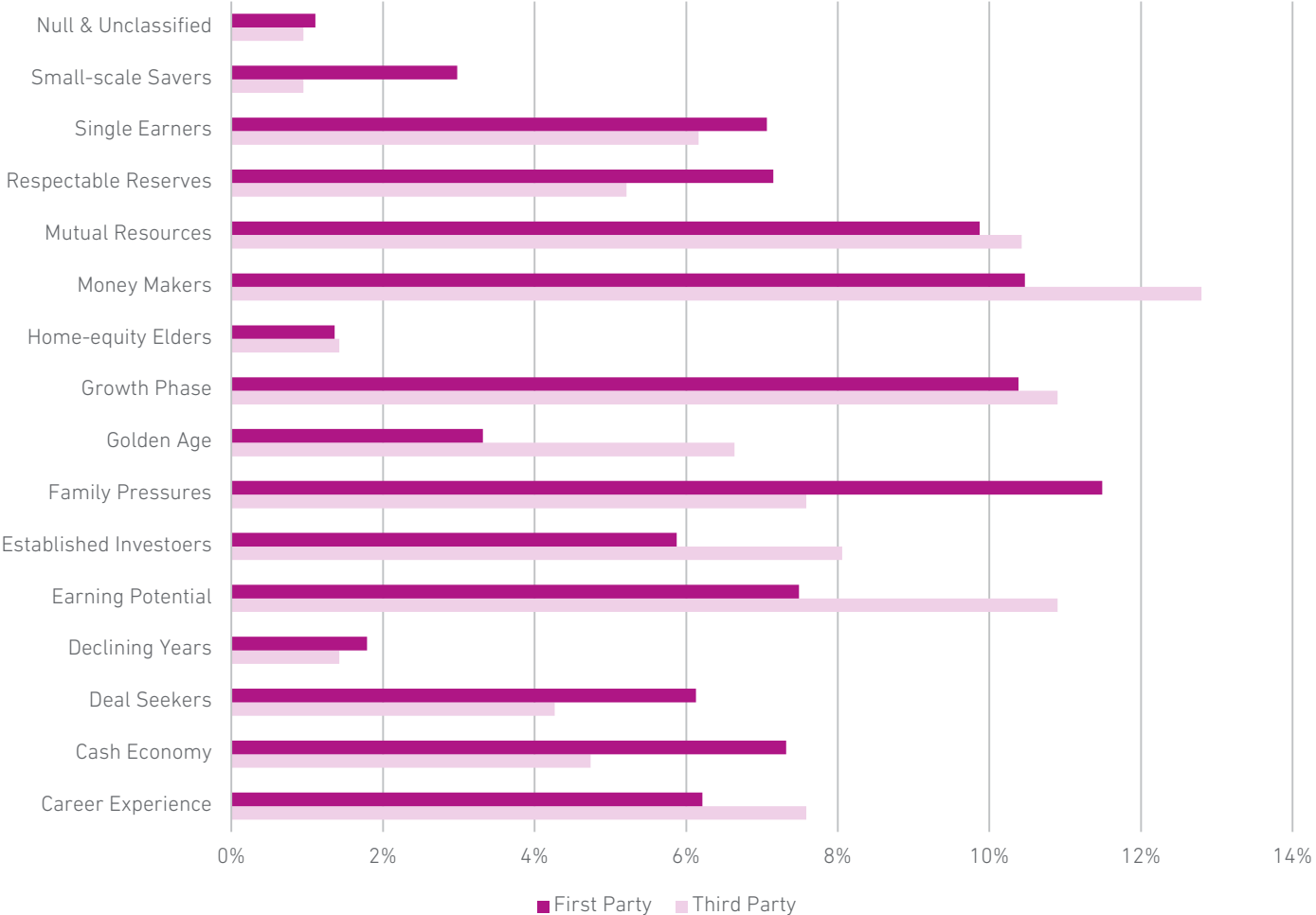
Third party fraud is most prevalent in the same regions as first-party, however Scotland, Northern Ireland and Wales represent the lowest risks.



Demographics

There are many commonalities in demographics between first and third party fraud with Mutual Resources, Money Makers and Growth Phase being among the highest risk for both fraud types.

Family Pressures, lower income families relying on credit, are more focused within first party as they attempt to find ways to access further credit. Whereas Earning Potential, young adults just starting out on their careers, are far more likely to be the victims of fraud.



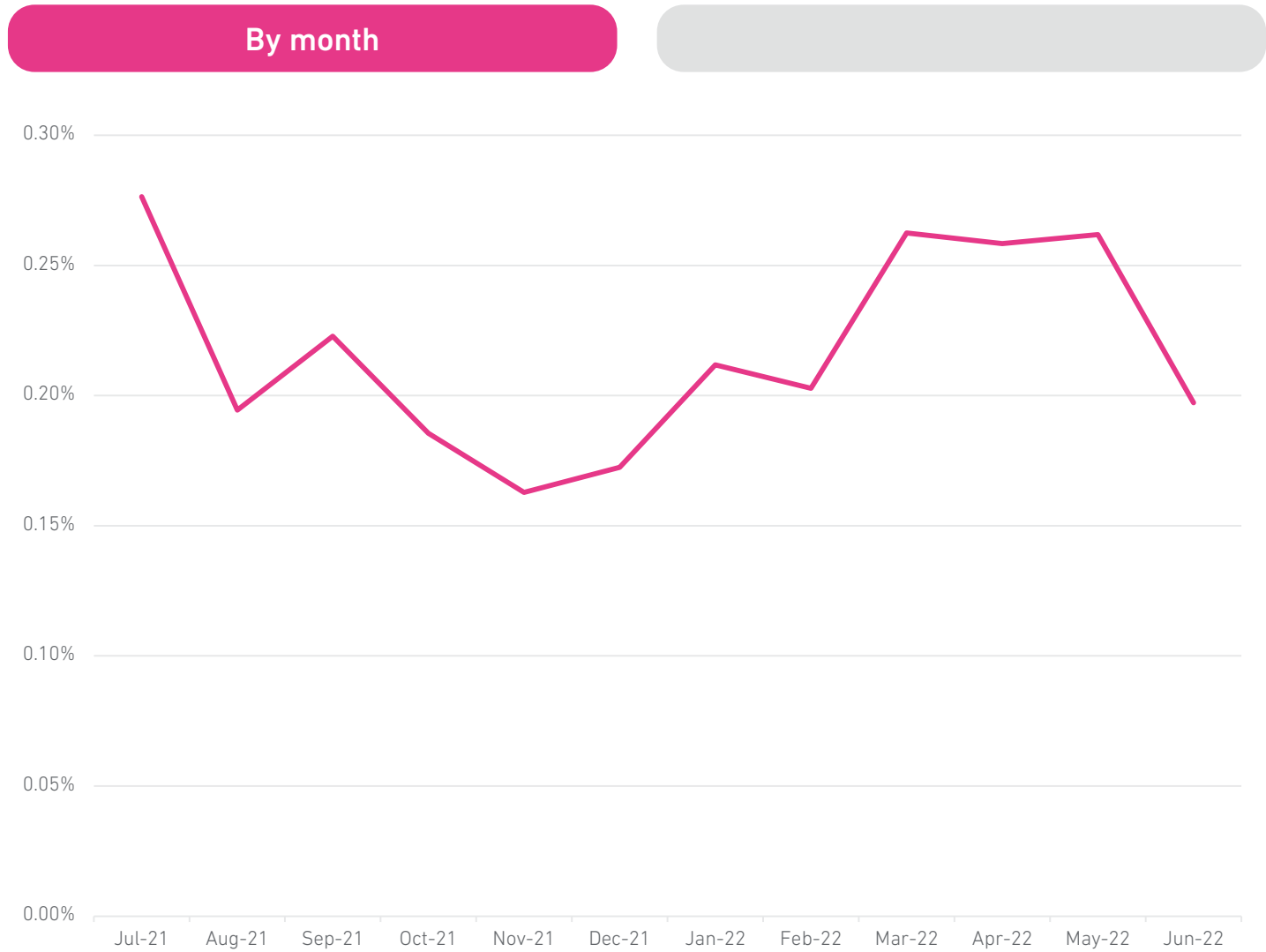
Loans



Fraud rate

From March to May, Loan fraud rates have remained at 0.26%, very close to the 3-year peak seen in July 2021.

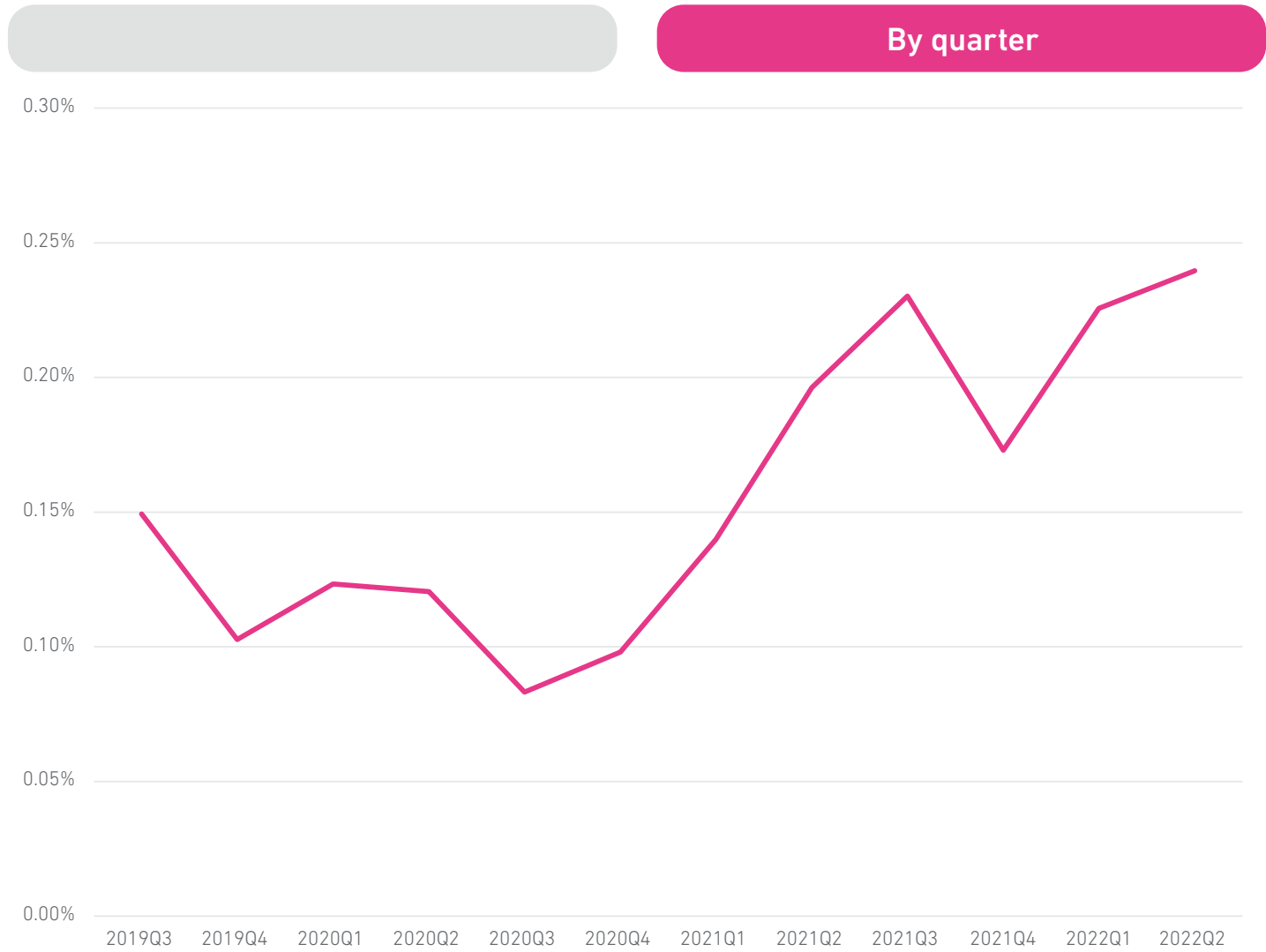
Although this has dropped back down to 0.2% in June, the next quarter's figures will show whether this is to be sustained or only a momentary calm in the rates.



Fraud rate

The last quarter provided the highest fraud rates of the last 3 years, exceeding those seen in the third quarter of 2021.

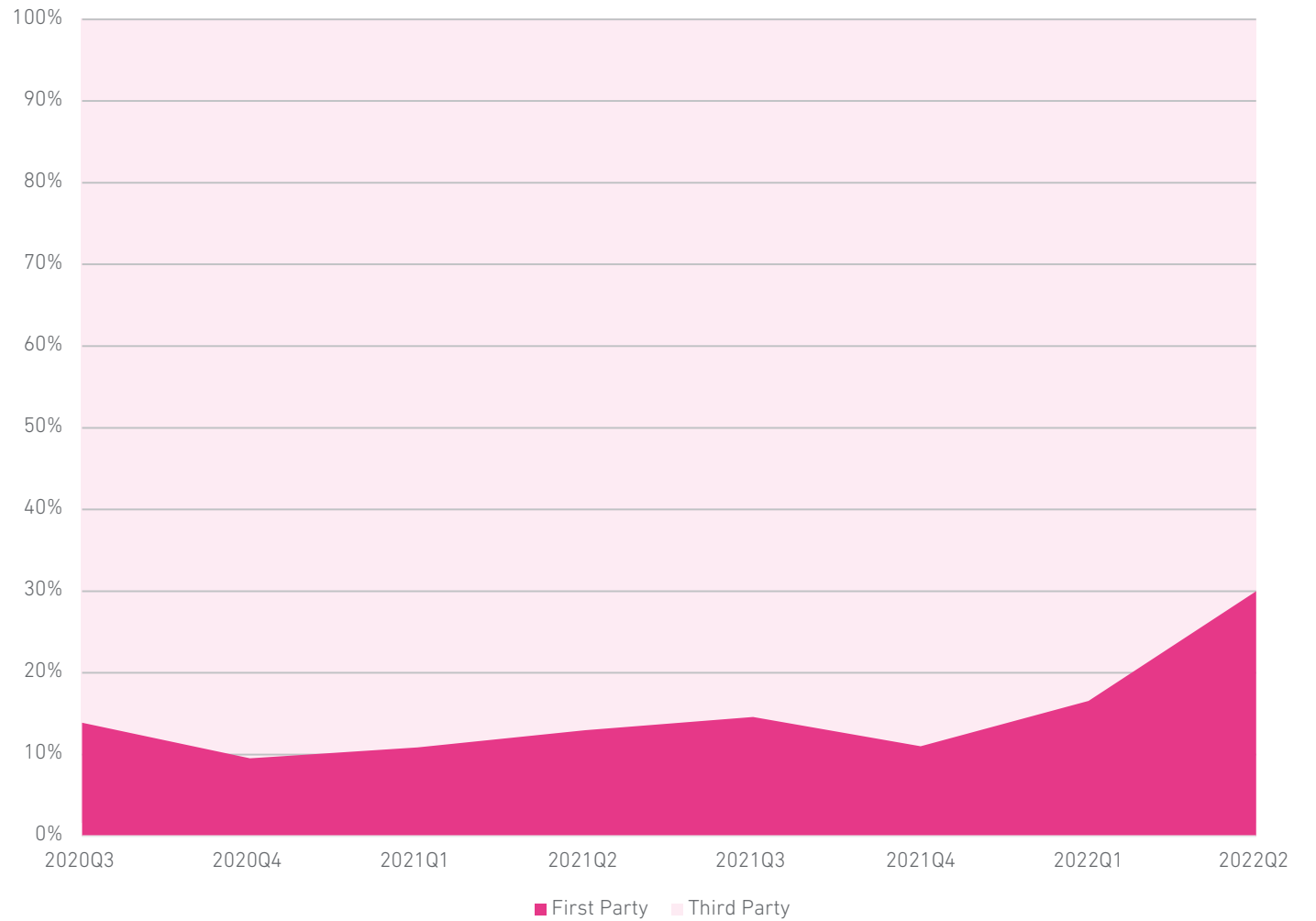
When comparing back to the same quarter in 2020, fraud in the Loans space has doubled from 0.12% to 0.24% in the last quarter.



Fraud type

Reported Loans fraud remains predominantly first party however the trajectory of the last 6 months shows a substantial increase in first party with this latest quarter recording 30% of Loans fraud as first party.

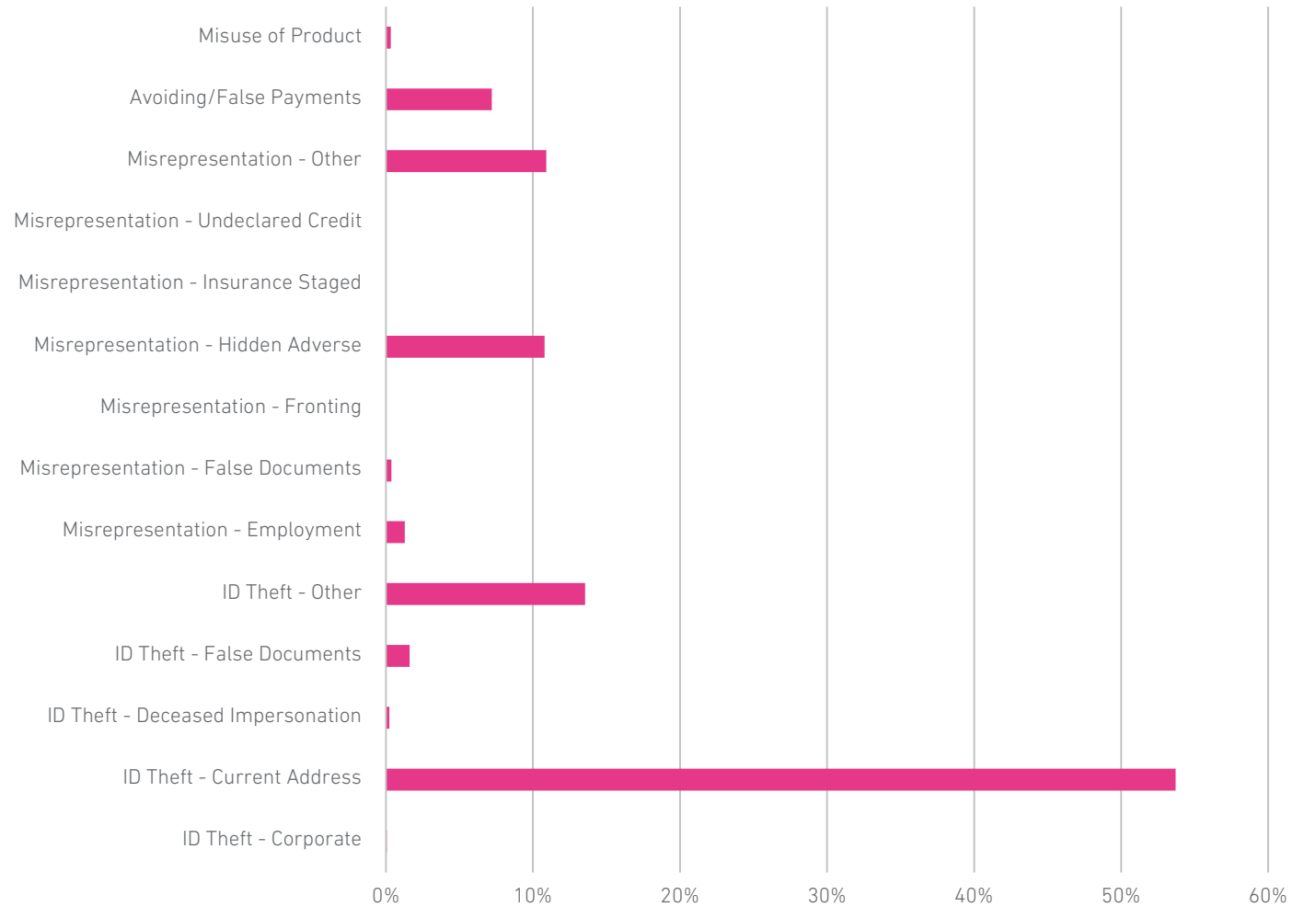
This is likely driven by the increases in living costs and could result in a sustained shift in Loans fraud for some time.



Fraud Categories

As first party fraud becomes more prevalent, so does its associated fraud categories with both Misrepresentation and Avoiding/False Payments doubling in frequency over the last quarter.

Current Address ID Theft remains the most recorded fraud type however this has reduced by 13% in the last 3 months.



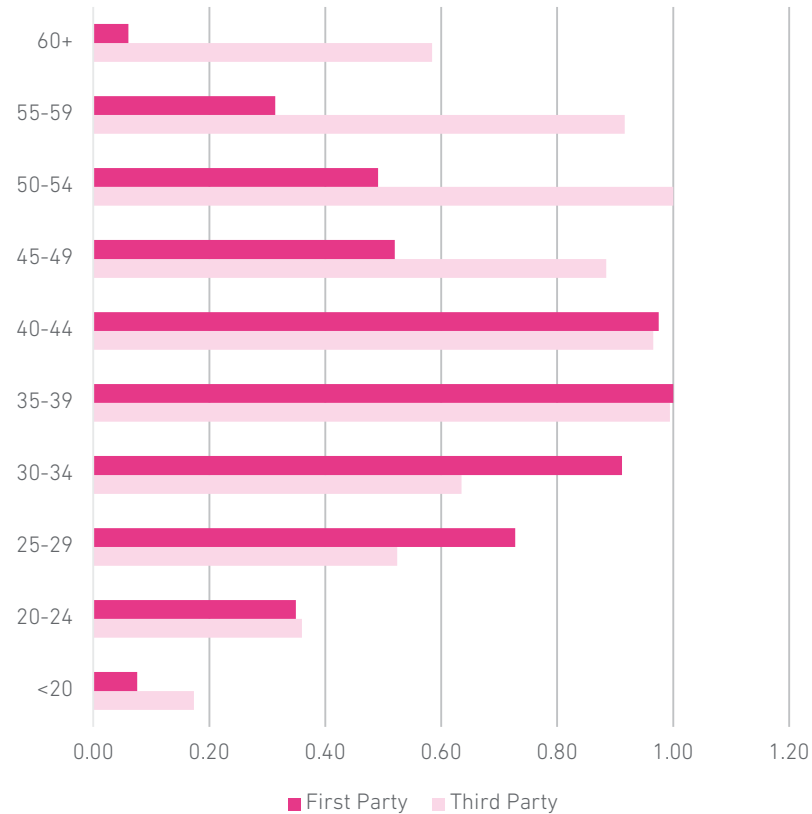
Age and Gender

Although first party fraud has significantly increased, the age distribution has not and is still focused in the 30-44 region.

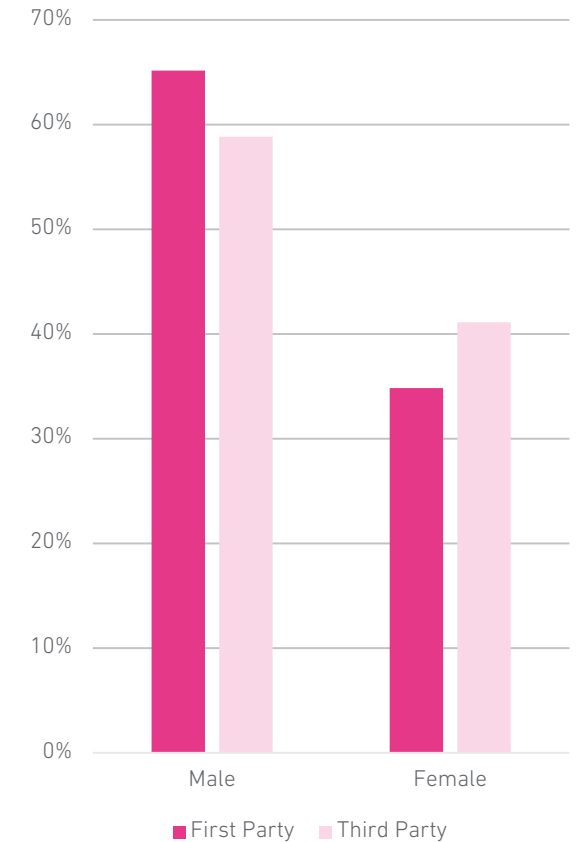
Third party fraud is evenly distributed from ages 35-59 but then drops off significantly at either end.

Gender is again skewed towards males.

Normalised and indexed age distribution



Gender distribution



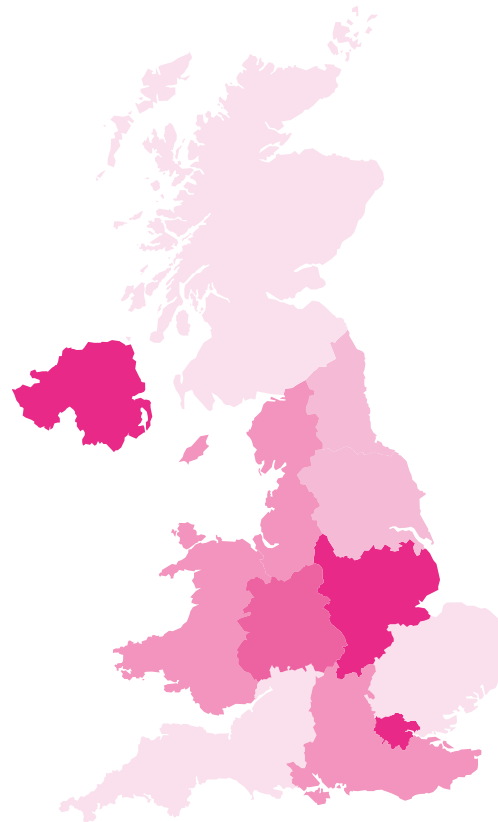
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Geography

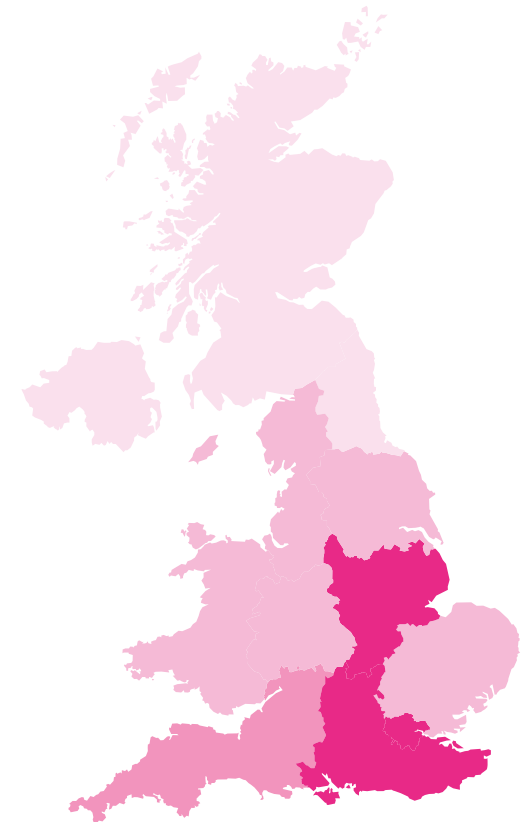
London continues to be the highest risk region for both fraud types. For third party fraud, the South East and East Midlands join London as the most at-risk regions with North East, Northern Ireland and Scotland the least risky.

For first-party fraud, Northern Ireland and the East Midlands join London as the riskiest regions this quarter and Scotland, the East of England and South West being the least risky.

First party



Third party

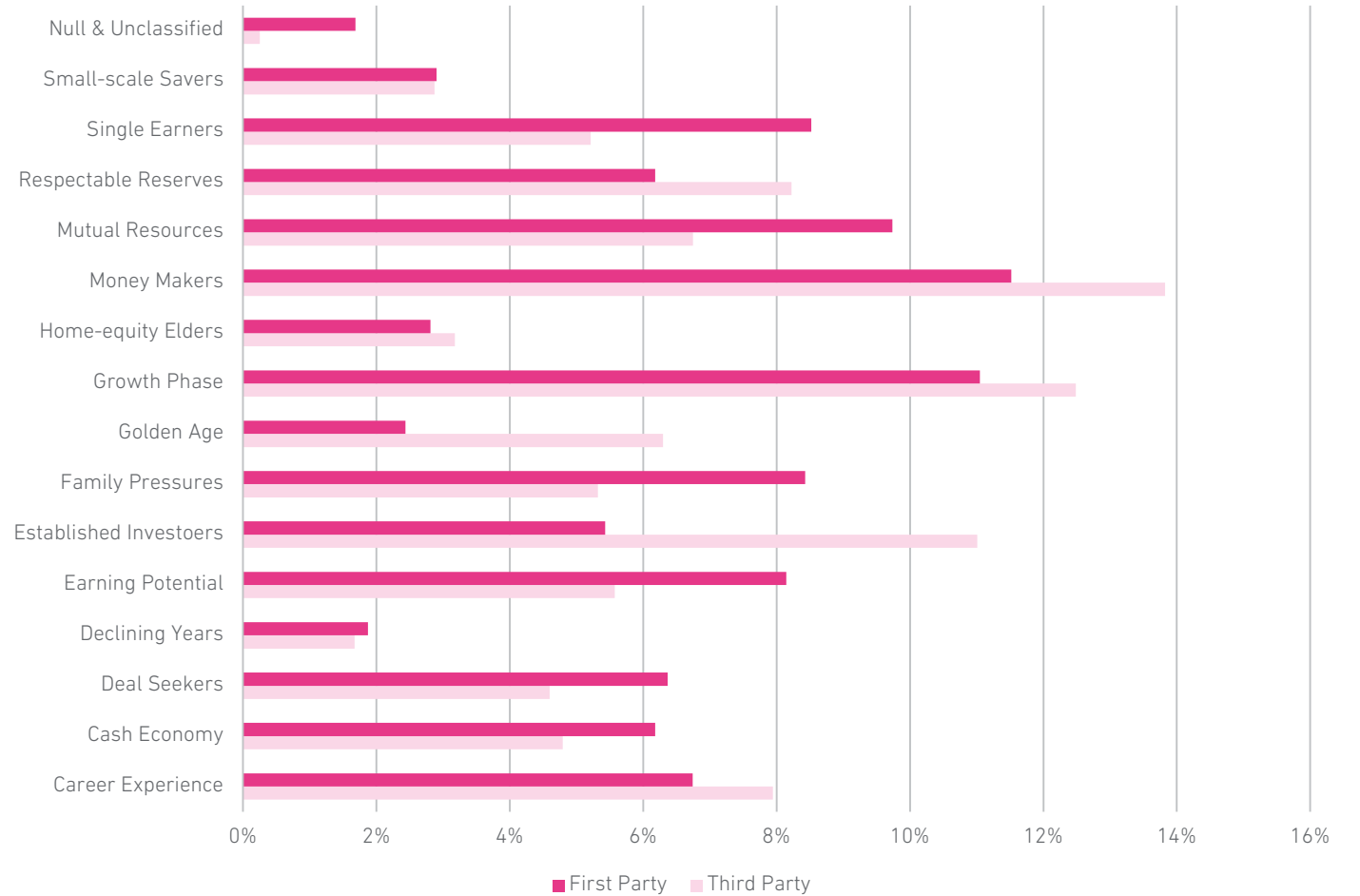


Demographics

There is a relatively even spread of both fraud types among each of the groups, however Money Makers and Growth Phase are particularly high risks for both first and third party fraud.

Perhaps understandably, Established Investors are at a significantly greater risk of being targeted by fraudsters, as their level of wealth and assets means they are more likely to be approved for a loan.

Golden Age buck the trend of the older age groups being among the lowest fraud risks, with their financial stability again making them more inviting to fraudsters.



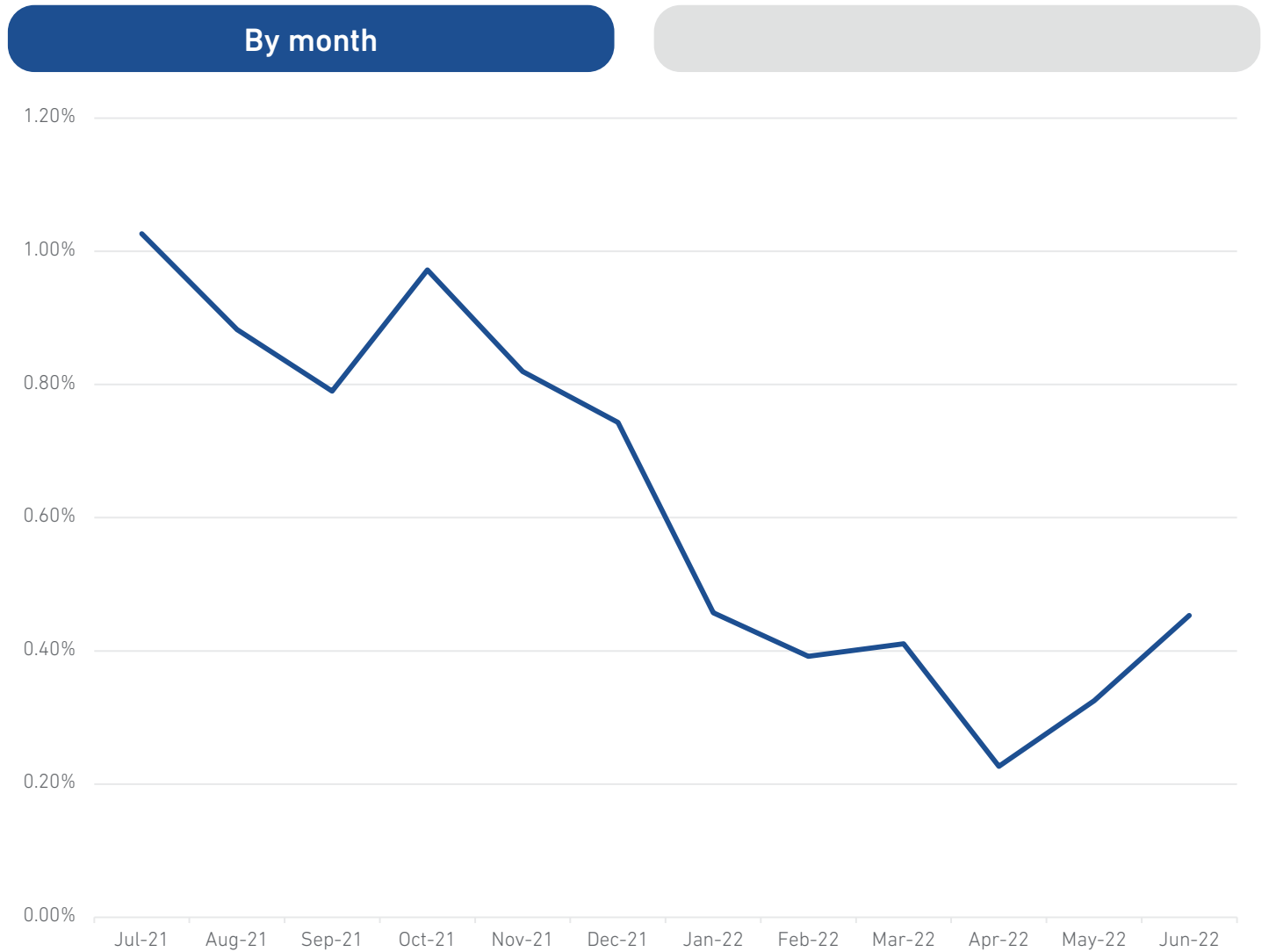
Savings Accounts

Experian Fraud Index Q2 2022

Fraud rate

The last 12 months has seen Savings Account fraud on a consistent downward trajectory.

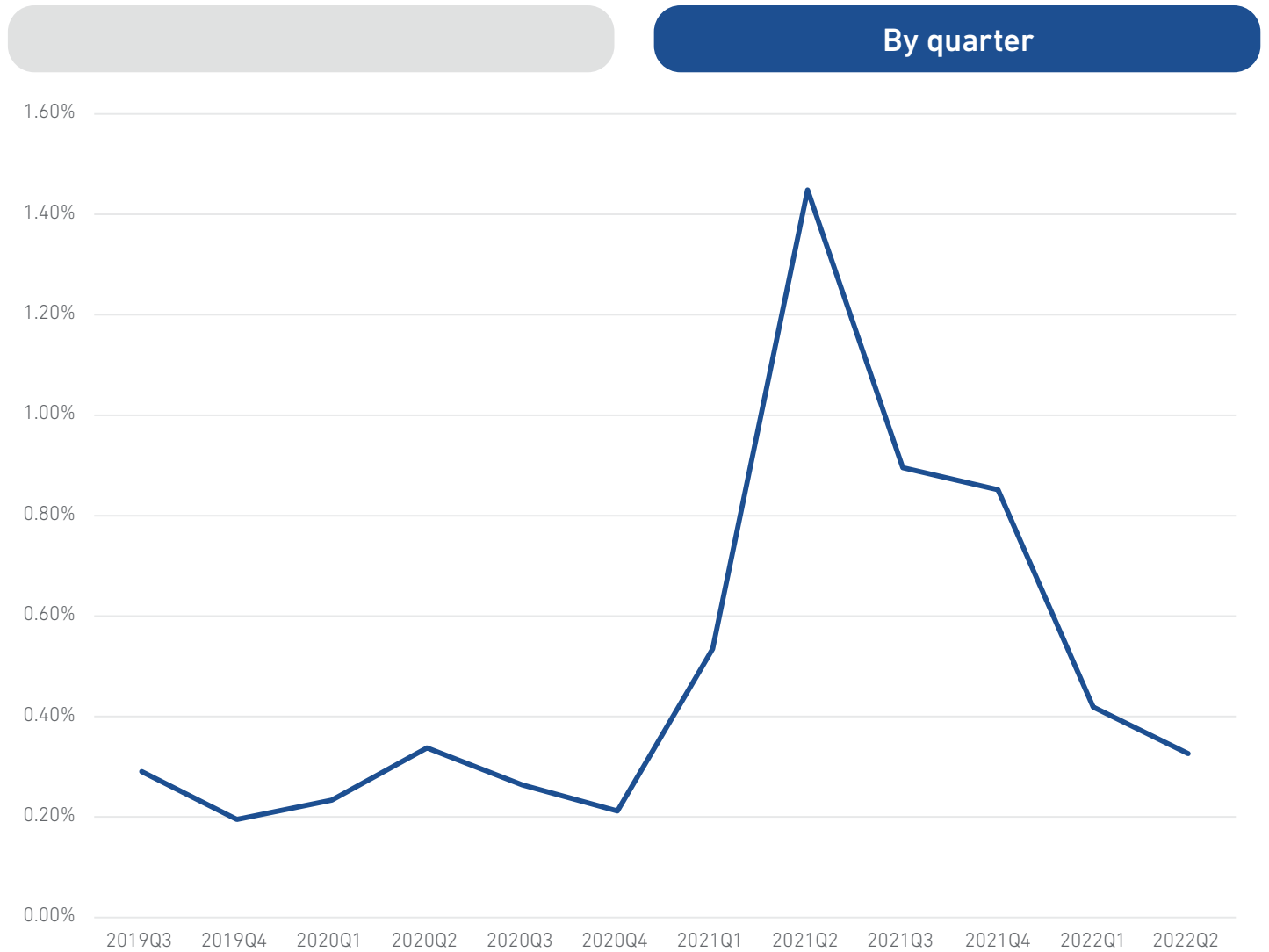
There has however been an increase over May and June, with the fraud rate climbing back to 0.45%.



Experian Fraud Index Q2 2022

Fraud rate

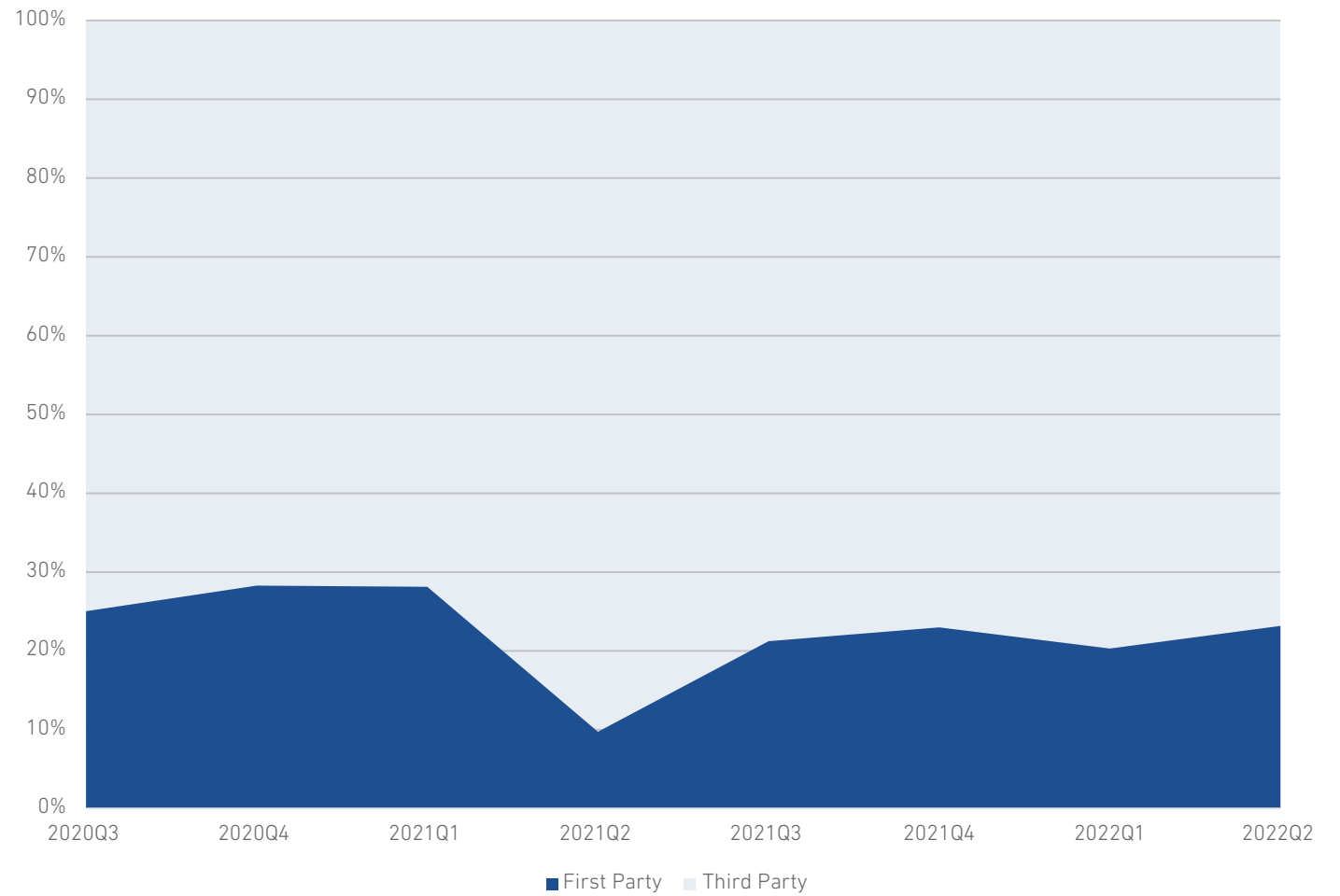
Despite June's figures, the fraud rate has again decreased for the fourth consecutive quarter to 0.33%. This is a 73% reduction in fraud rate when compared to the same quarter in 2021 and it is also the lowest rate seen since the end of 2020.



Experian Fraud Index Q2 2022

Fraud type

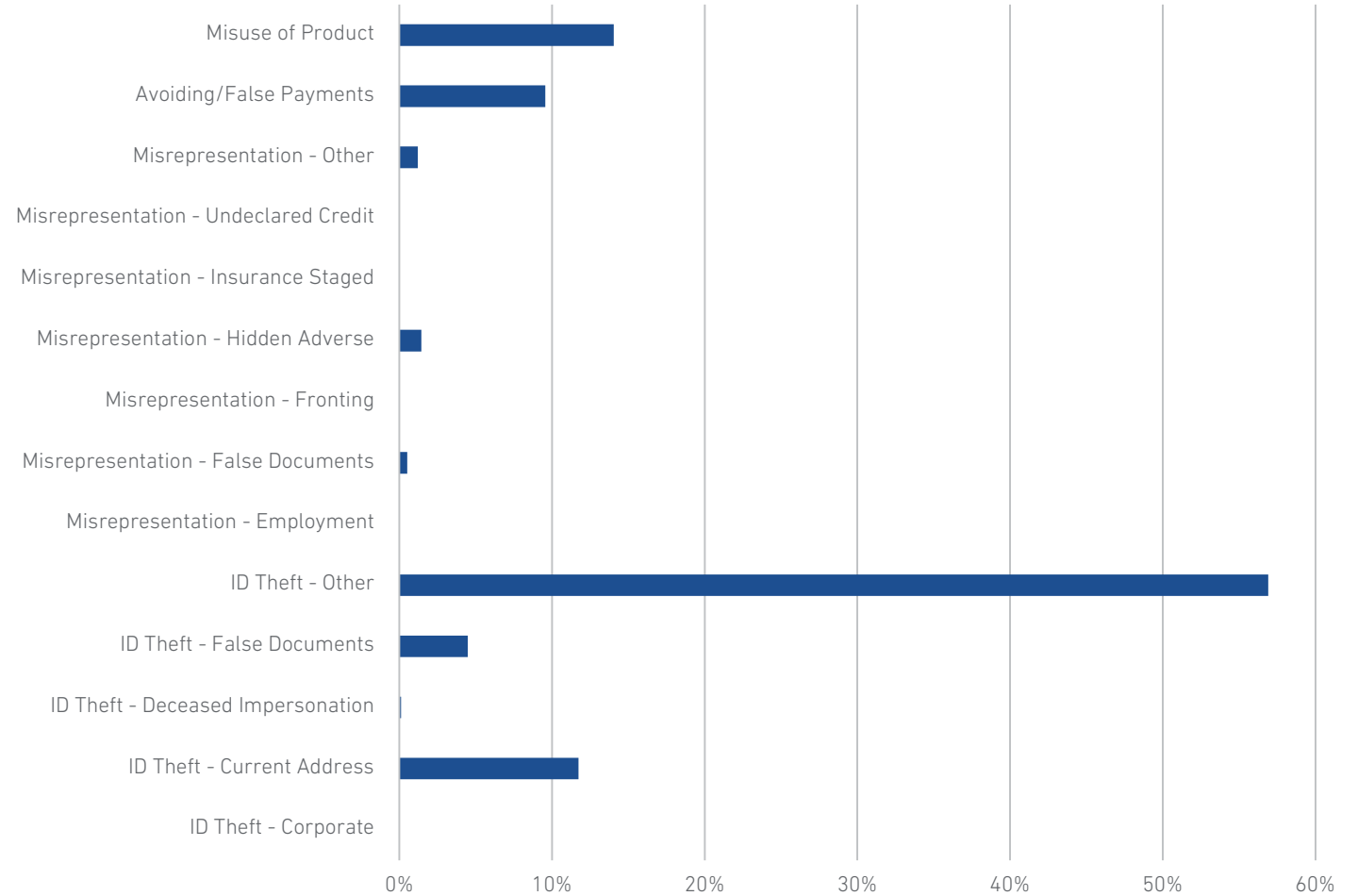
Saving Account fraud continues to remain predominantly third party, with an 80/20 split in its favour.



Fraud Categories

The ID Theft - Other category includes both previous address impersonation and general impersonation cases and is still by far, the most common fraud category reported for Savings accounts.

The Misuse of Product and Payment related categories are exclusively used for reporting on money mule activity and combined equate to 24% of all Savings Accounts fraud.



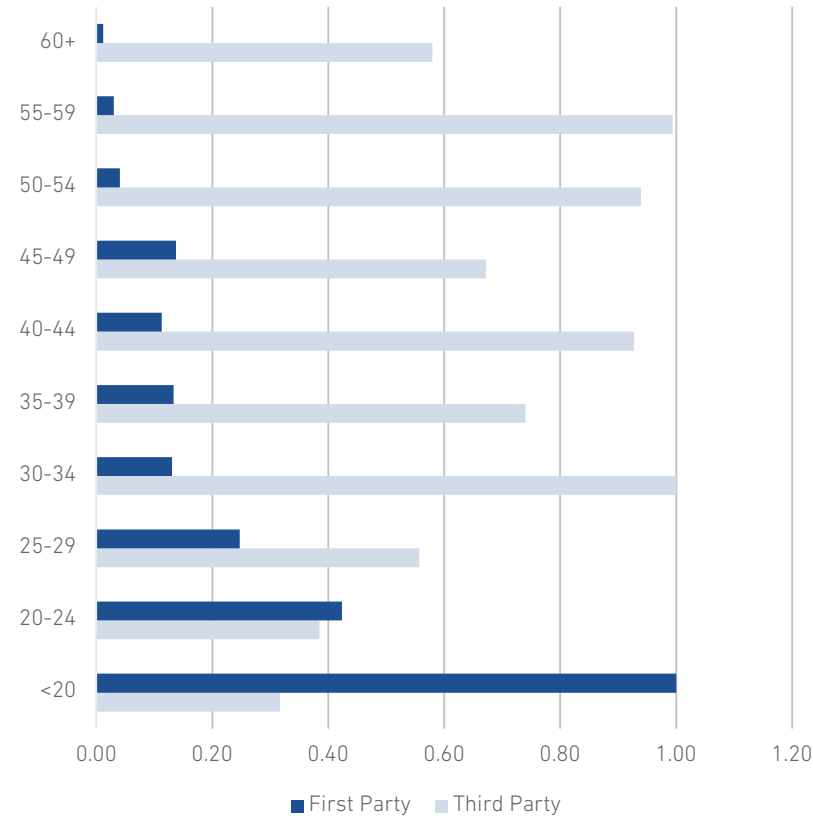
Age and Gender

Given the prevalence of money mule recruiting among the younger age groups, it is not surprising they are the riskiest for first party fraud.

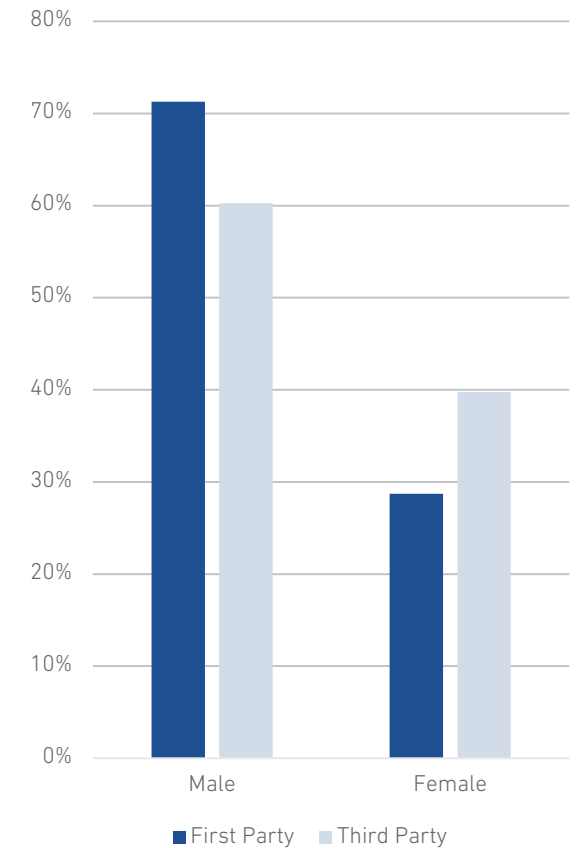
Third party remains evenly spread across ages 30 to 59, but significantly drops for the younger age groups.

Gender is, like all products, skewed in favour of males.

Normalised and indexed age distribution



Gender distribution



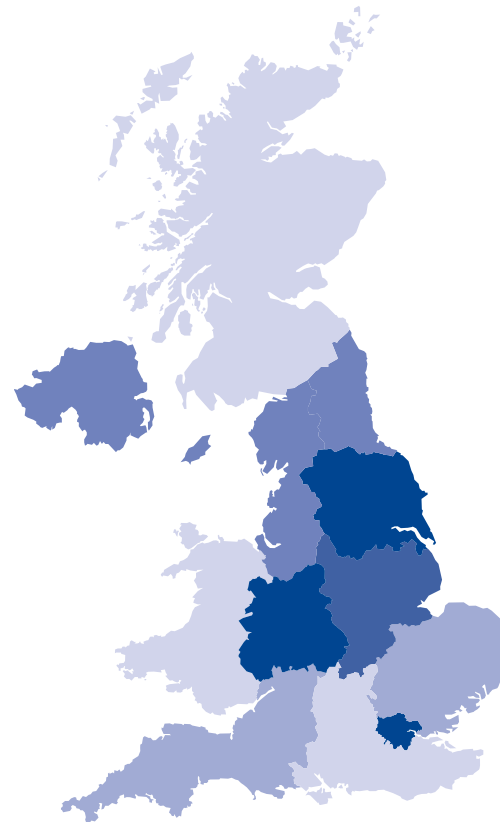
These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).

Geography

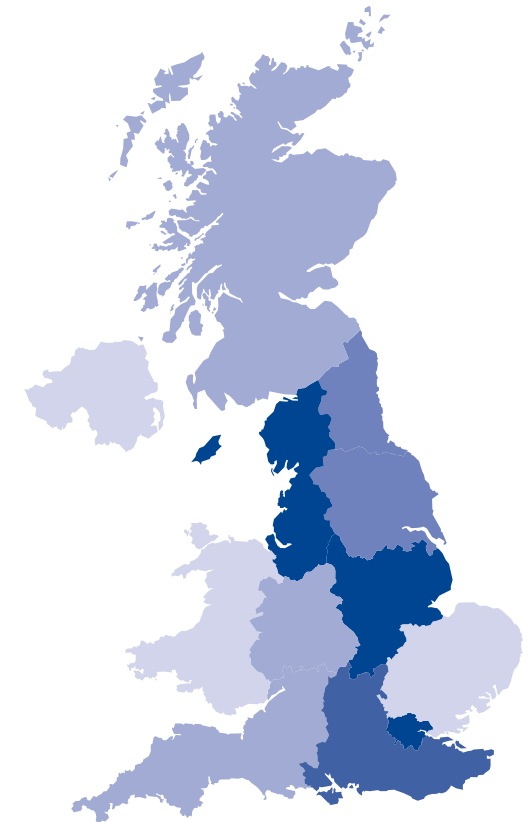
East Midlands and the North West join London, which is top for both fraud types, as the riskiest regions for third party fraud. East of England, Northern Ireland and Wales are the least risky.

For first party, joining London are the West Midlands and Yorkshire and The Humber. In terms of least first party risk, Scotland, the South East and Wales show the lowest rates.

First party



Third party



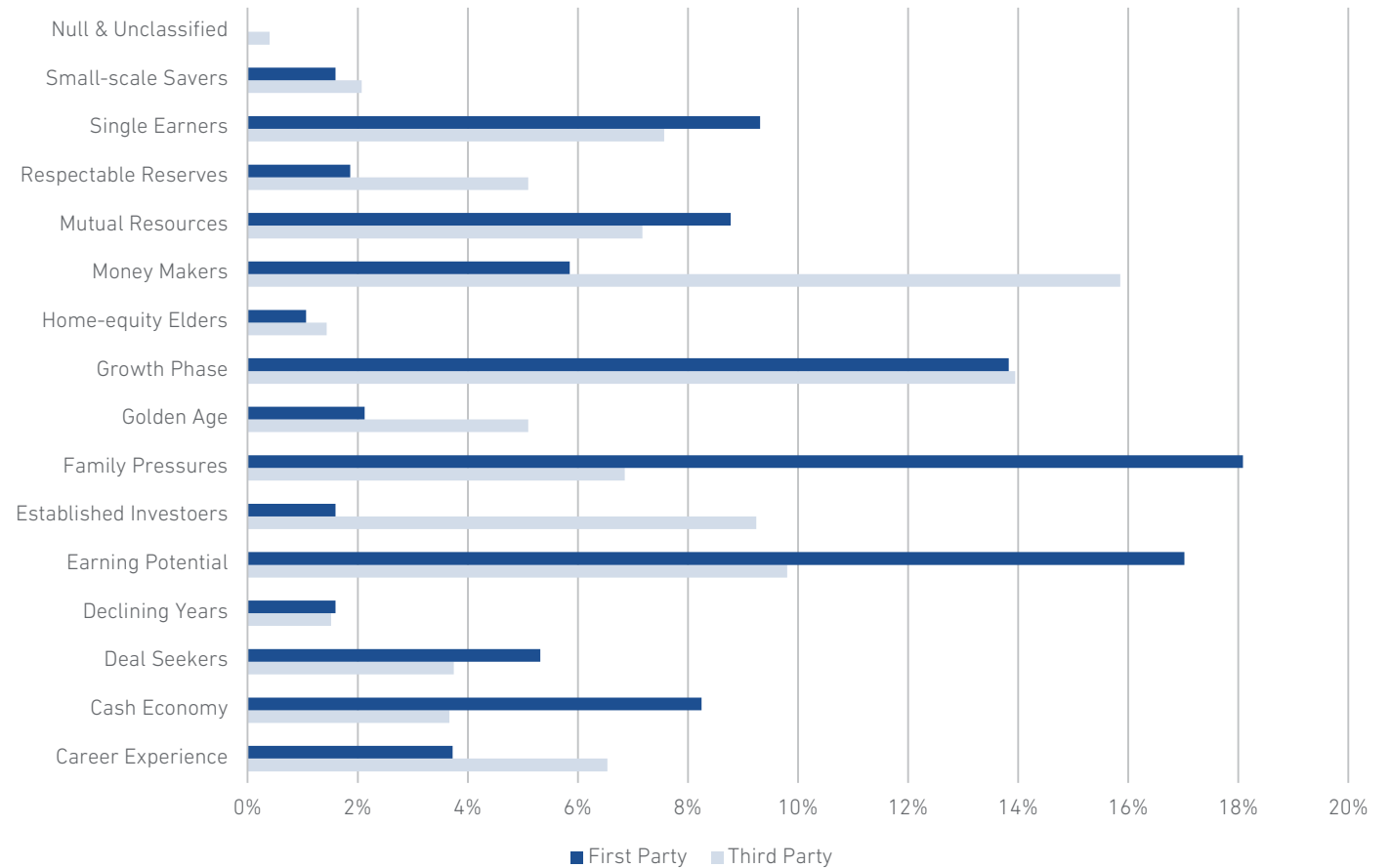
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Demographics

Similarly to last quarter, Earning Potential and Family Pressures stand out from a first party perspective.

For third party Money Makers and Growth Phase are at the highest risk by a considerable margin.

The older age groups (Declining Years, Golden Age, Home-equity Elders) remain lower first party fraud risks.





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