



Experian UK Fraud Index

Q3 2022 (July–September)



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Overall fraud

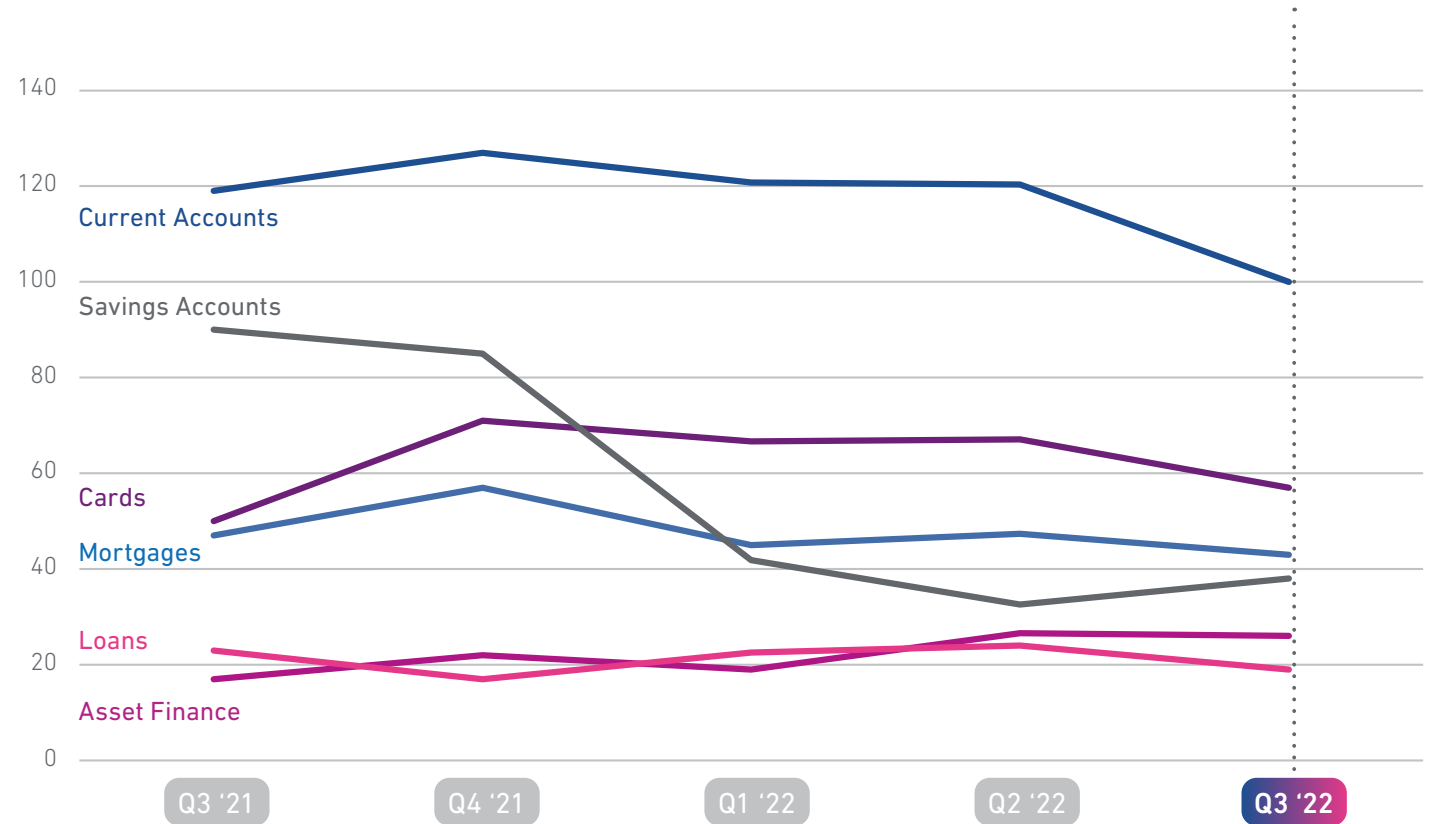
Q3 2022, Jul–Sep

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

Except for Savings Accounts we have seen a decline in the rate of fraud within the quarter. The biggest drop has been seen in Current Accounts.

Overall increases in application volumes across all sectors are contributing to this reduction in fraud rates.

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

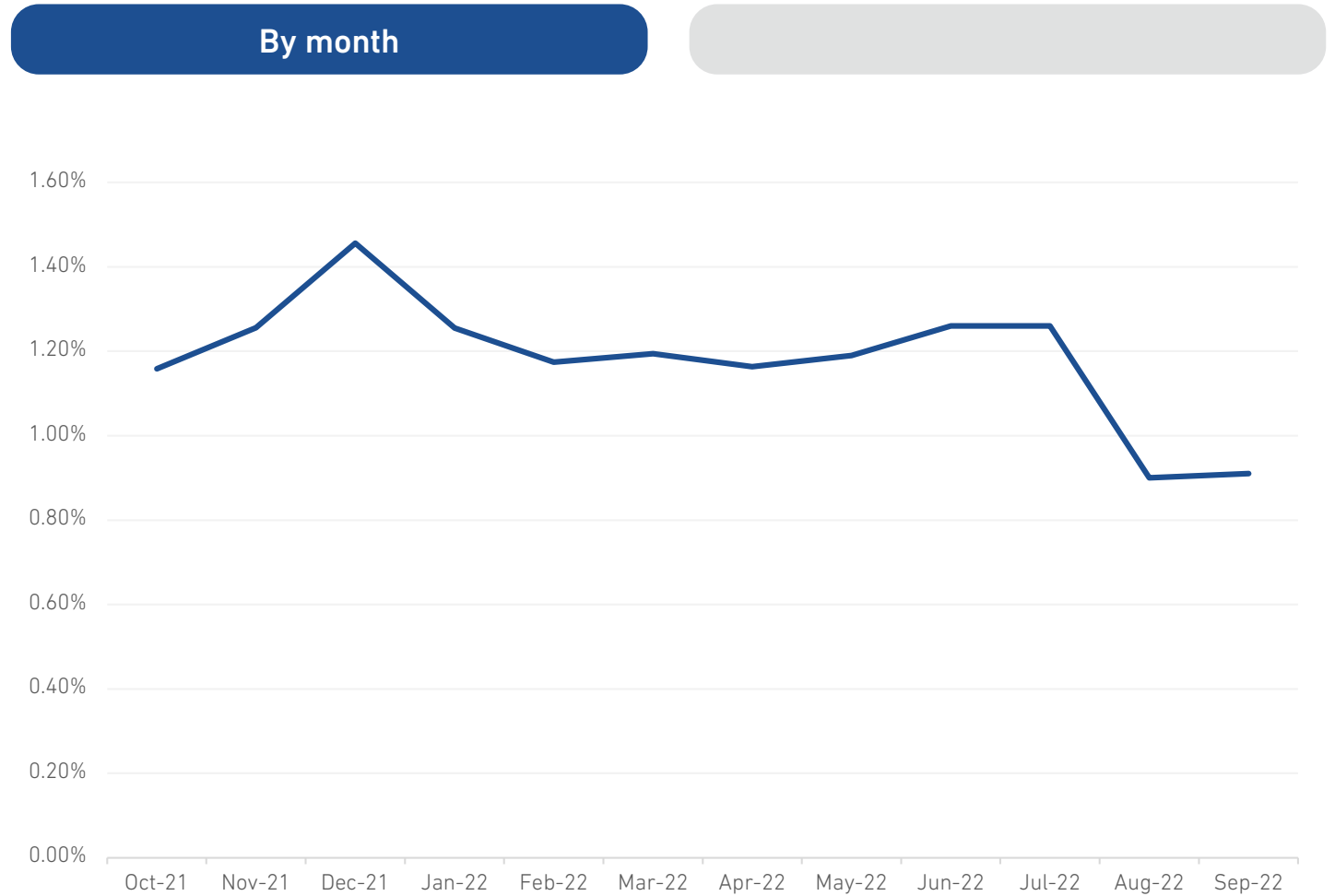


Experian Fraud Index Q3 2022

Fraud rate

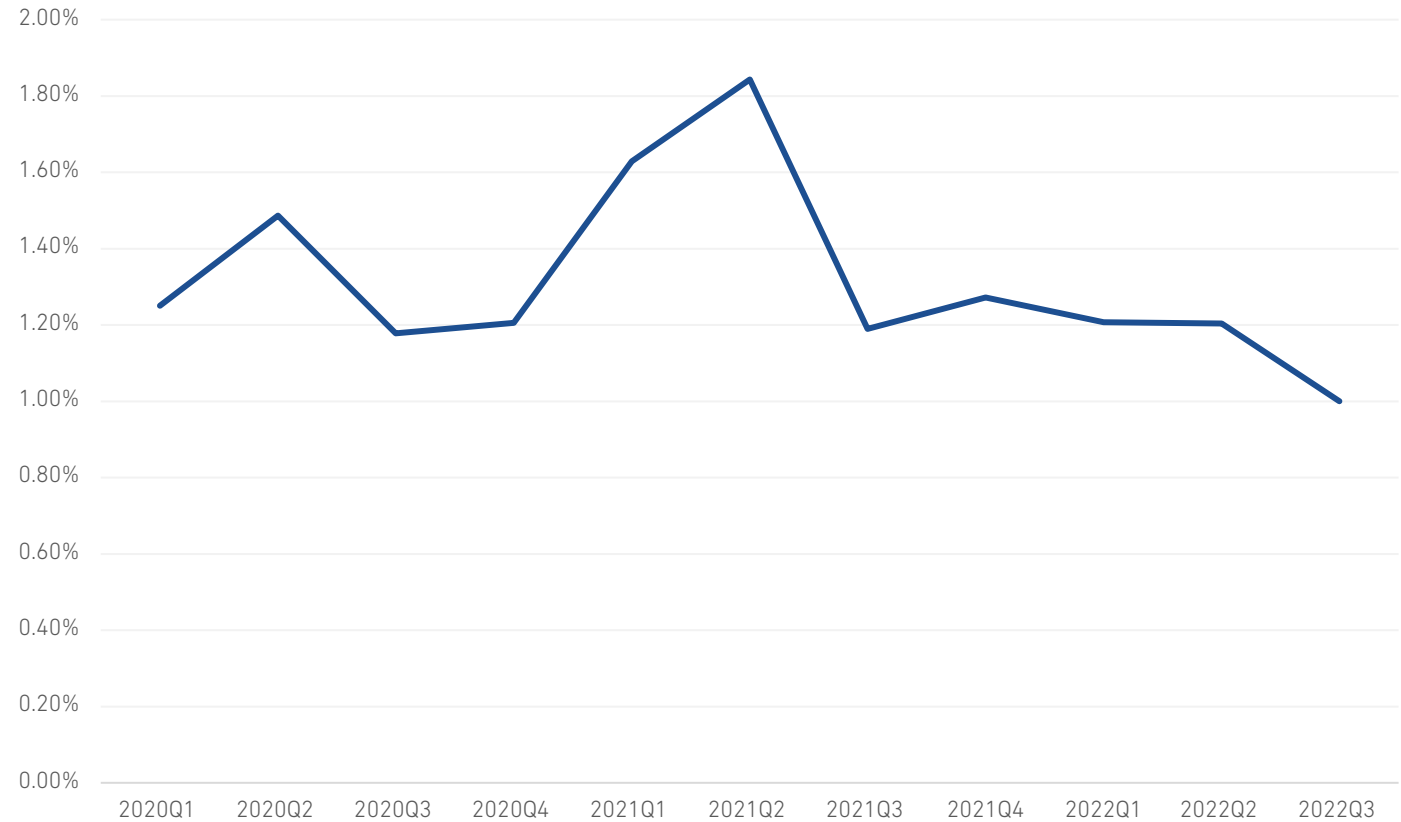
Current Account fraud rates have remained consistently around 1.2% throughout most of the year however this has dropped to 0.9% during the last 2 months.

This is due to the 20% increase in applications during the same period, likely driven by new student accounts, with fraud investigators unable to keep up with the increased number of applications whilst maintaining the same review rate.



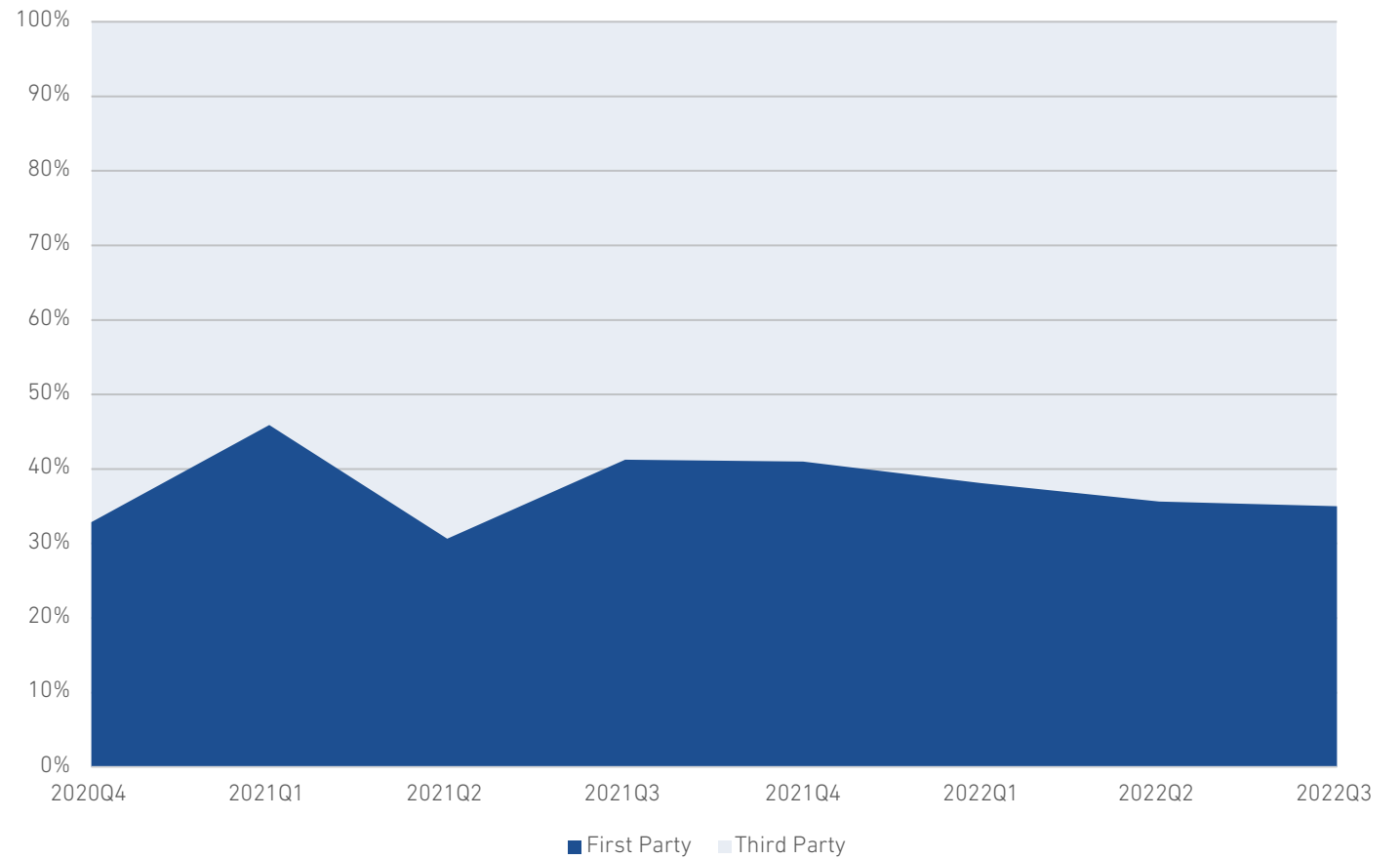
Fraud rate

With the increased application volumes seen in August and September, Q3 demonstrates the lowest Current Account fraud rates for the last 3 years.



Fraud type

Current Account fraud had been gradually shifting even more towards third party over the last 12 months, however this has steadied at 64% in favour of third party for the last 2 quarters.

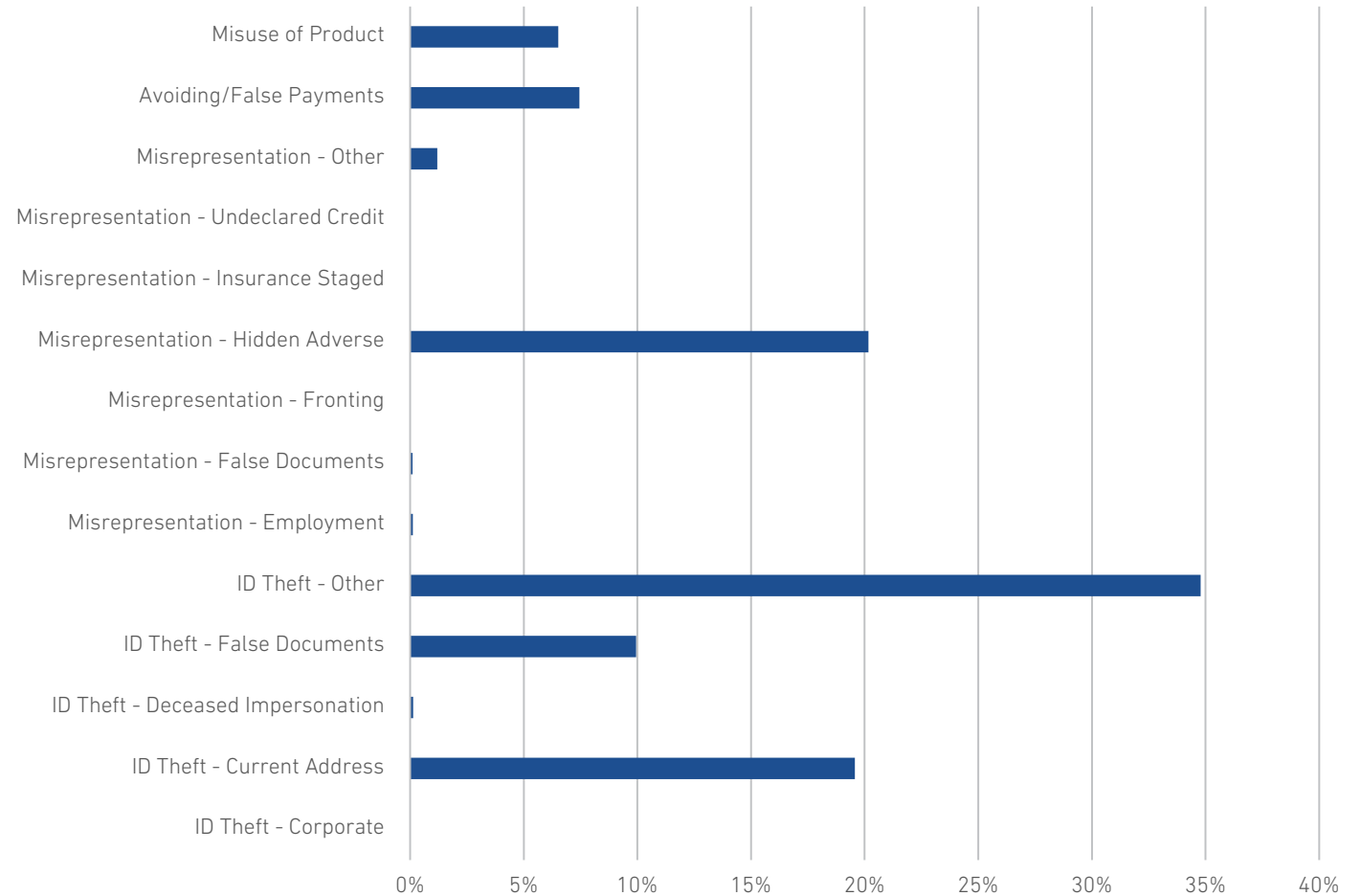


Fraud Categories

Combined, ID Theft continues to be the most common type of Current Account fraud, contributing to 64% of all frauds recorded.

Misrepresentation rates have remained consistently around 20% all year and this continues throughout Q3.

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

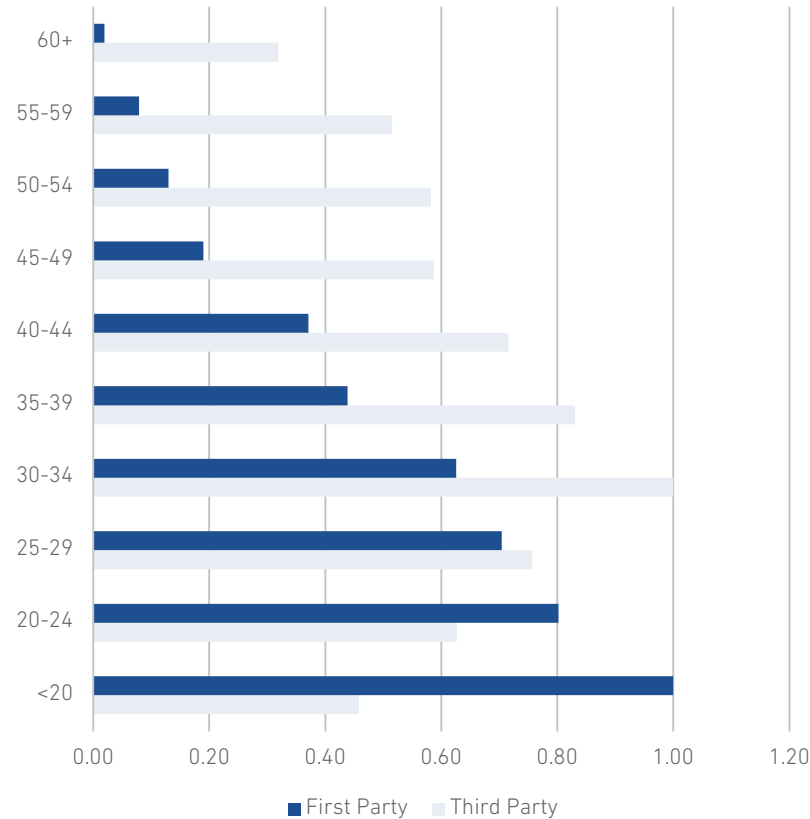
First and third party fraud present very differently when looking at age.

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

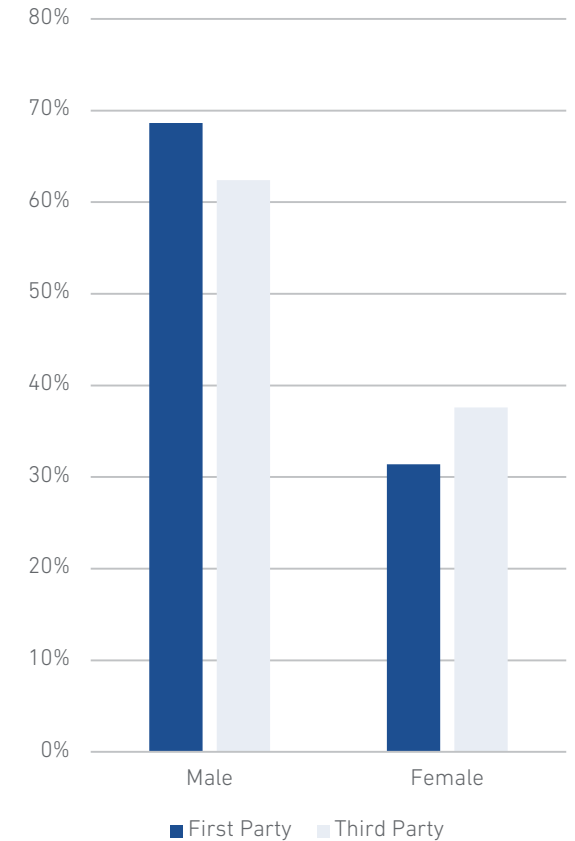
For third party fraud, a bell curve centered on the 30-34 age group can be seen, however the over 60s remain the lowest risk.

Females continue to be around 50% less likely to either commit first party fraud or be victims of third 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).

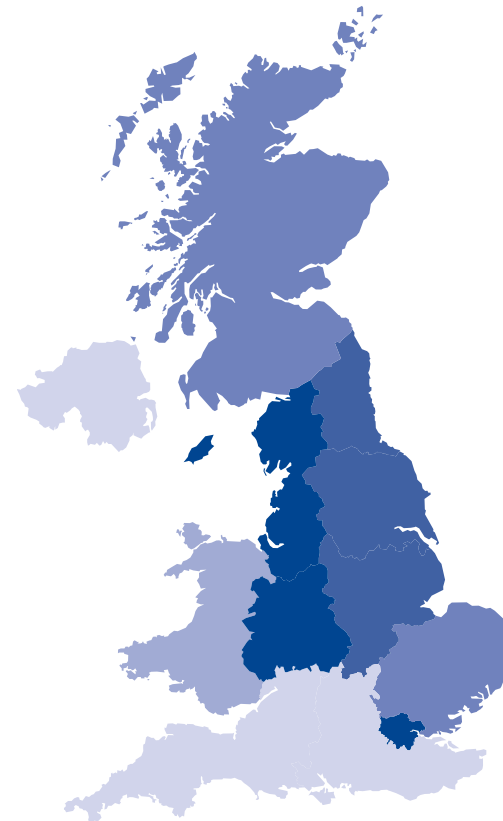


Geography

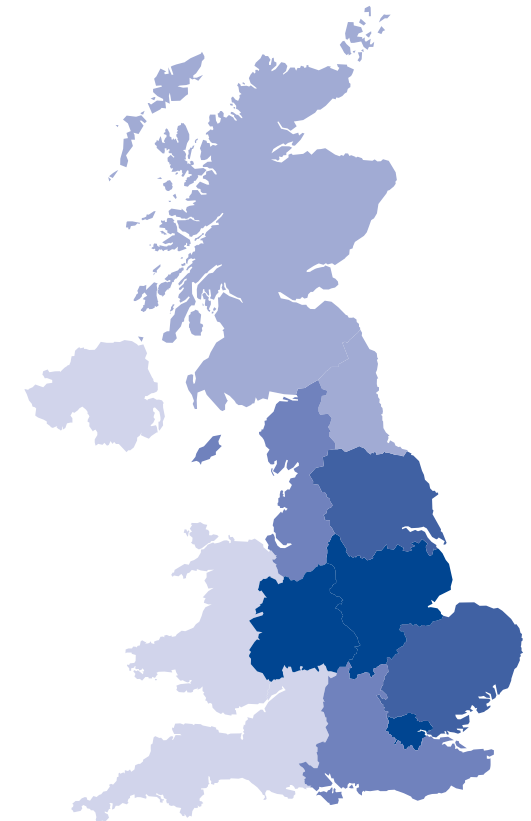
London and West Midlands are the two highest risk regions across both first and third party fraud in Current Accounts.

Northern Ireland and South West England are among the lowest risk areas for both fraud types.

First party



Third party

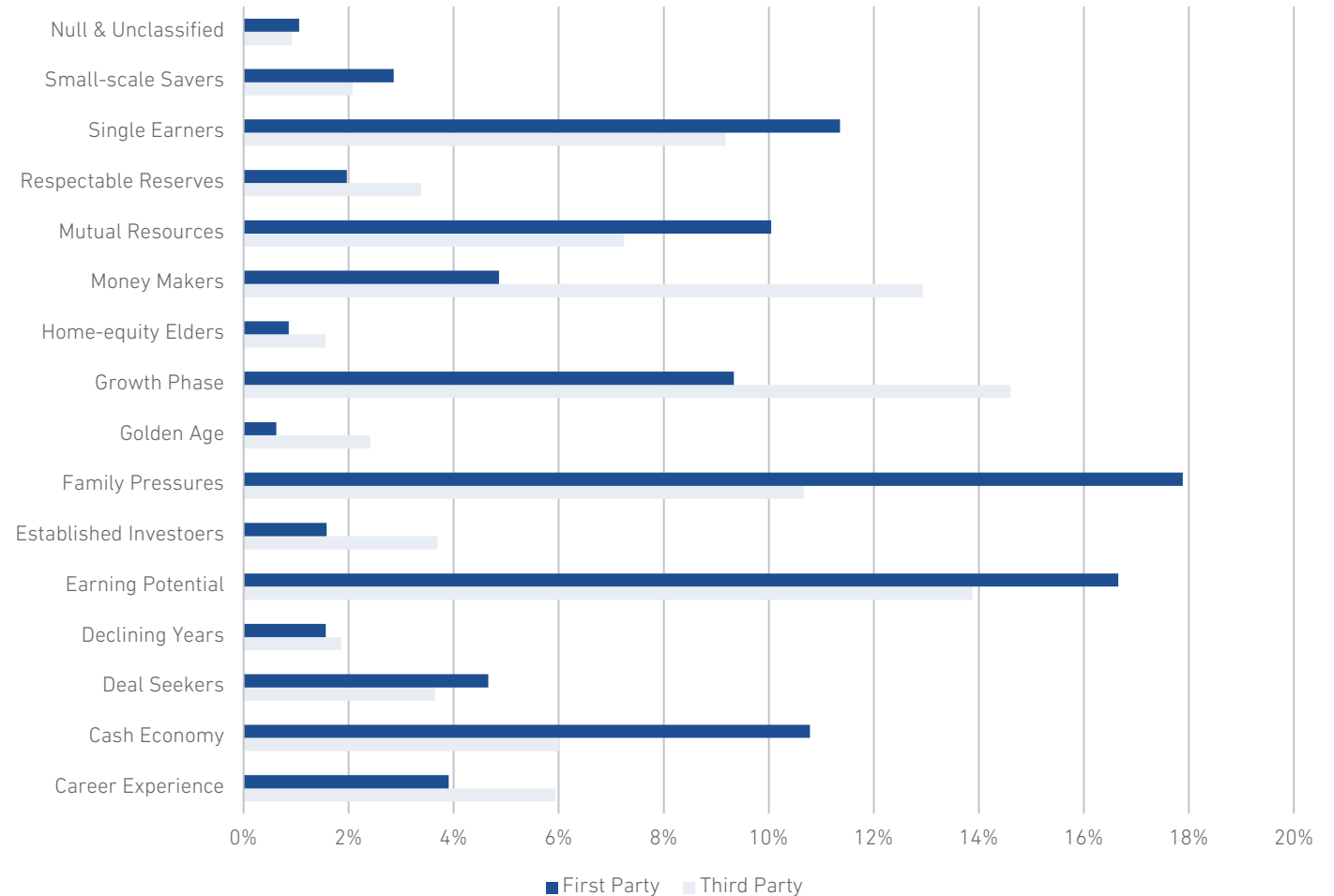


Demographics

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

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

The older generations are much less likely to commit first party fraud or be victims of third party fraud when compared to the other demographics.

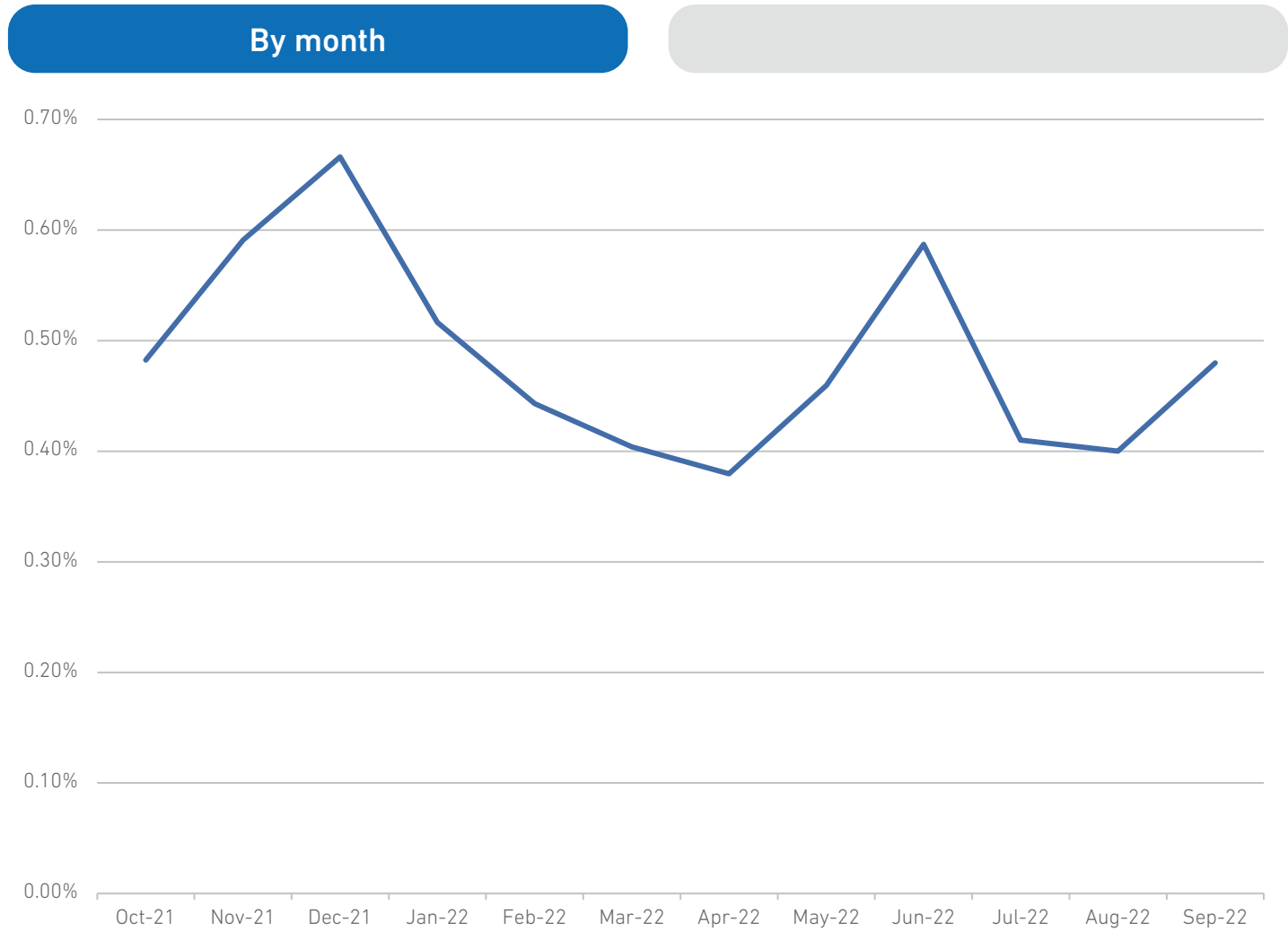


Mortgages

Fraud rate

Mortgage fraud rates have dropped from the spikes seen in December and June, and now reside at 0.48%.

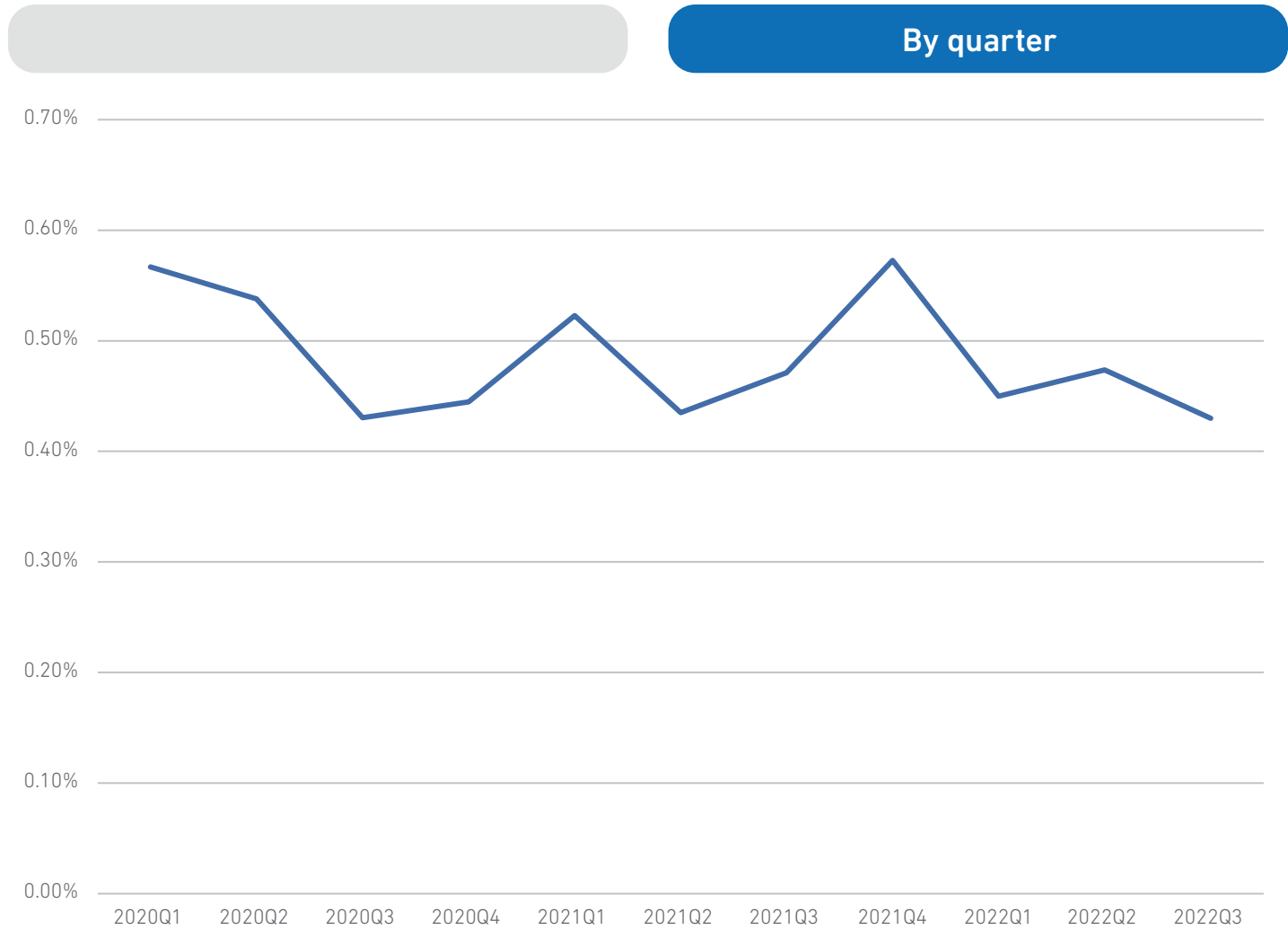
In September, Mortgage applications numbers dropped to their lowest since January of this year. This explains the slightly increased fraud rate as investigators were able to review a larger proportion of the overall applications during September.



Fraud rate

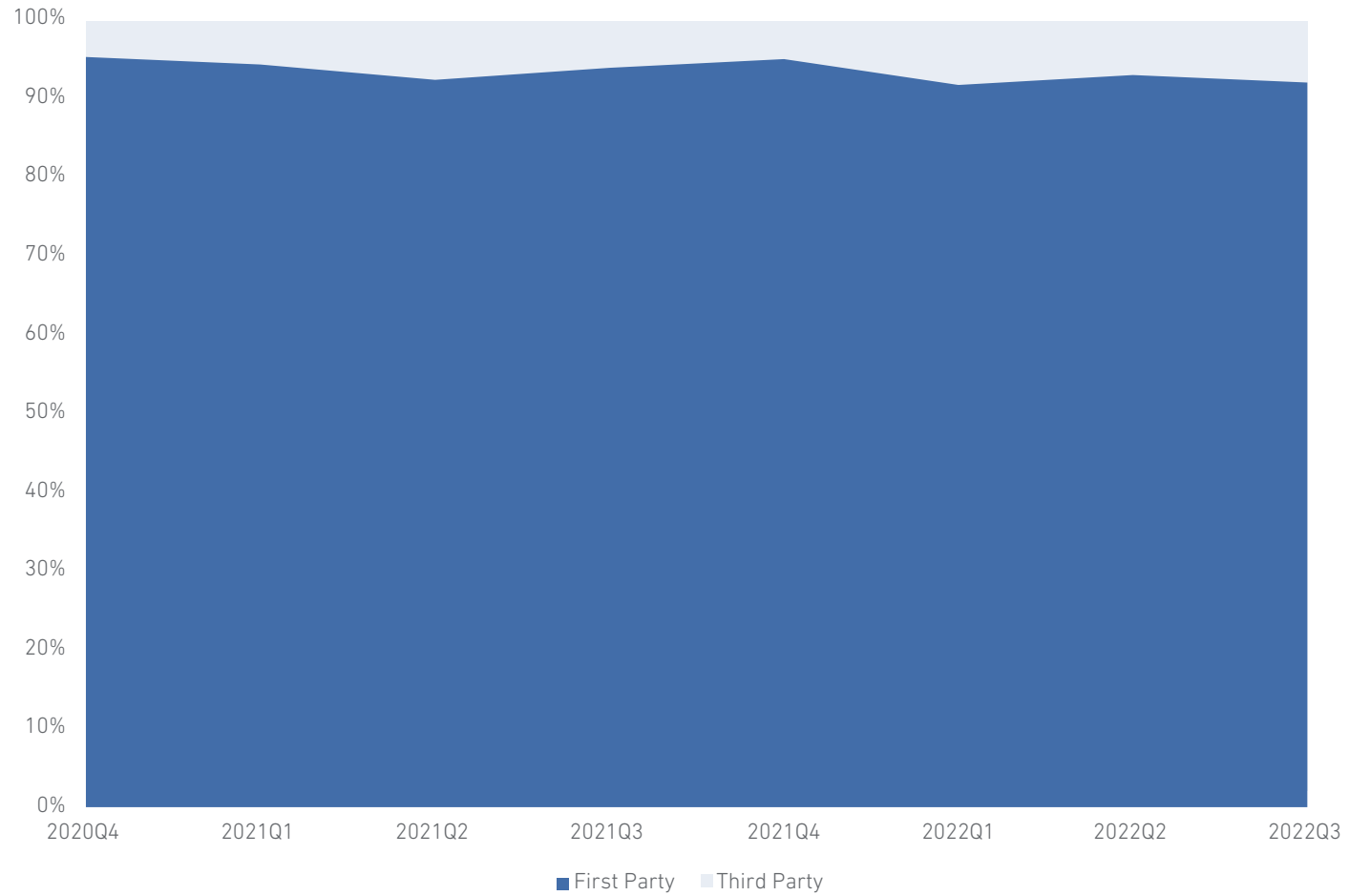
Mortgage application volumes are still some way short of late 2019 when we saw much higher fraud rates.

Despite a couple of spikes during 2021, Mortgage fraud rates have remained around 0.45% for the last 2 years.



Fraud type

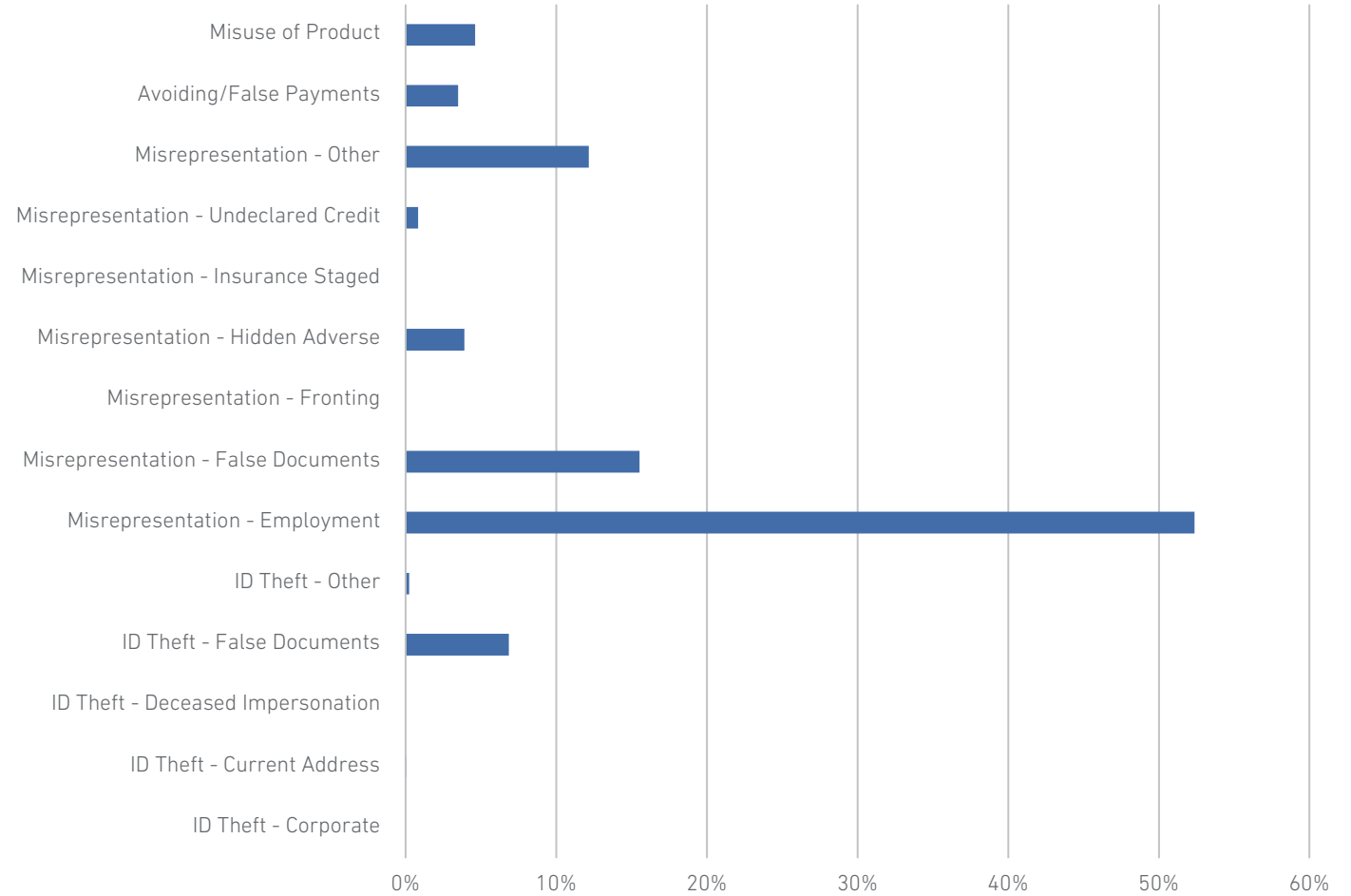
Mortgage fraud continues to be predominantly first party fraud, although third party fraud has gradually crept up to 8% over the last 2 years.



Fraud Categories

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

Although found to a greater extent in first party fraud, in the small number of cases where third party fraud is identified false documents are nearly always used.

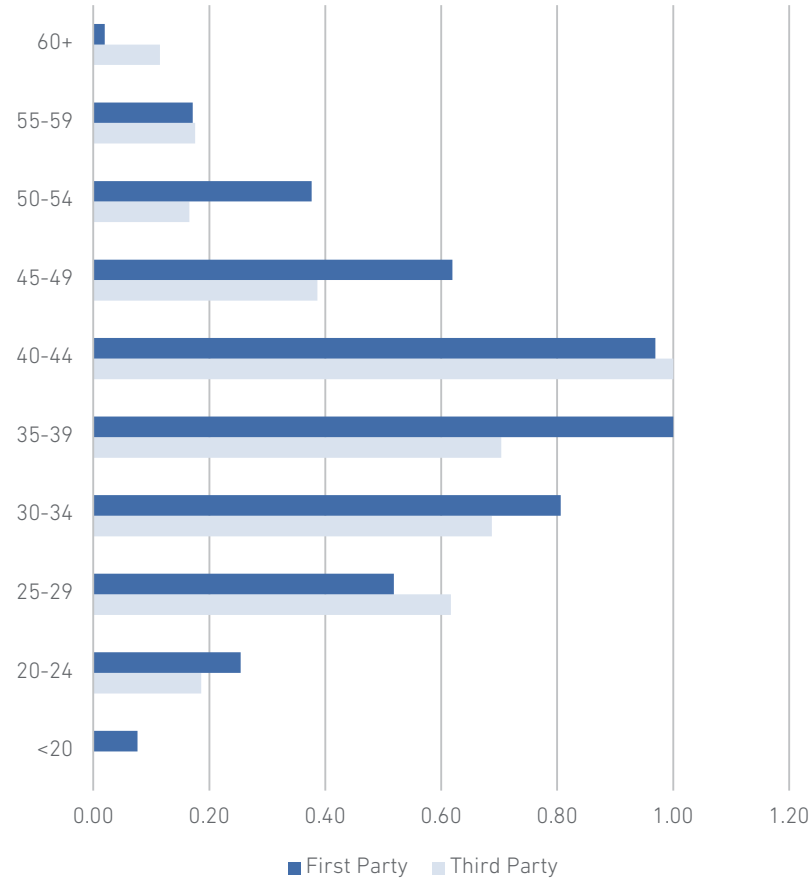


Age and Gender

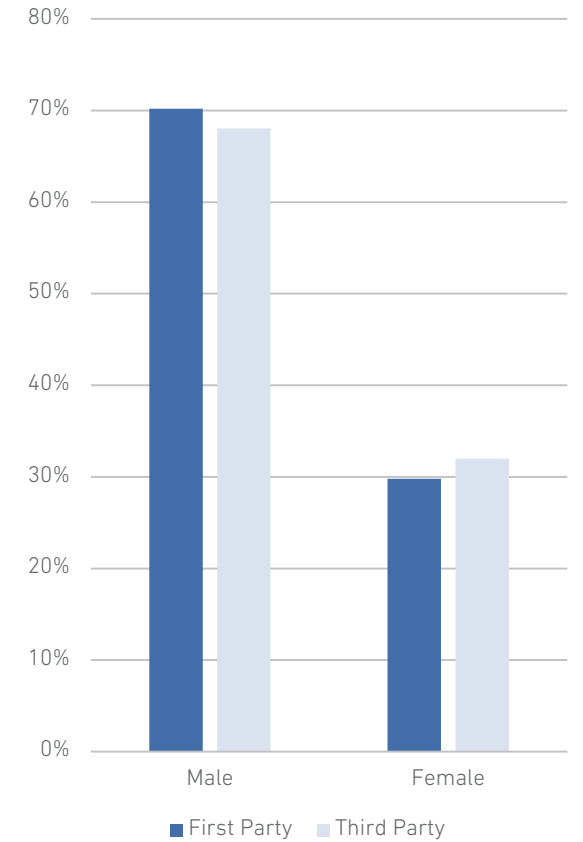
First and third party fraud both track very similarly when looking at age. The 35 to 44 age range are the highest risk, with this then decreasing below and above this age bracket.

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).

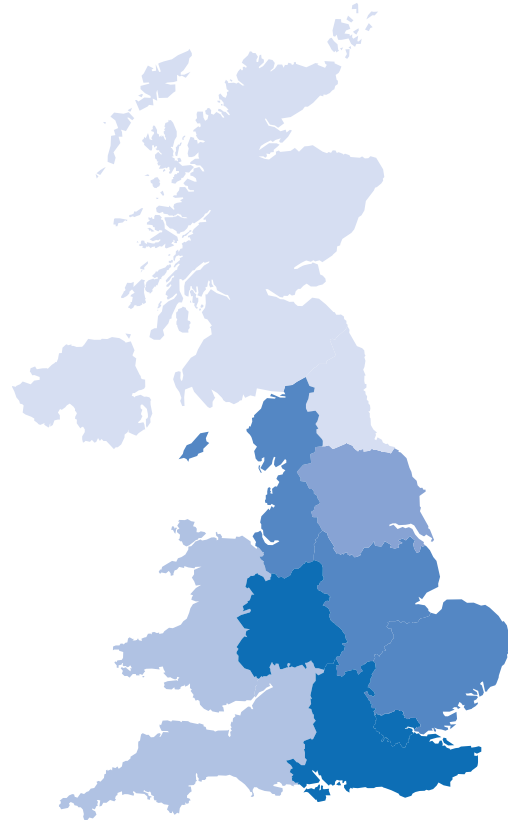


Geography

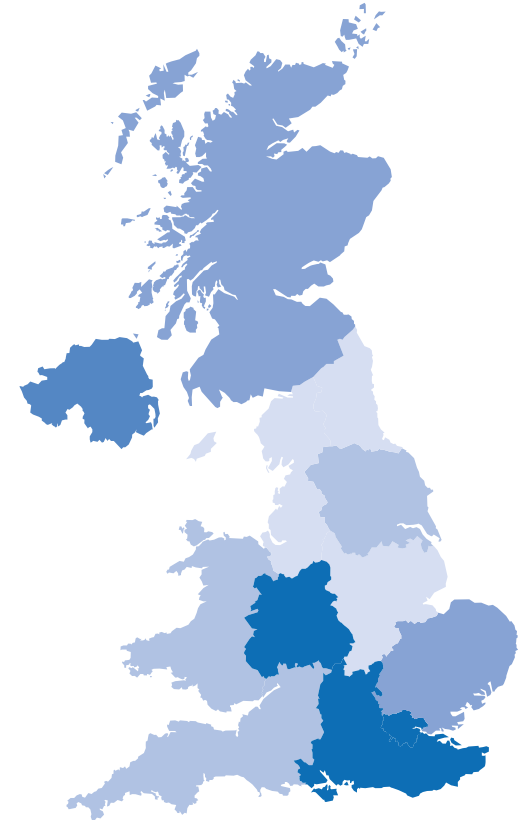
London, West Midlands and South East England are the highest risk regions across both first and third party fraud in Mortgages.

North East England is among the lowest risk regions for both fraud types, joined by Scotland and Northern Ireland for first party fraud and North West England and East Midlands for third party fraud.

First party



Third party

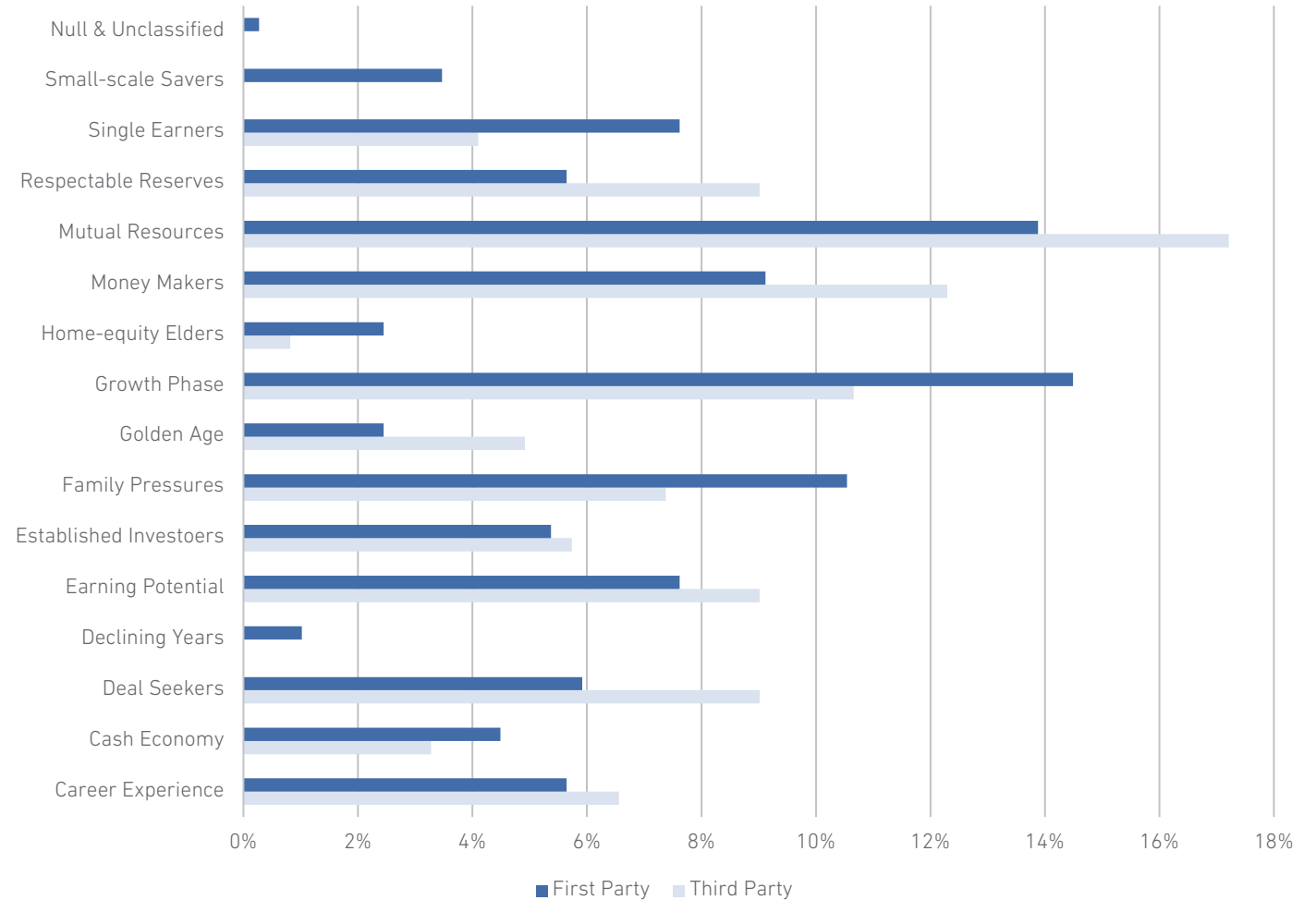


Demographics

There remains a strong correlation between first and third party fraud across the demographic groups for Mortgages. The riskiest segments for both fraud types are commonly those that have lower disposable income, an example of this being Mutual Resources where family or community offer some level of financial support.

Money Makers are also among the highest risk for both fraud types as they're targeted for their earnings or looking for further funds.

The lower risk groups are predominantly the older generations.

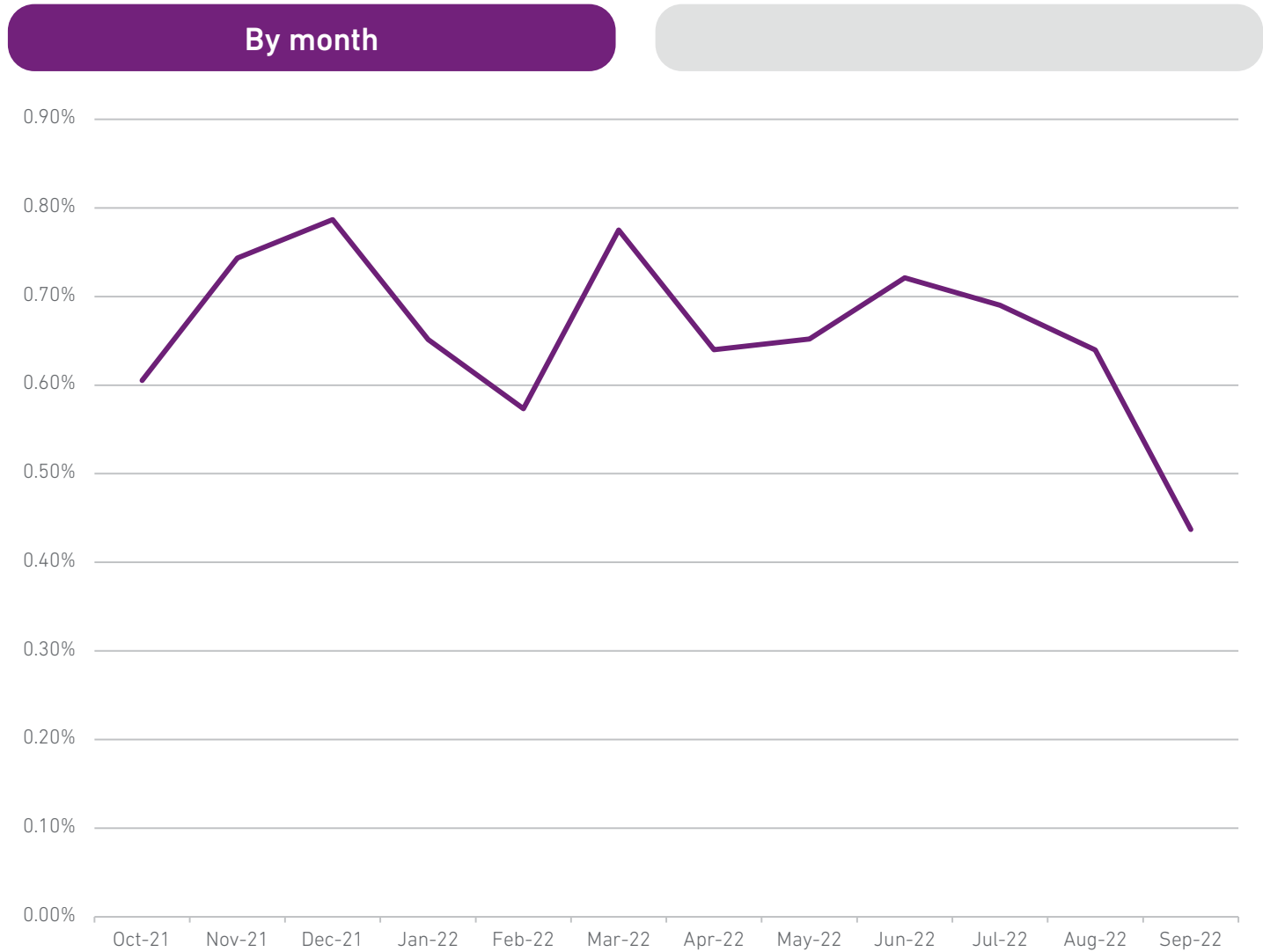


Cards

Fraud rate

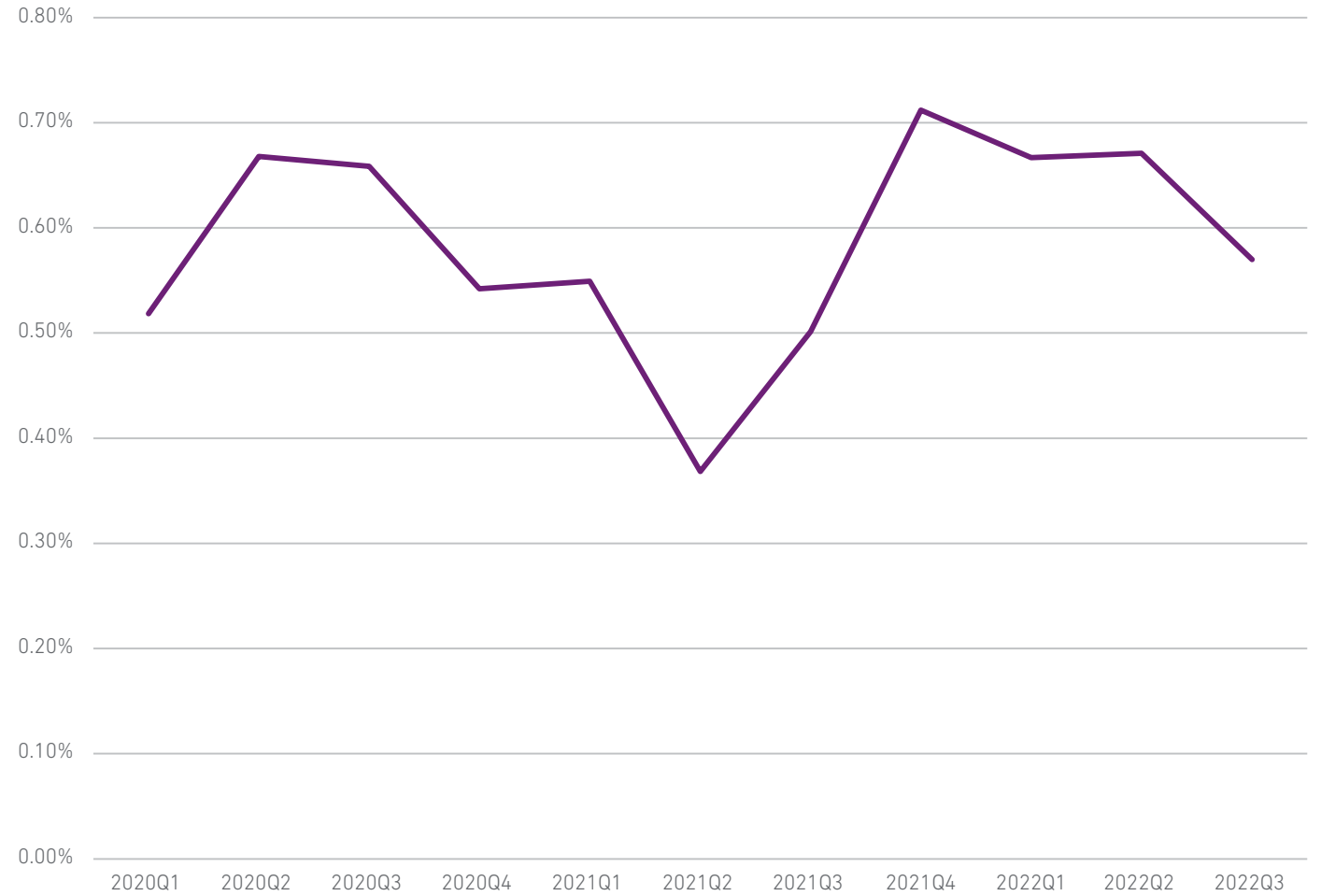
Card fraud rates dipped in Q3 but against a backdrop of a **42% increase in application volumes** in the sector due to consumer demand.

Such a large rise in application volumes is likely caused by a rise in economic pressures.



Fraud rate

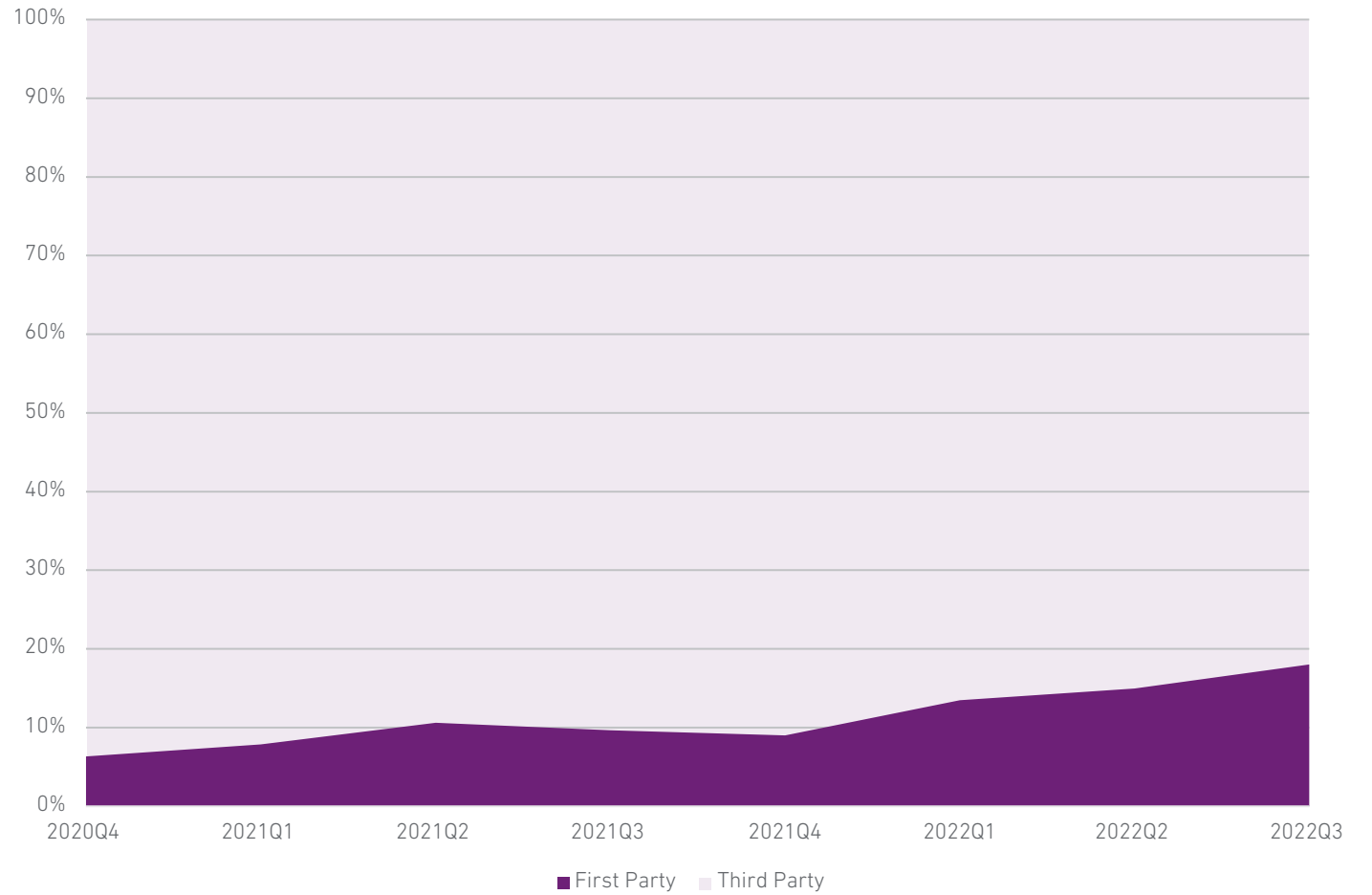
The quarterly fraud rates have dropped to 0.57% but this is against the backdrop of an increase in application volumes being seen in the sector.



Fraud type

First party fraud rates have doubled between Q4 2021 and Q3 2022 rising from 9% to 18% of all recorded frauds.

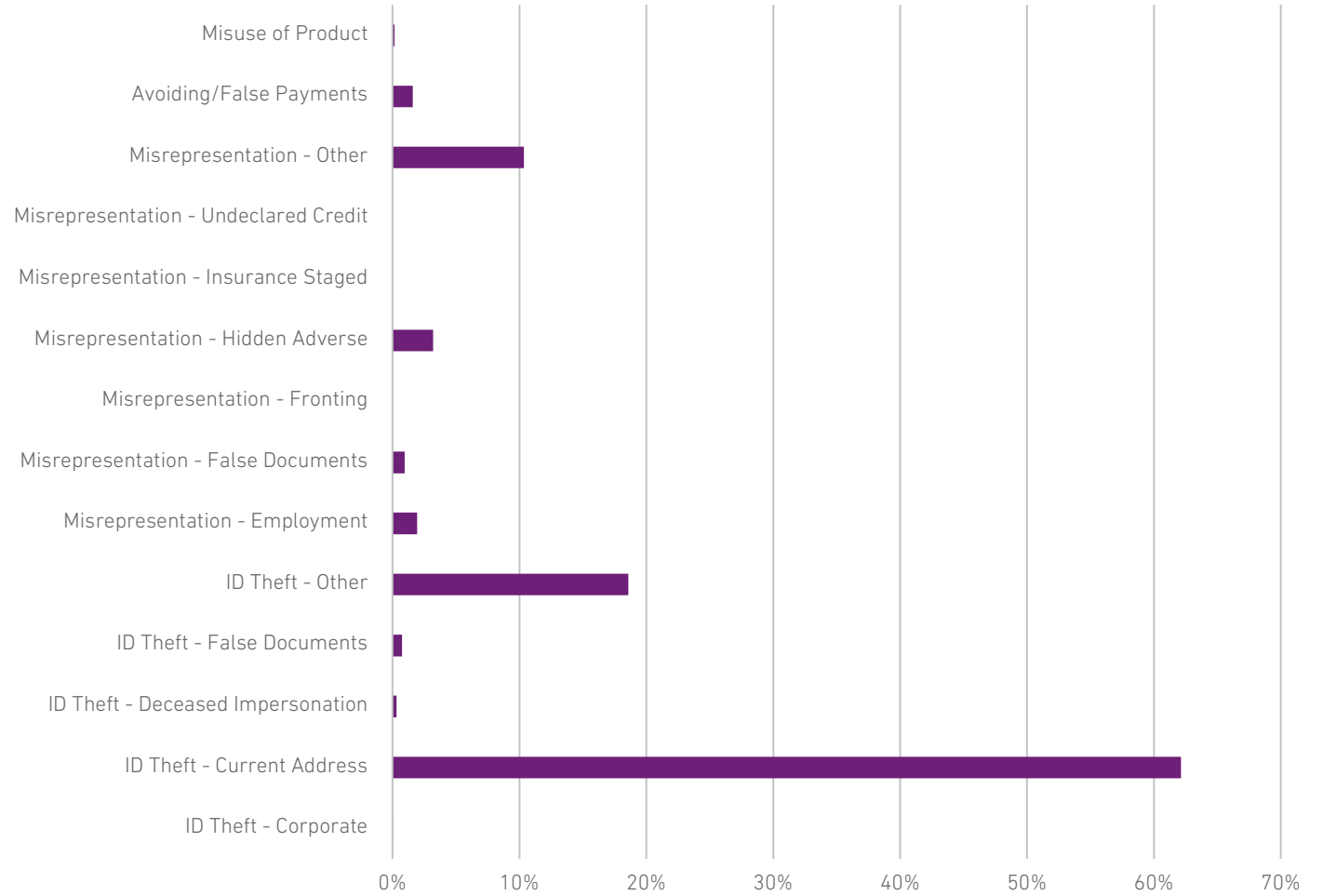
As predicted earlier in the year these increases are almost certainly linked to the economic pressures many consumers are now faced with.



Fraud Categories

As first party fraud continues to increase within Cards, so have the associated fraud categories. Undeclared Credit Commitments and the Misrepresentation – Other categories showing the largest rises.

Identity Theft represents 81% of all reported fraud, but this has dropped from 90% over the last 3 quarters as first party fraud increases.



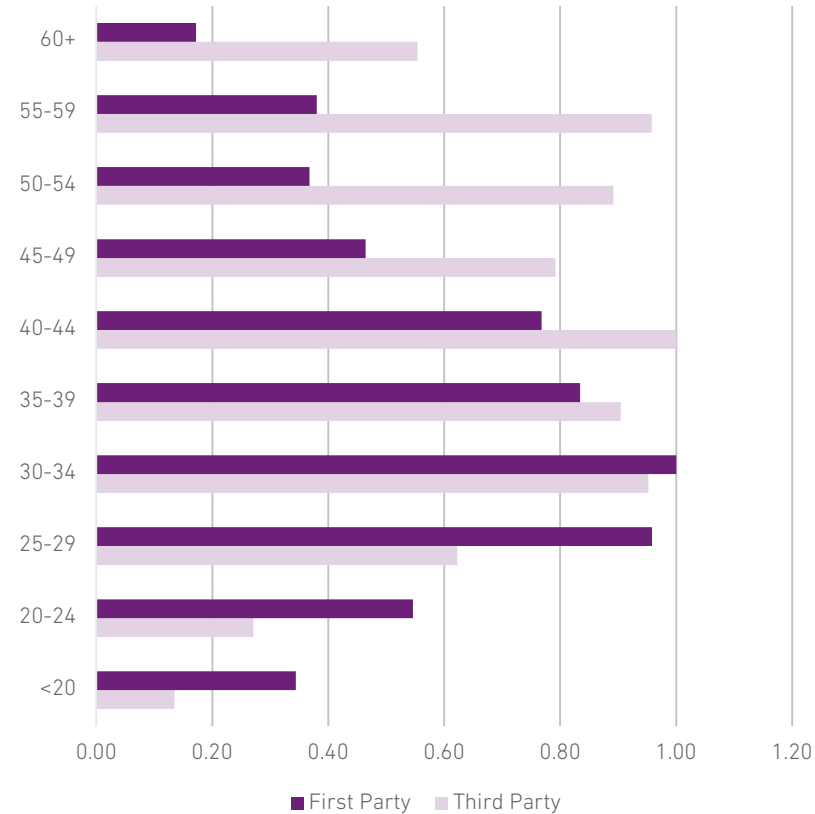
Age and Gender

The highest risk age groups for Card fraud have largely remained the same for the last 9 months with 30-34 the riskiest for first party and 40-44 for third party.

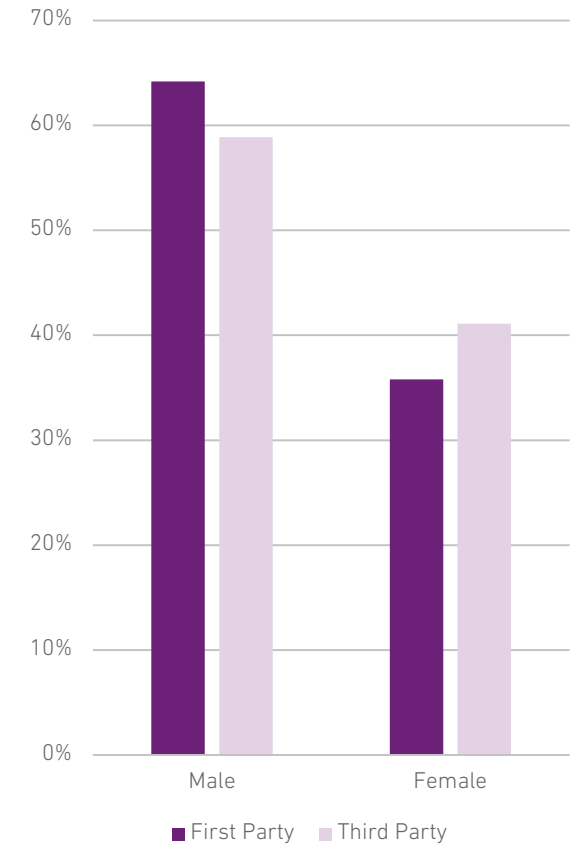
The risk of first party Card fraud reduces the further away an applicant is from the ages of 30-34. Third party fraud however is more evenly distributed with high rates across ages 30-59.

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

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).

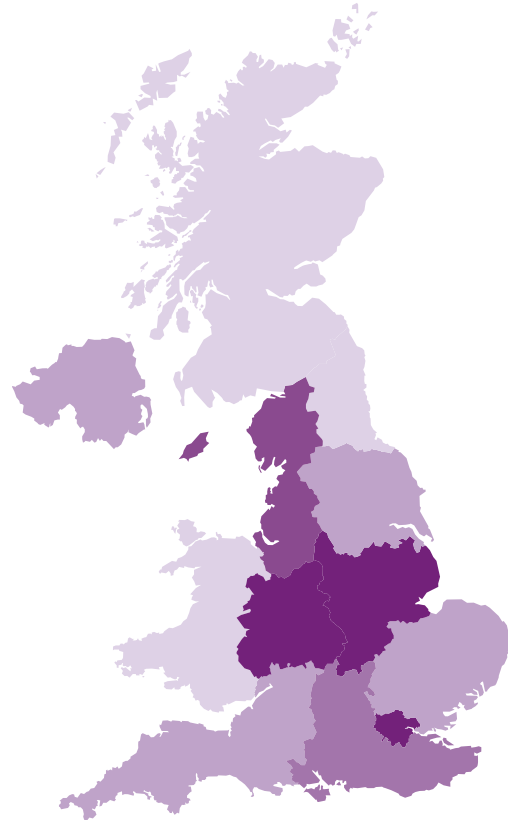
Geography

The highest risk regions for first party fraud remains unchanged over the last six months and includes both West and East Midlands alongside London.

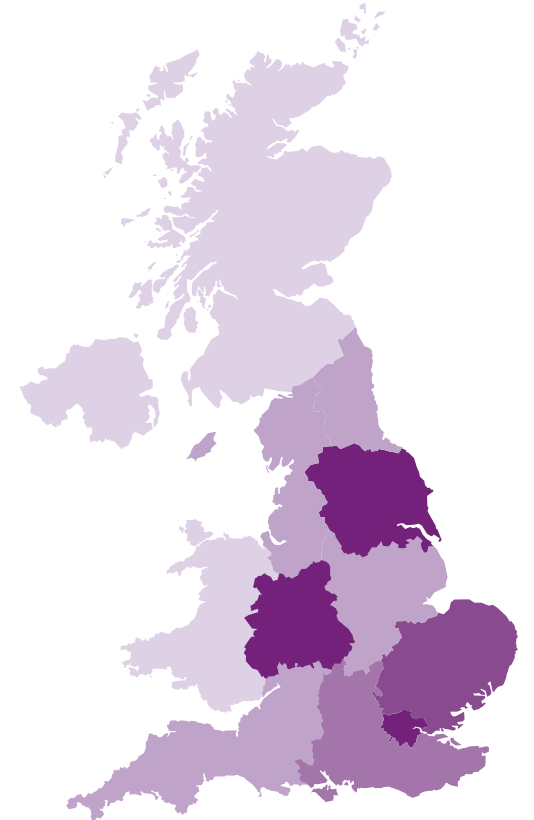
From a third party perspective Yorkshire and the Humber have moved into the highest risk areas for third party fraud alongside London and the West Midlands.

The devolved nations consistently continue to represent the lowest risk regions across both categories with the North East, from a first party fraud perspective also frequently being lower risk.

First party



Third party



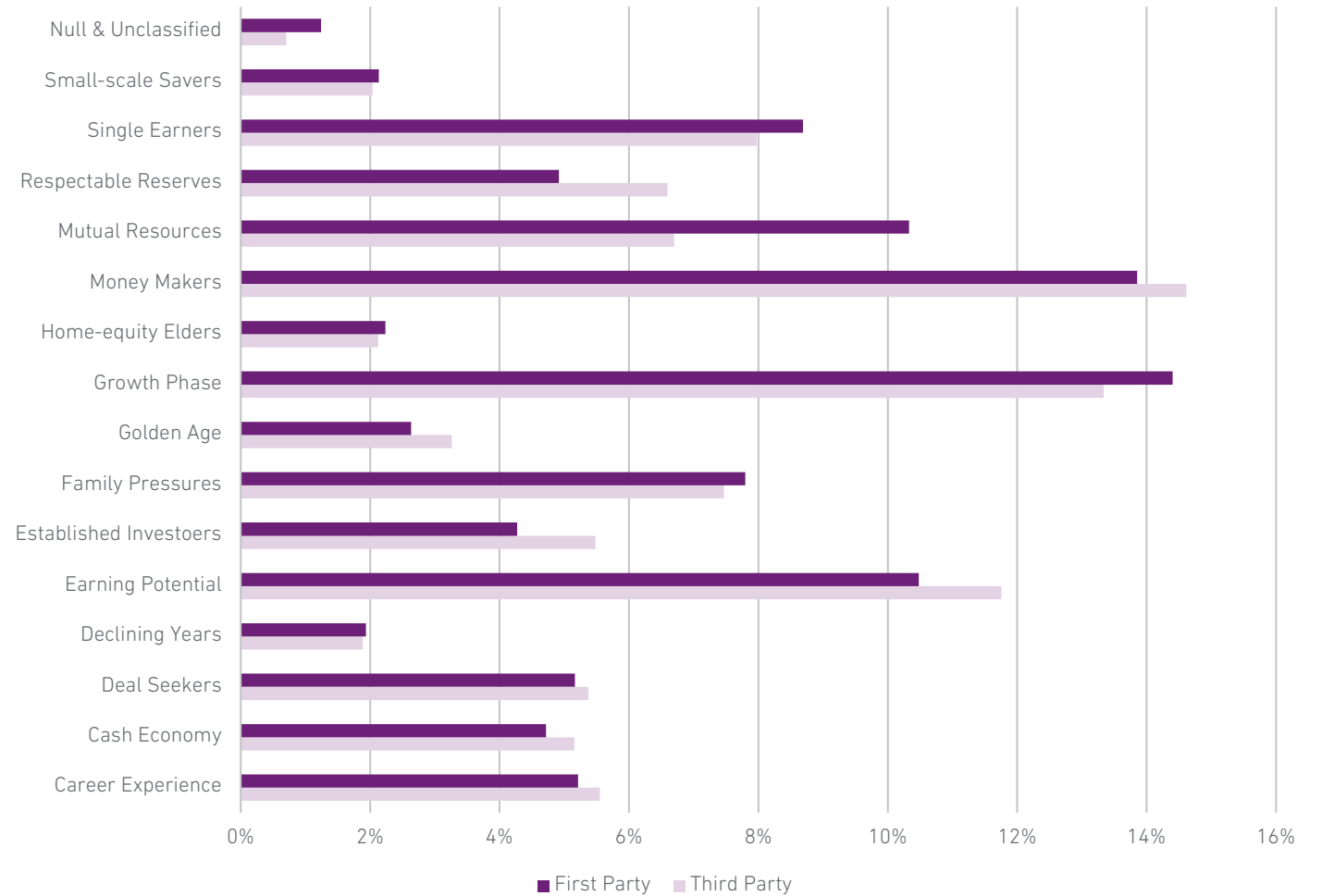
Experian Fraud Index Q3 2022

Demographics

The similarities between first party fraudsters and victims which were identified in the first quarter of the year have continued through to Q3.

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

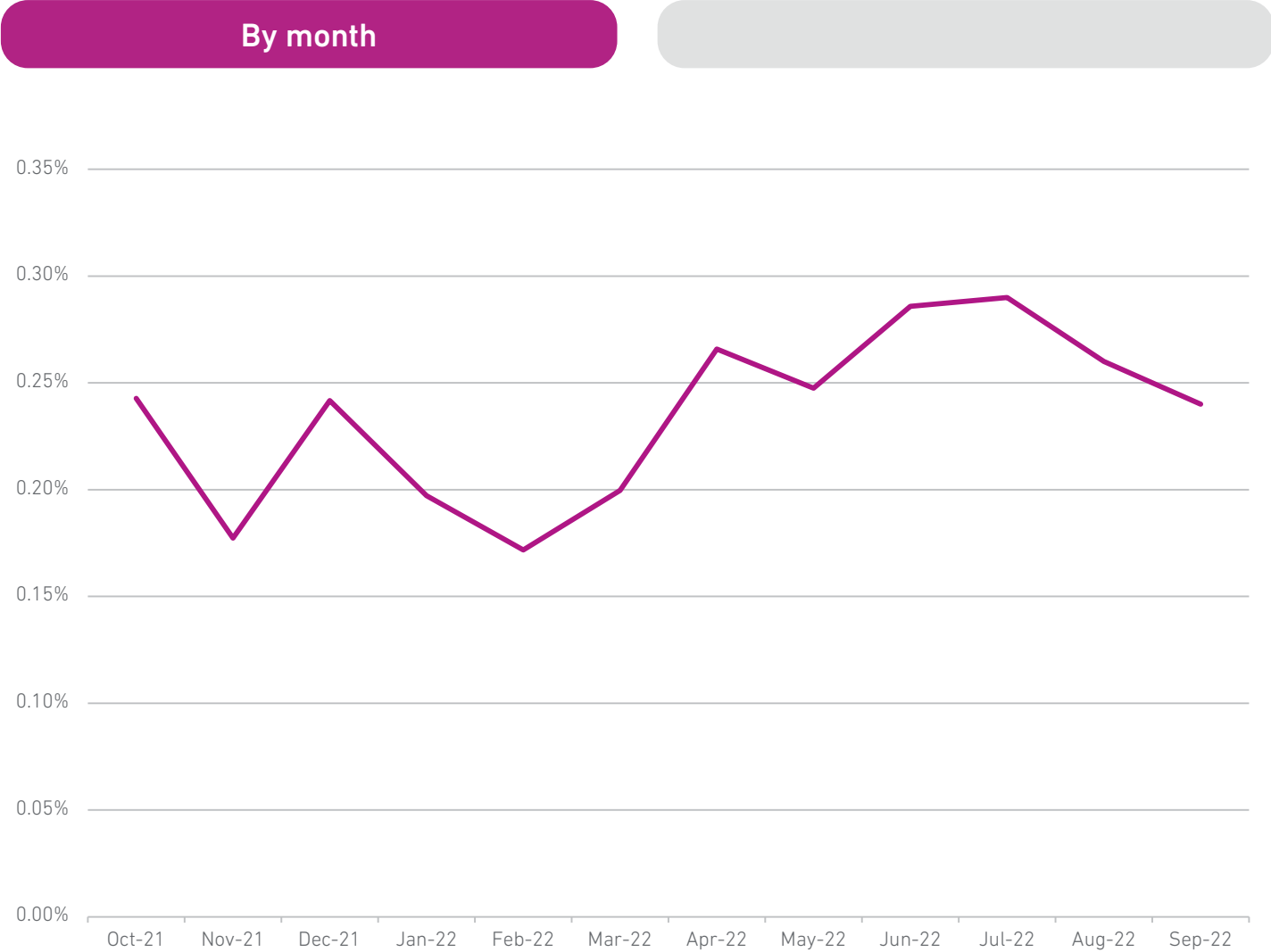
Similarly, to other products, the older age groups are at a lower risk of committing or being a victim of Cards fraud.



Asset Finance

Fraud rate

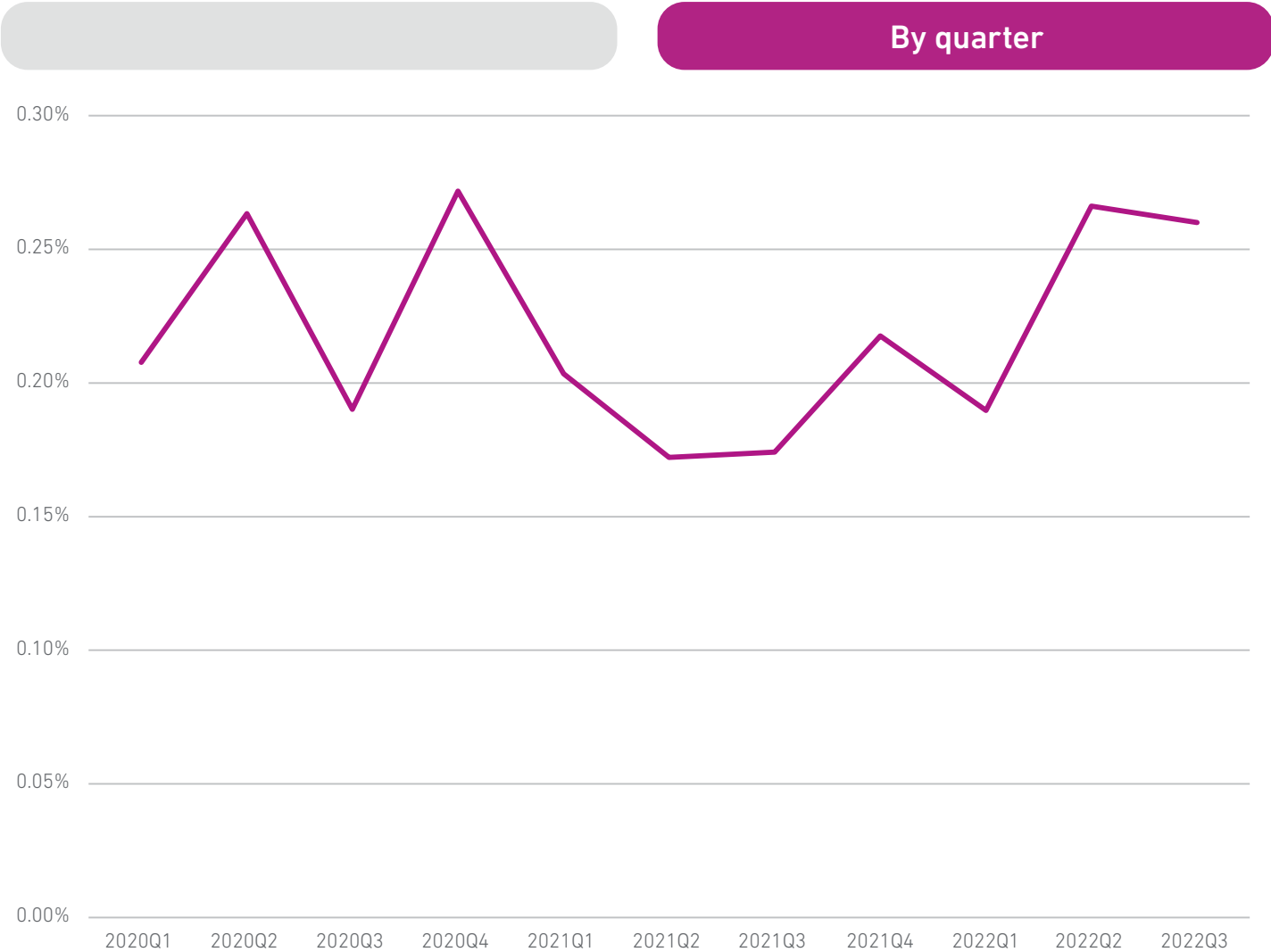
Asset Finance fraud has decreased marginally month on month over the last quarter, but fraud rates are still high having peaked in July.



Fraud rate

Interestingly, looking back over previous quarters and years we see a buck in the usual trend of fraud rates dropping post new car registrations.

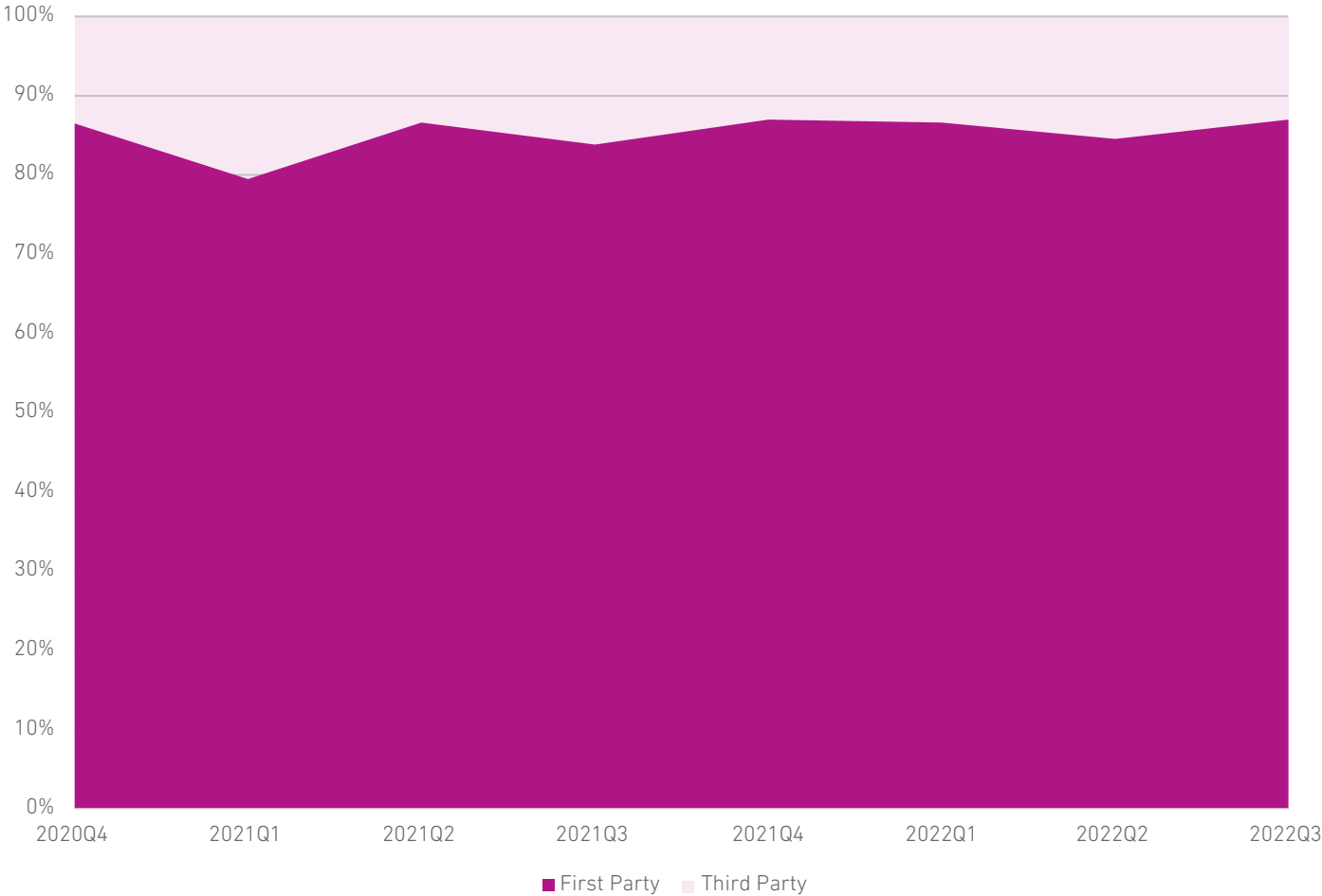
This has not happened and it remains to be seen if a dip in fraud rates will happen post new registrations in September.



Fraud type

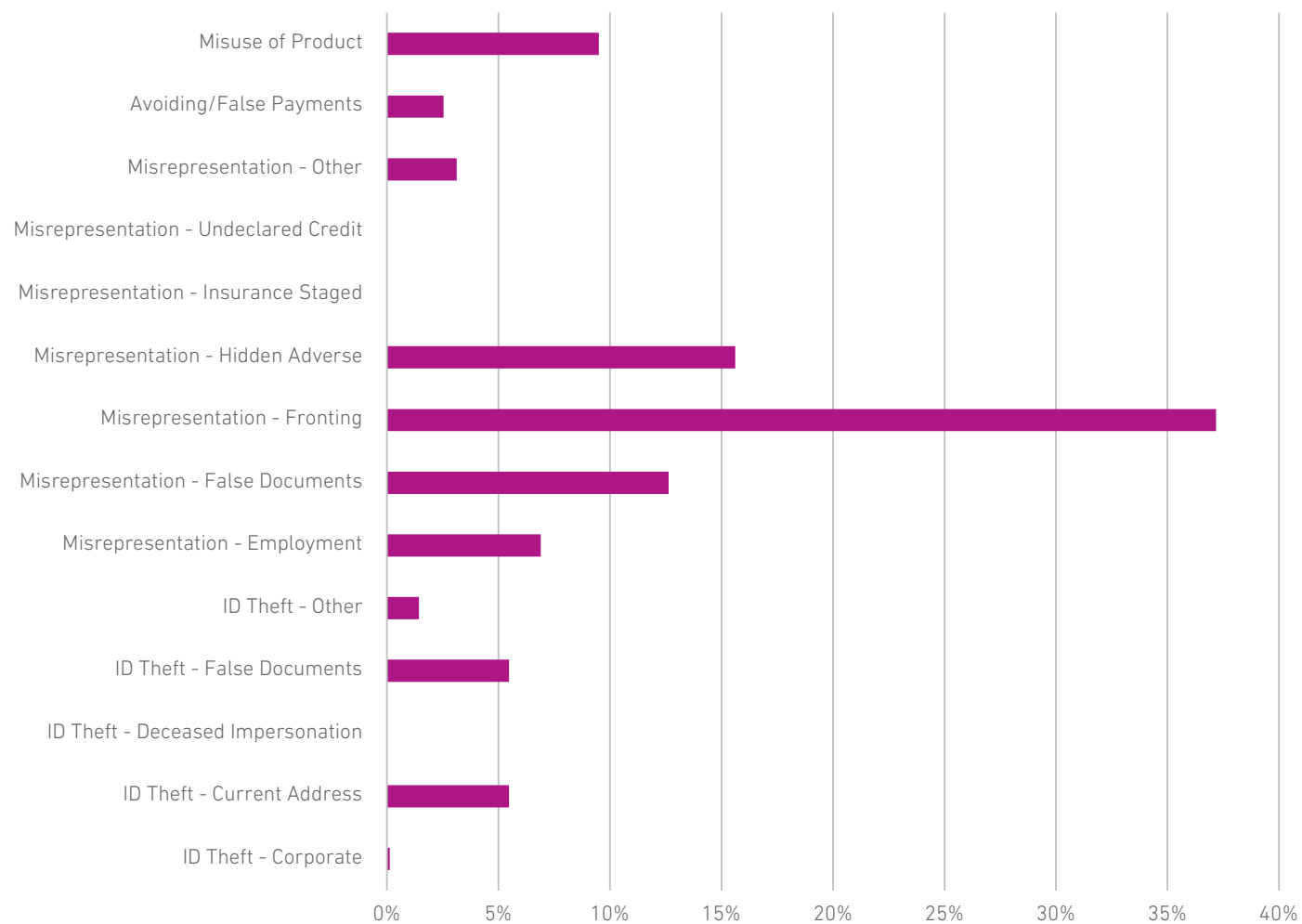
First party fraud continues to be the predominant fraud type, remaining relatively consistent over the last couple of years.

In the last 12 months we have seen first party fraud rates increase by 8.5%.



Fraud Categories

Although Fronting, in which an individual takes out credit on behalf of another person, remains the predominant fraud type for Asset Finance, the increase in first party fraud rates can be seen as a rise in false employment and false document cases being reported.

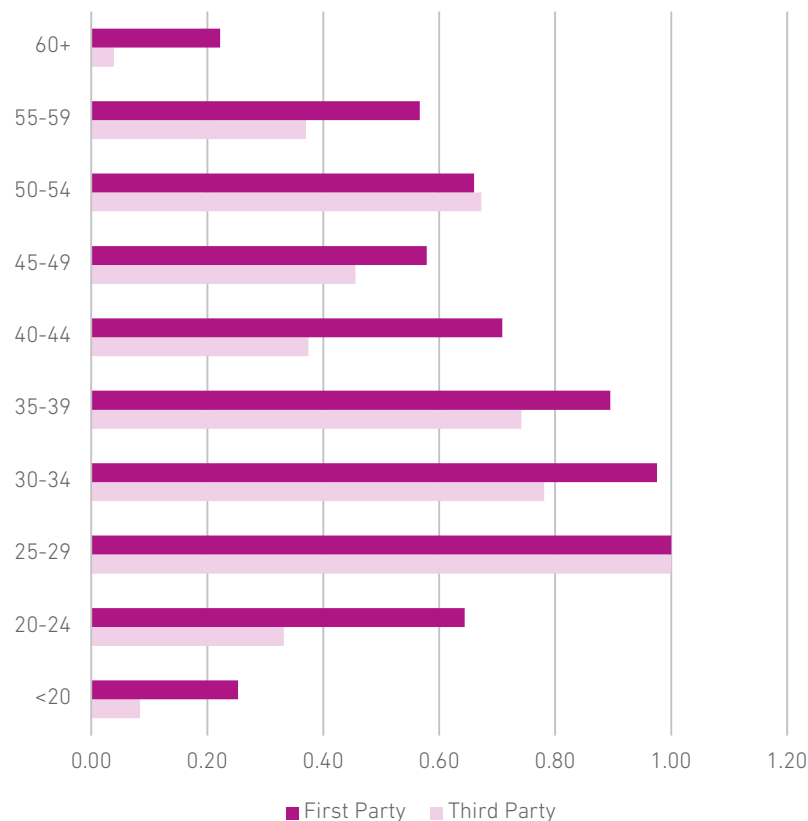


Age and Gender

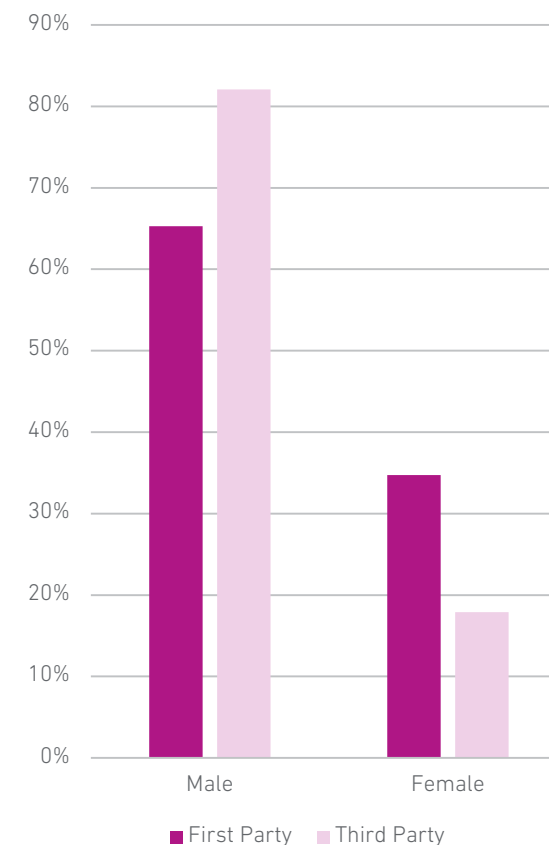
In the previous quarter we saw first and third party fraud both share the 30-34s as their highest risk age group. This switched to the 25-29 category in Q3, but the 30-39 groups also remain high. First party sees a more even spread which gradually tapers away from this peak, whereas third party drops off significantly due to being highly focused within this age group.

Gender is again skewed towards males but with third party being much 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, Scotland and the North West are the biggest risk regions. The South West, Wales and Northern Ireland represent the lowest risks.

Third party fraud is most prevalent in London, Scotland and the West Midlands. East of England, Northern Ireland and the South East represent the lowest risks.

First party



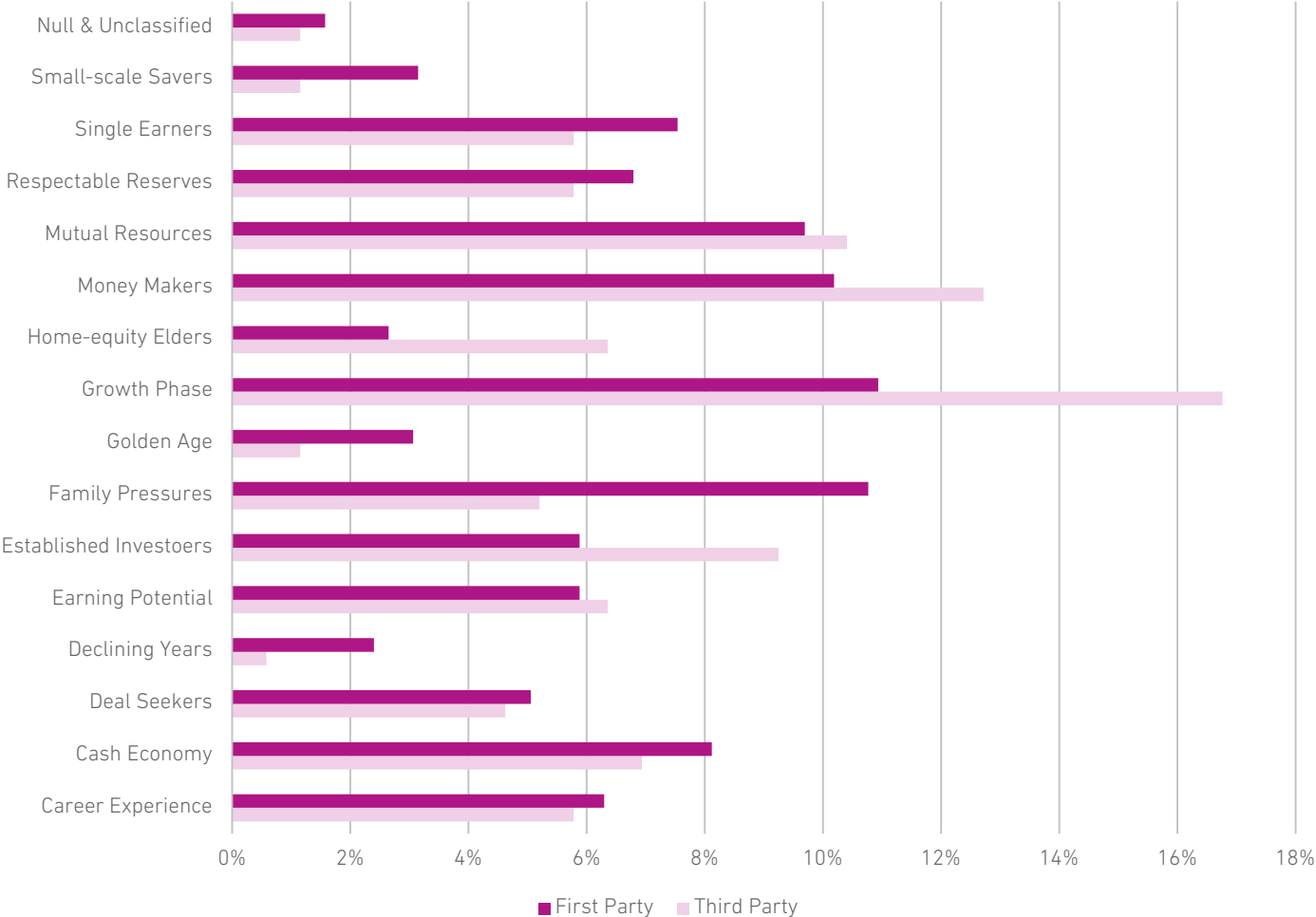
Third party



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.

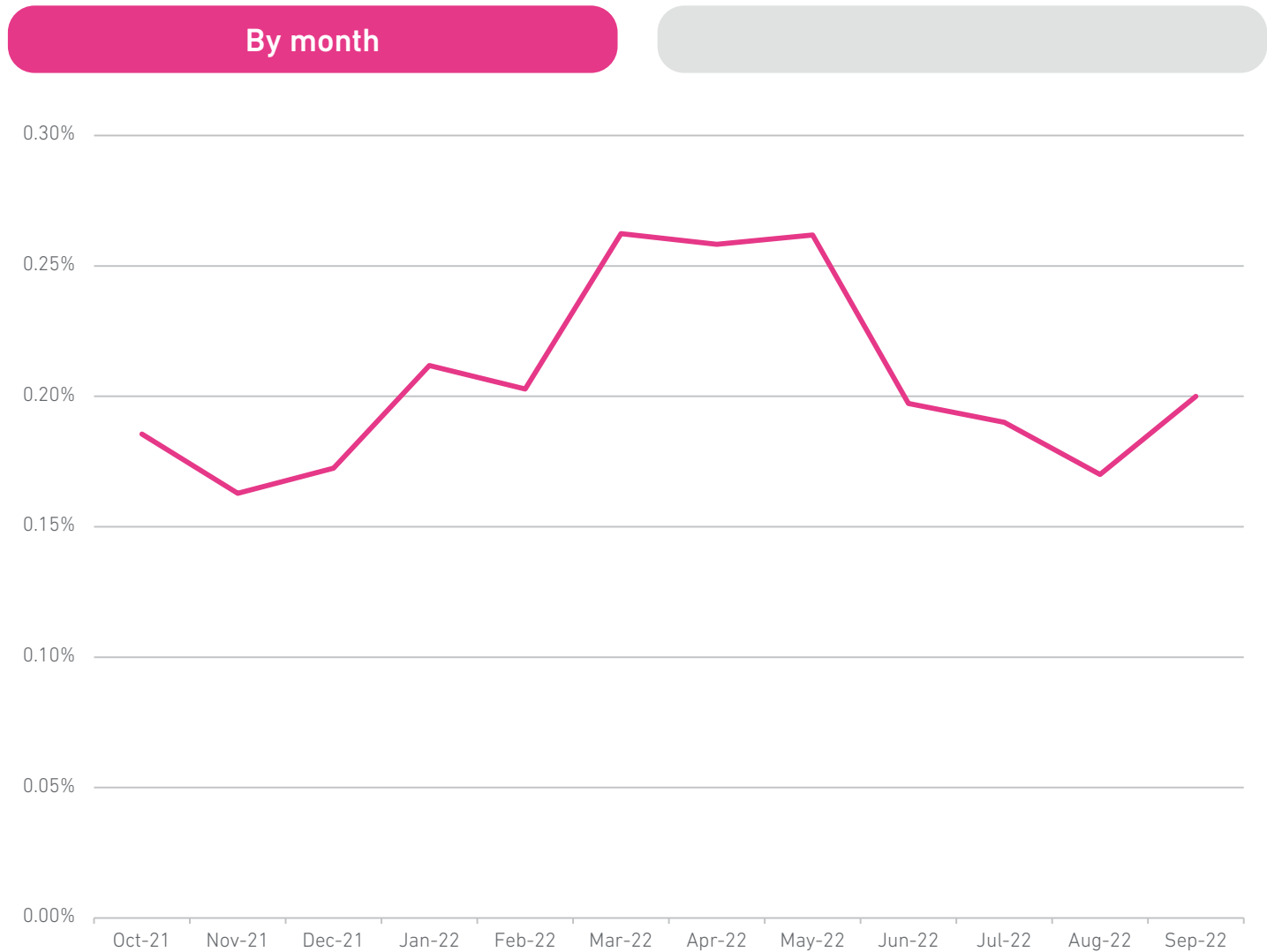


Loans

Fraud rate

Loan volumes were up 6% on the previous quarter which may be having some impact here in the reduction in fraud rates recorded July to September, dropping to 0.17% in August.

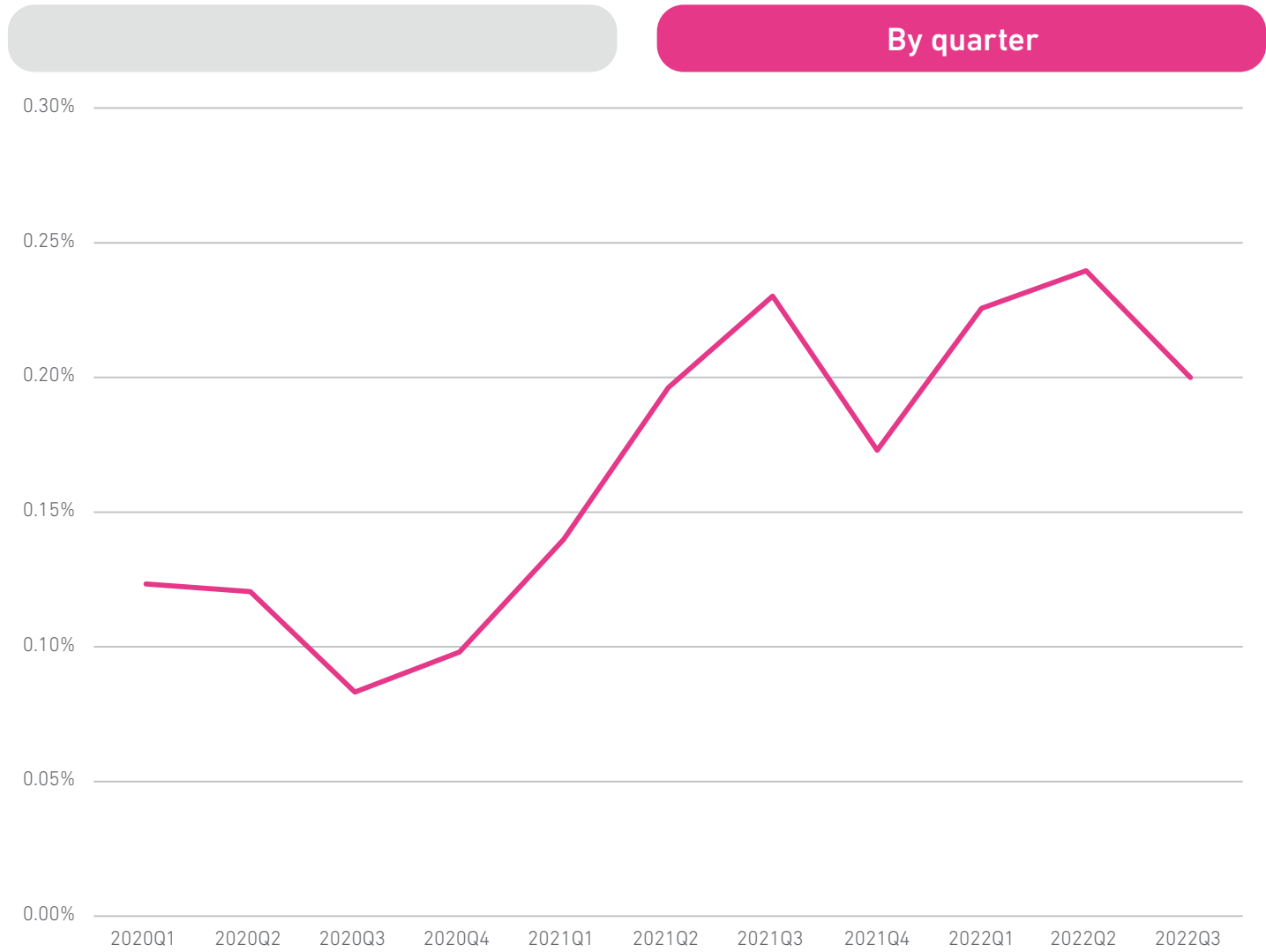
As we enter the festive season it will be interesting to see if the typical seasonal upward trend continues or whether the historically high fraud rates that we have seen in the past 12 months are over.



Fraud rate

Q2 provided the highest fraud rates on Loans in the last 3 years and in Q3 we have seen a drop in fraud rates from those record highs.

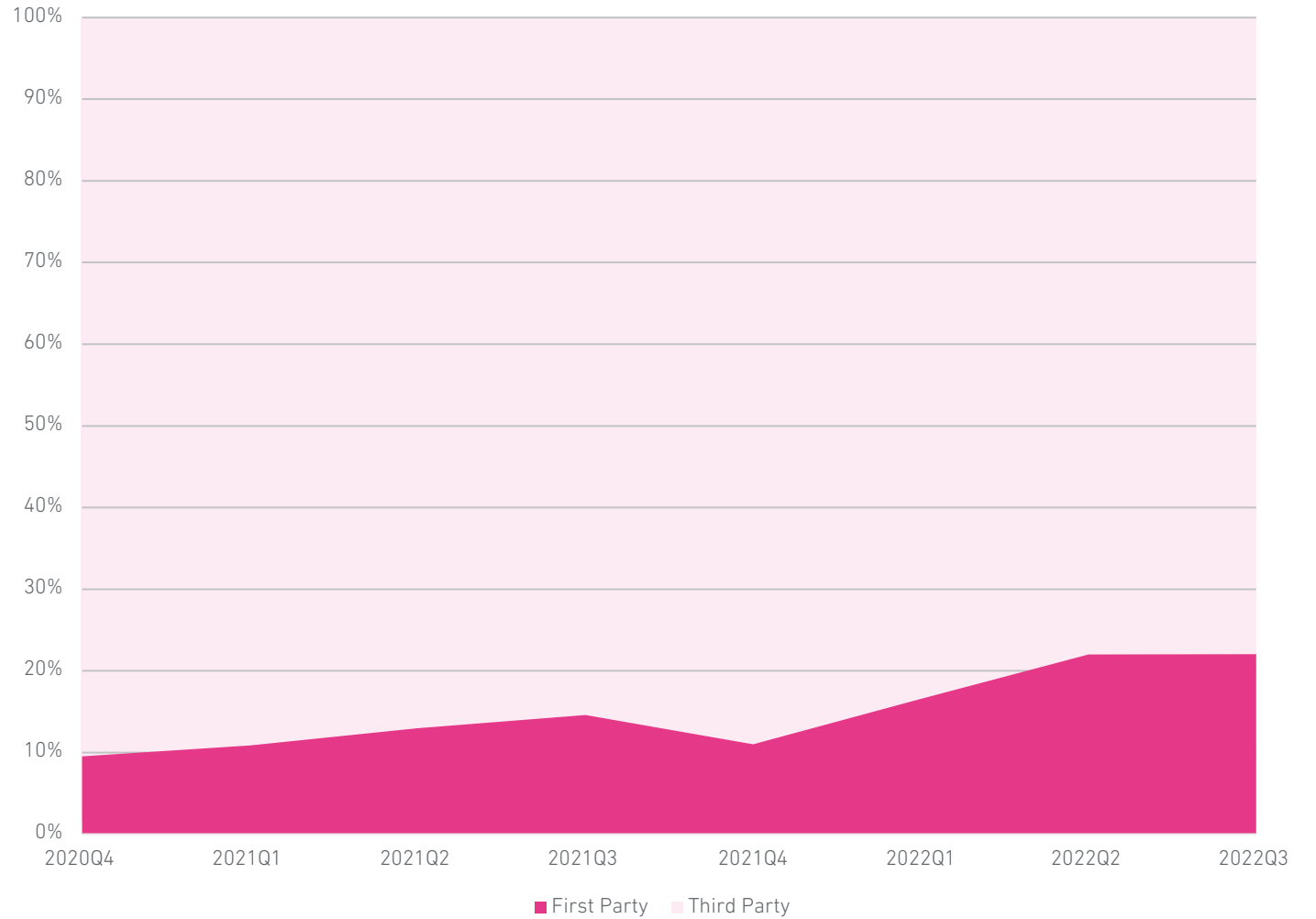
When comparing back to the same quarter in 2020, fraud in the Loans space is more than double what it was then.



Fraud type

Reported Loans fraud remains predominantly first party however the trajectory of the last 6 months shows a substantial increase in first party fraud, which has doubled from 11% to 22%.

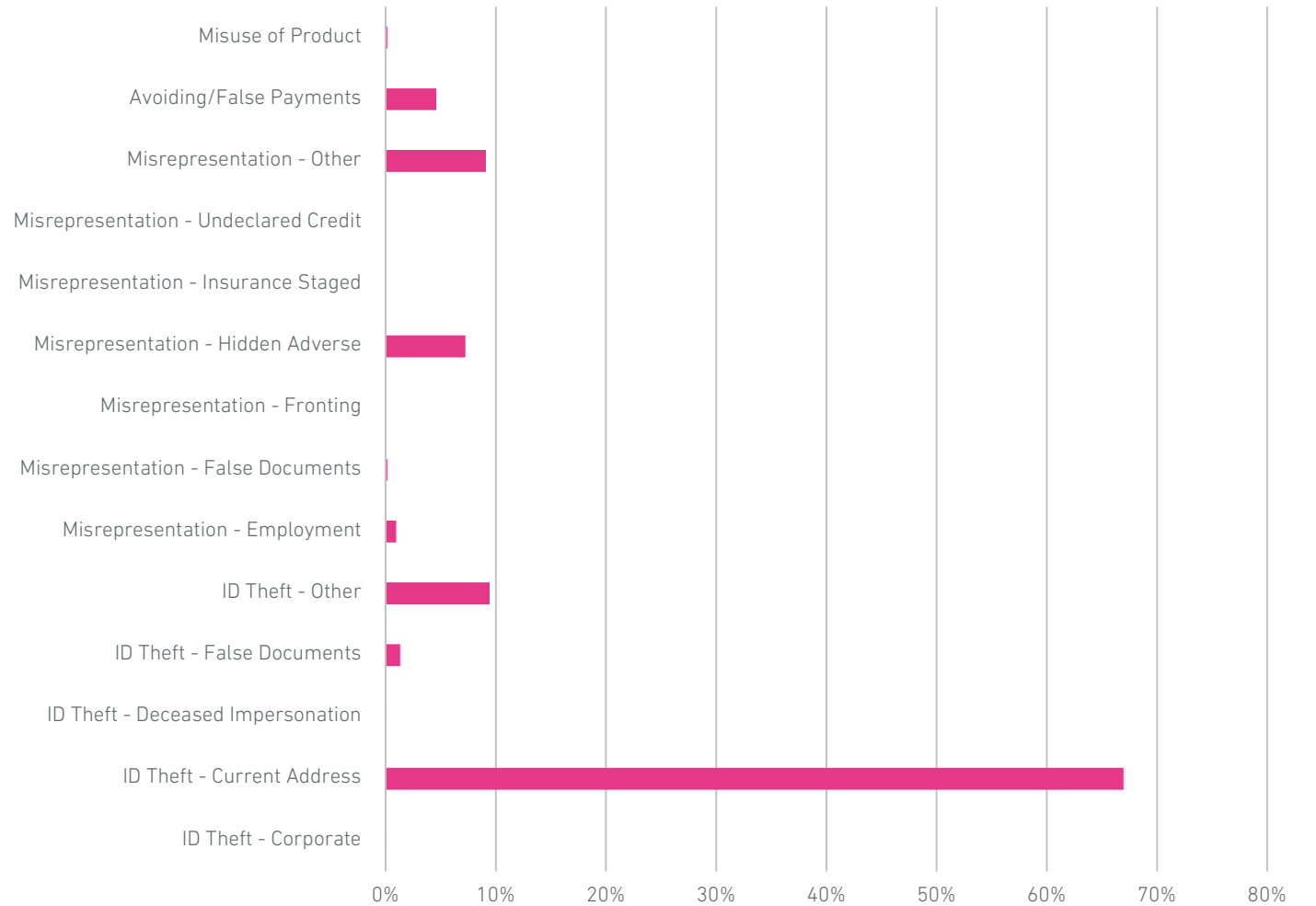
This is likely driven by the increases in living costs and could result in a sustained shift in loans fraud for some time.



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 12 months.

Current Address ID Theft remains the most recorded fraud type however this has reduced by 11% in the last 12 months.



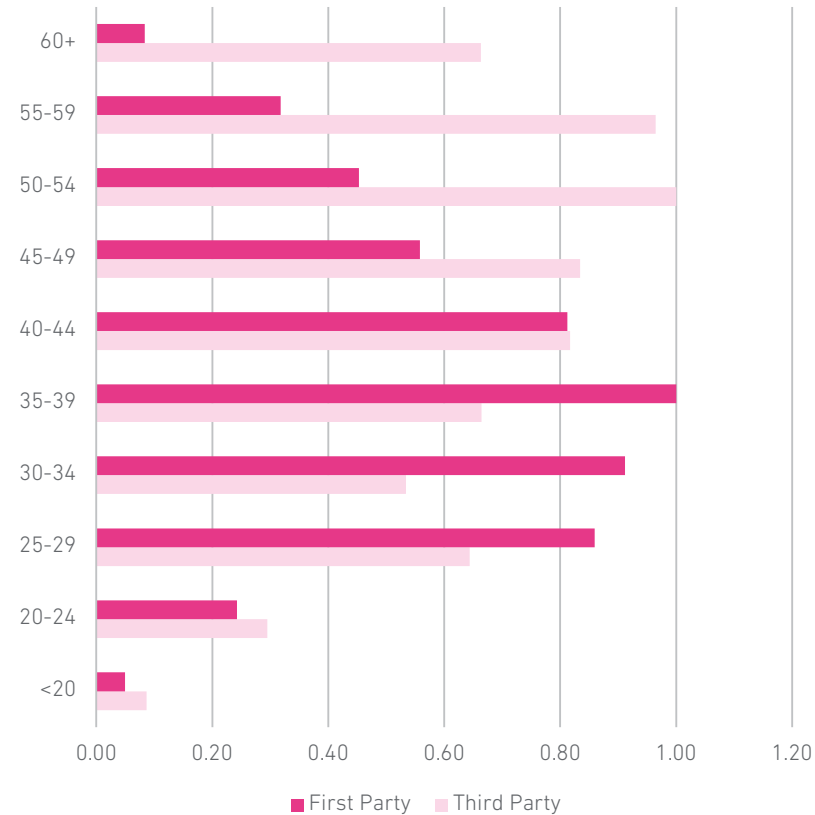
Age and Gender

Although first party fraud has significantly increased, the age distribution has not and is still focused in the 25-44 region.

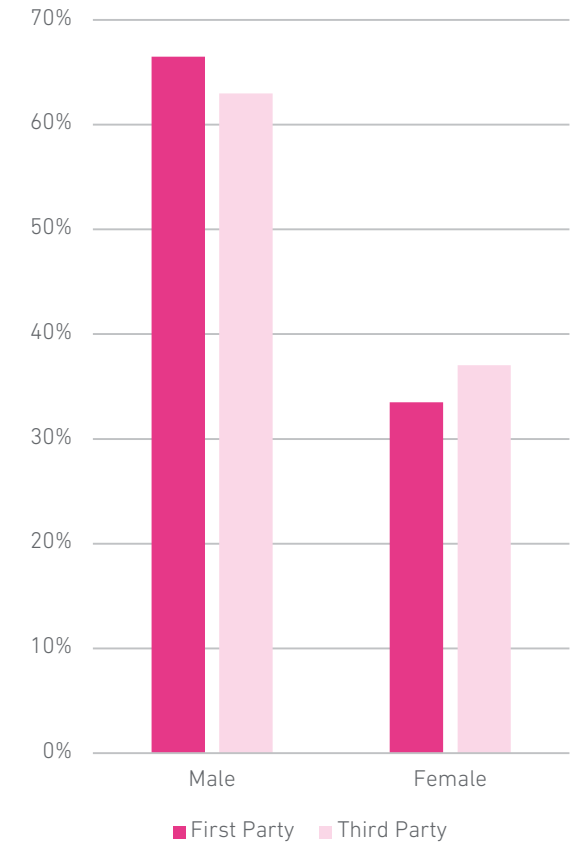
Third party fraud is more evenly distributed from ages 25+ but then drops off significantly at either end.

Gender is again skewed towards 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 continues to be the highest risk region for both fraud types.

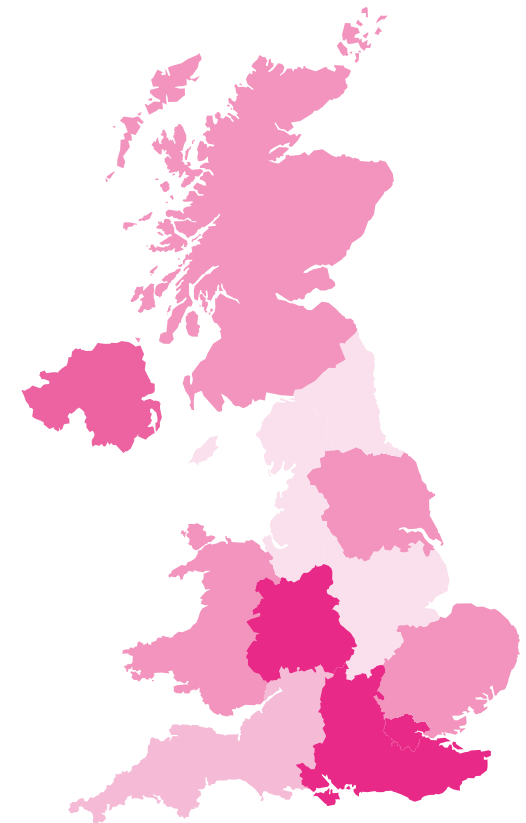
For third party fraud, the South East and West Midlands join London as the most at risk regions – (interestingly the West Midlands is one of the less risky this quarter but was in the riskiest last quarter). With North East, Northern Ireland and Scotland the least risky.

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

First party



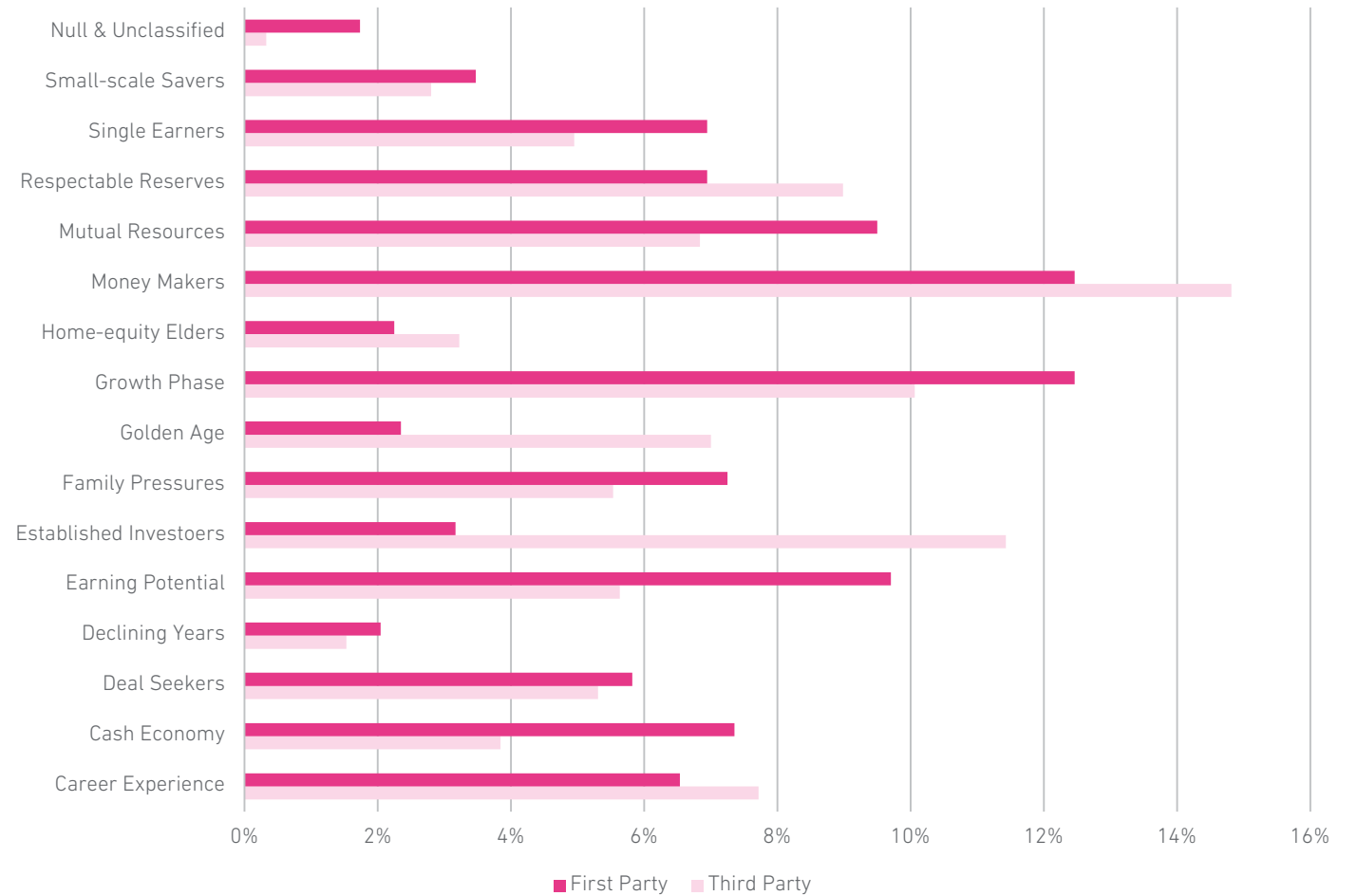
Third party



Demographics

There is a relatively even spread of both fraud types among each of the demographic 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.

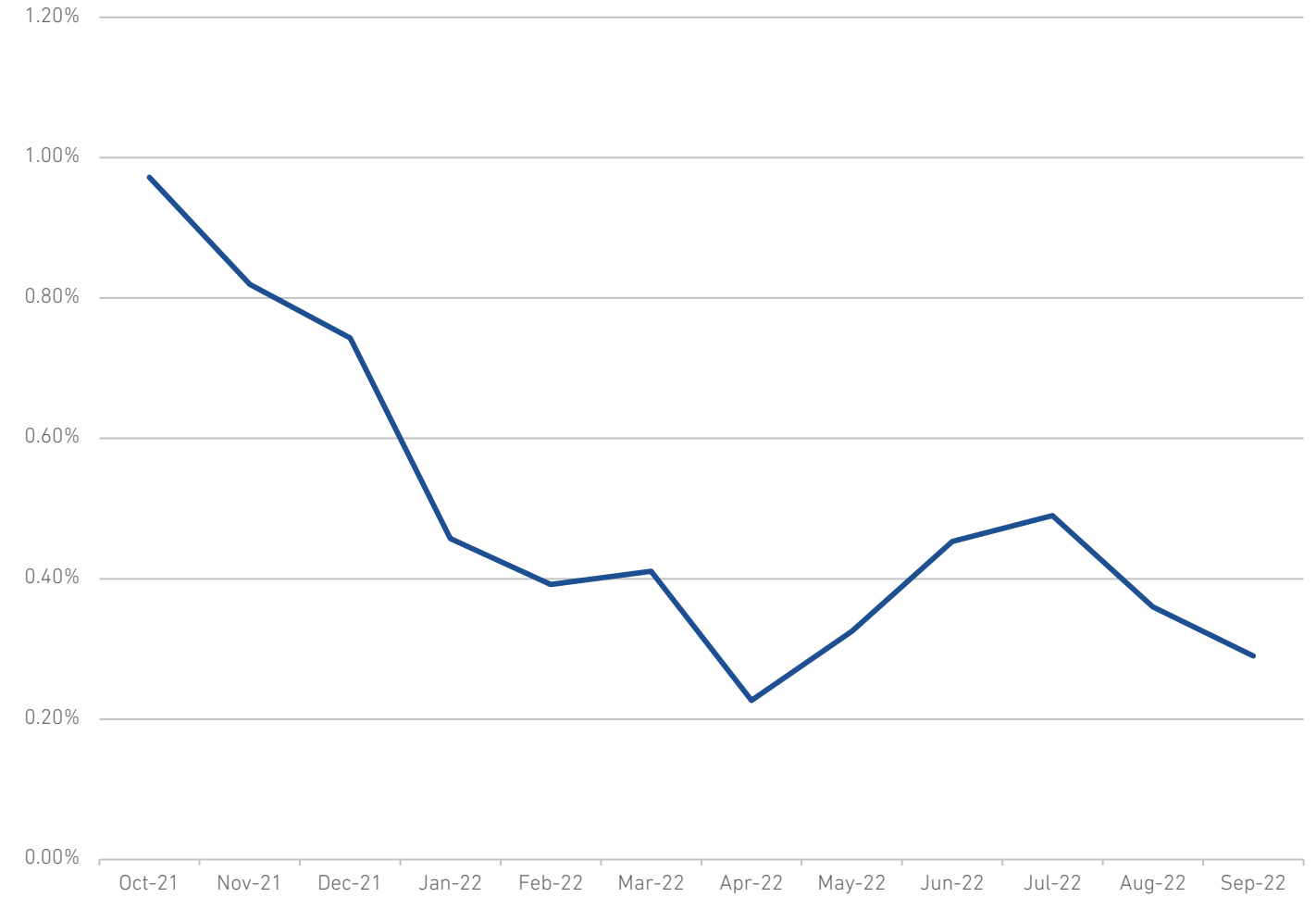


Savings Accounts

Experian Fraud Index Q3 2022

Fraud rate

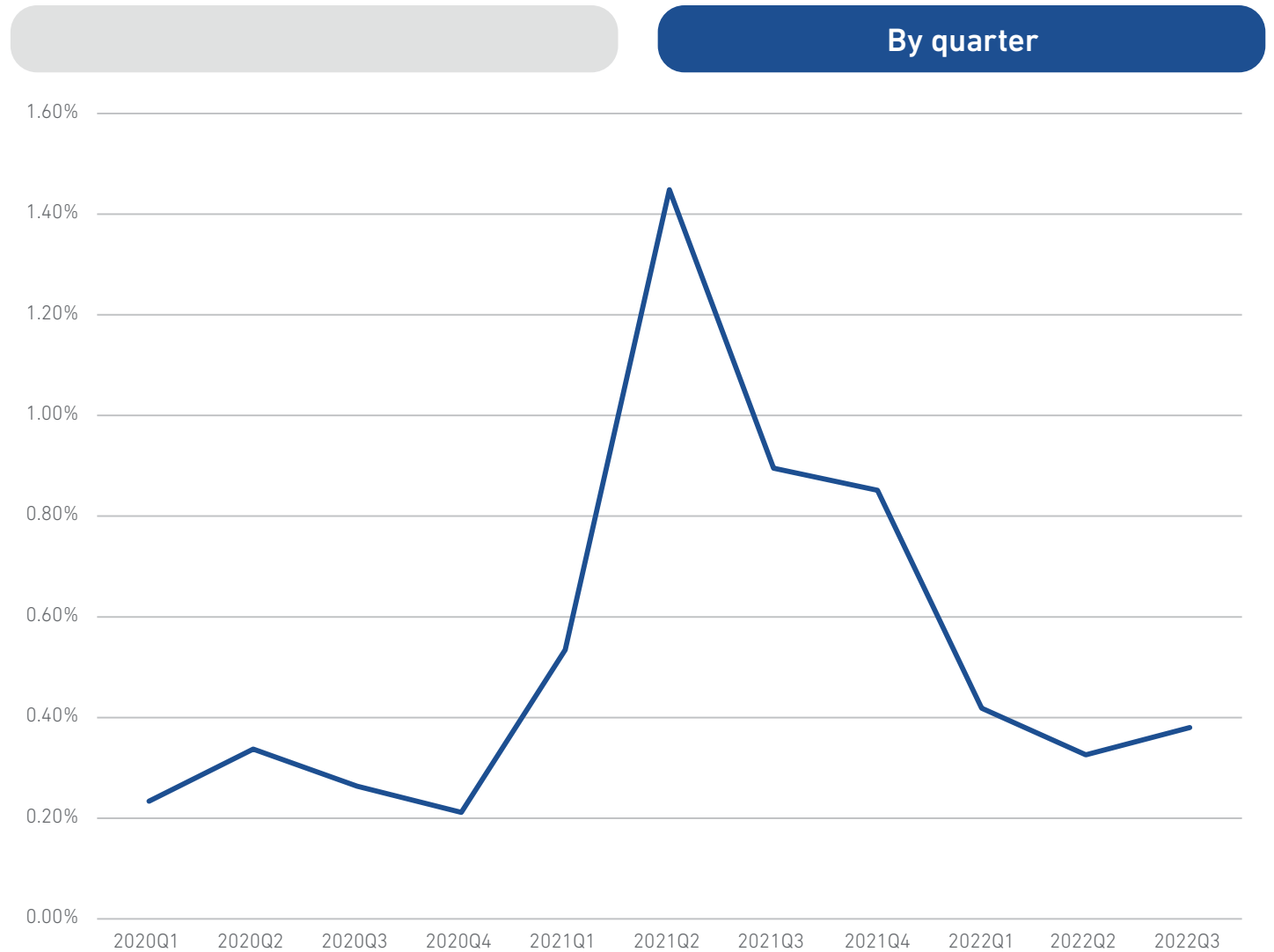
Despite the increase in fraud rate from May to July, Savings Account fraud rates have dipped back down to 0.29% over the last quarter.

By month

Experian Fraud Index Q3 2022

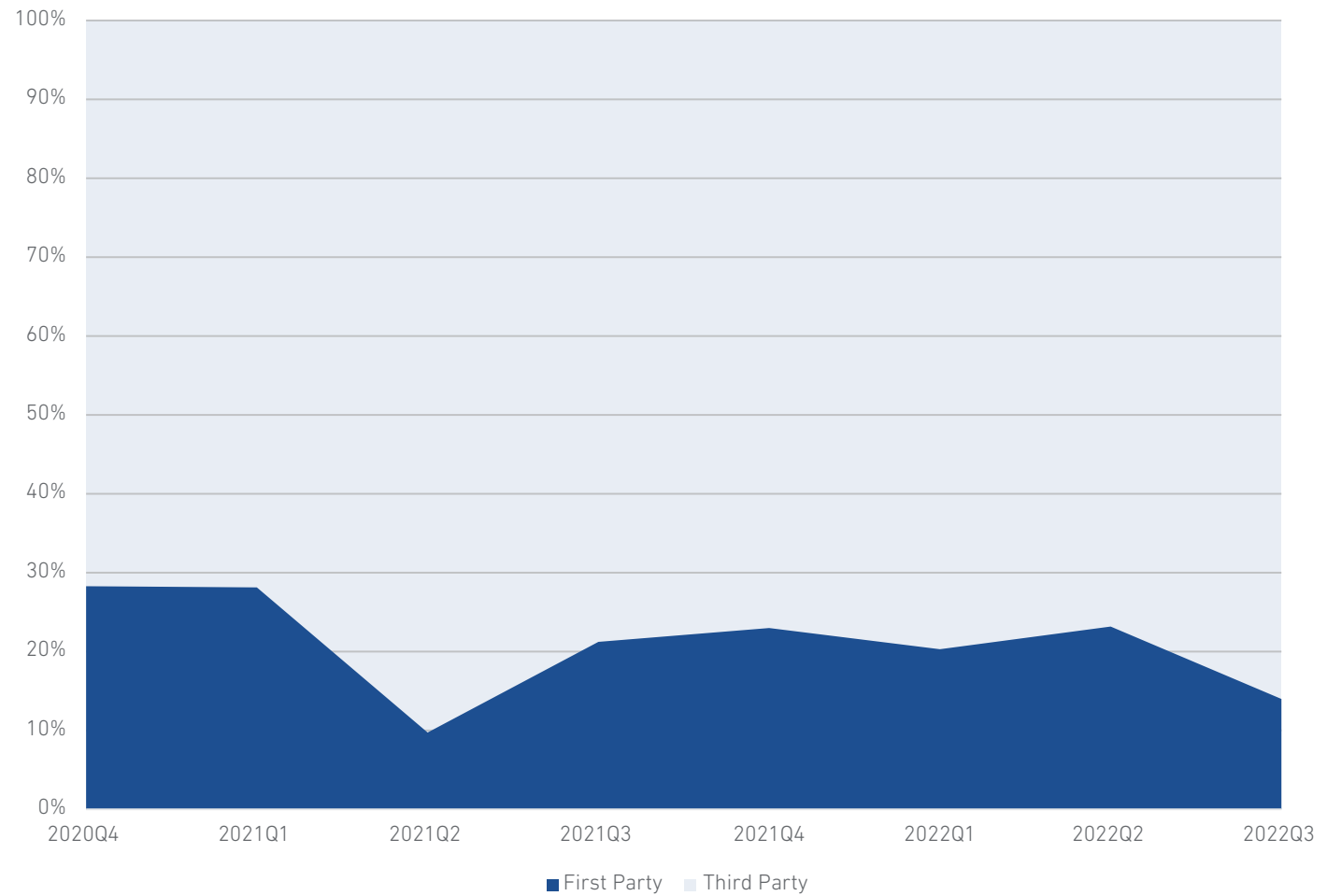
Fraud rate

Looking back over the last 9 months we can see that the fraud rate appears to have plateaued at around 0.4%. This is among the lowest rates seen since 2020 and potentially signify a new baseline when compared to the turbulence seen throughout 2021.



Fraud type

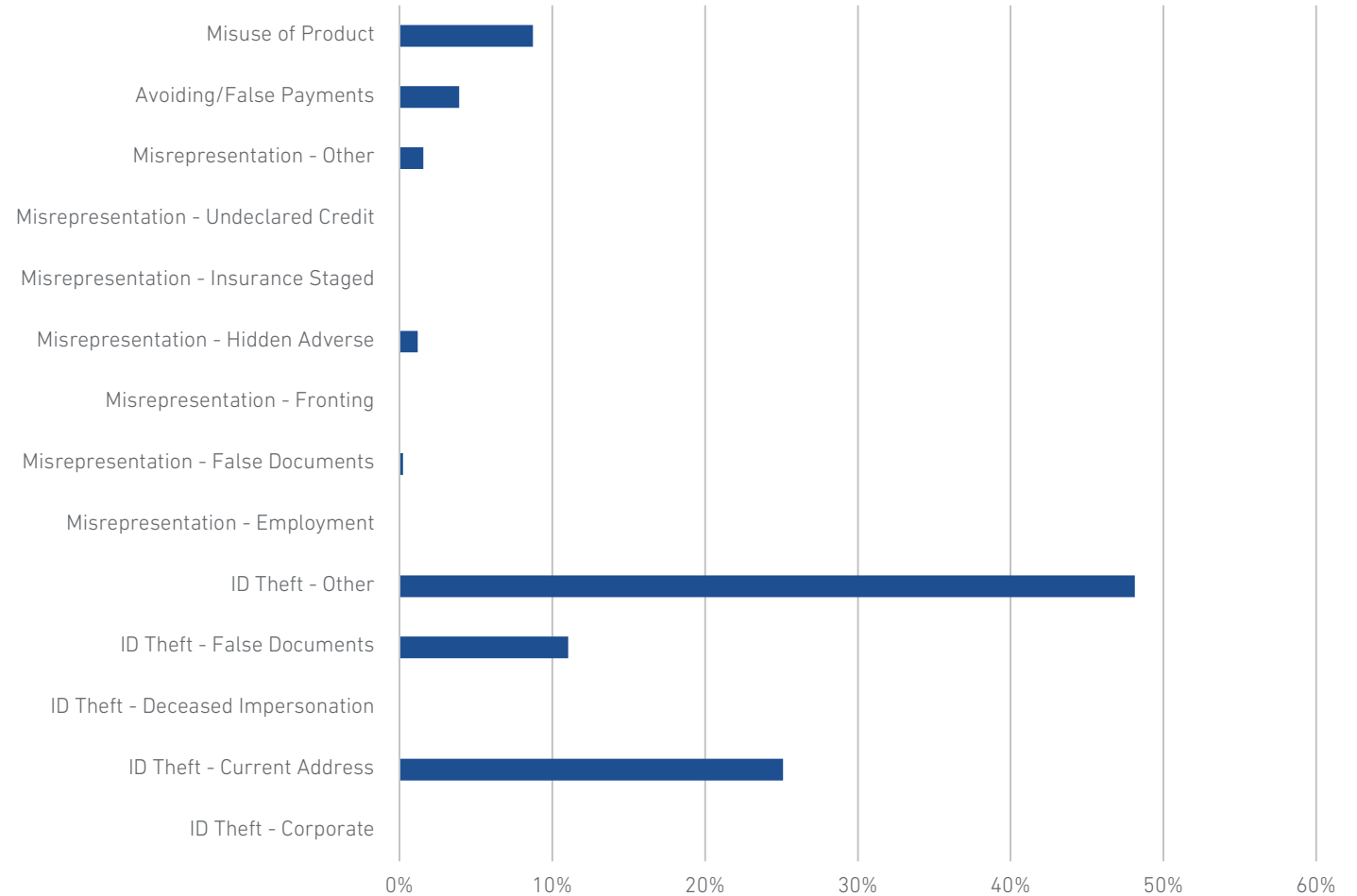
Although Savings Accounts historically are targeted by third party fraud, Q3 provides a notable spike in this, taking third party to 86% of all frauds. This sort of split has not been seen since Q2 of 2021 and it will be interesting to see if this similarly returns to around 75% in the final quarter of the year.



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 13% of all Savings Accounts fraud, down from 24% in the previous quarter.



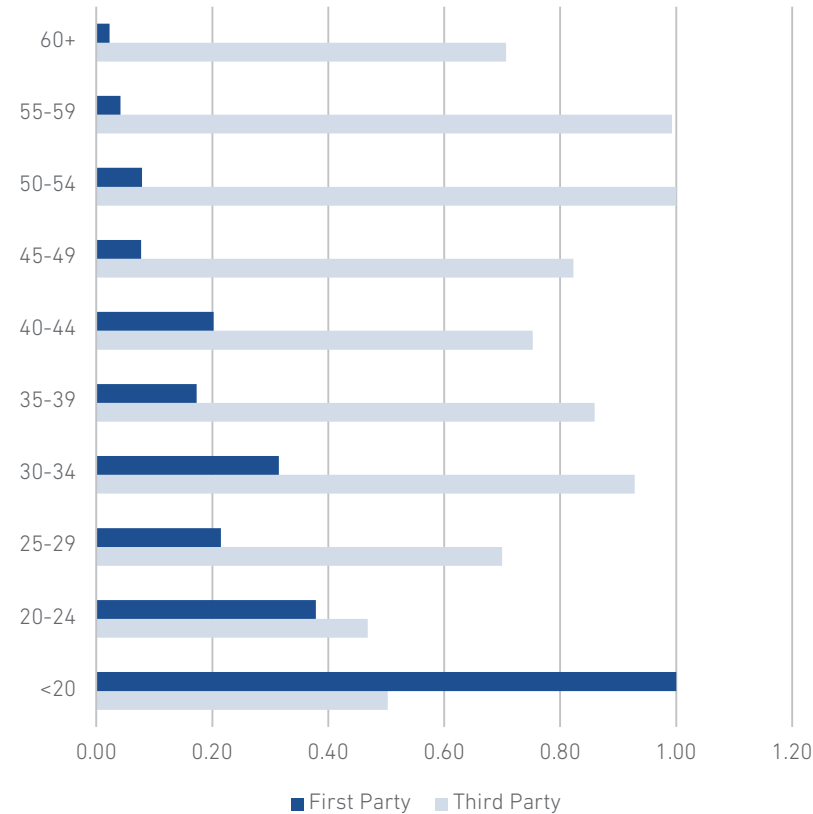
Age and Gender

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

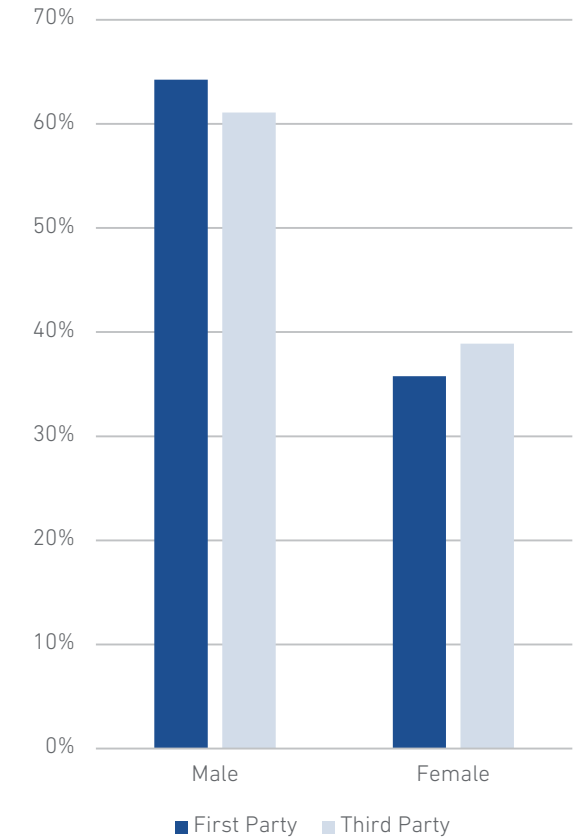
Third party fraud is more evenly split from 25 upwards however the main spike is from ages 50 to 59.

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

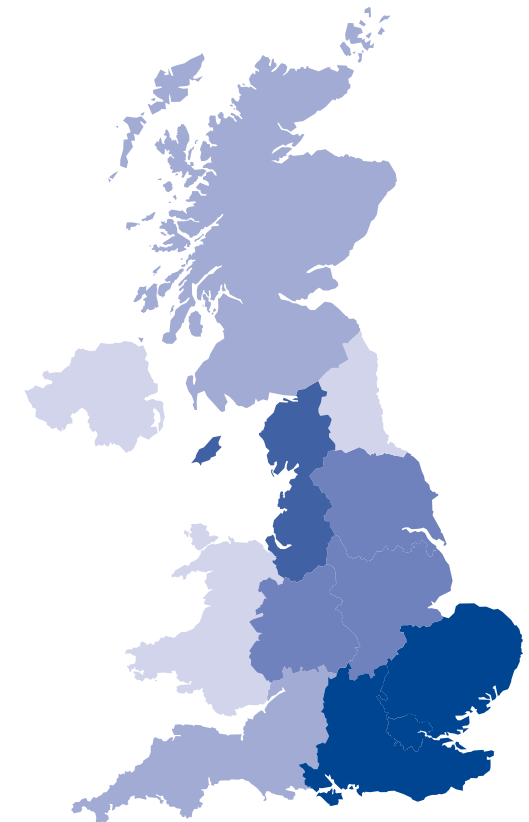
East of England and the South East England join London, which is top for both fraud types, as the riskiest regions for third party fraud. North East England, Northern Ireland and Wales are the least risky.

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

First party



Third party

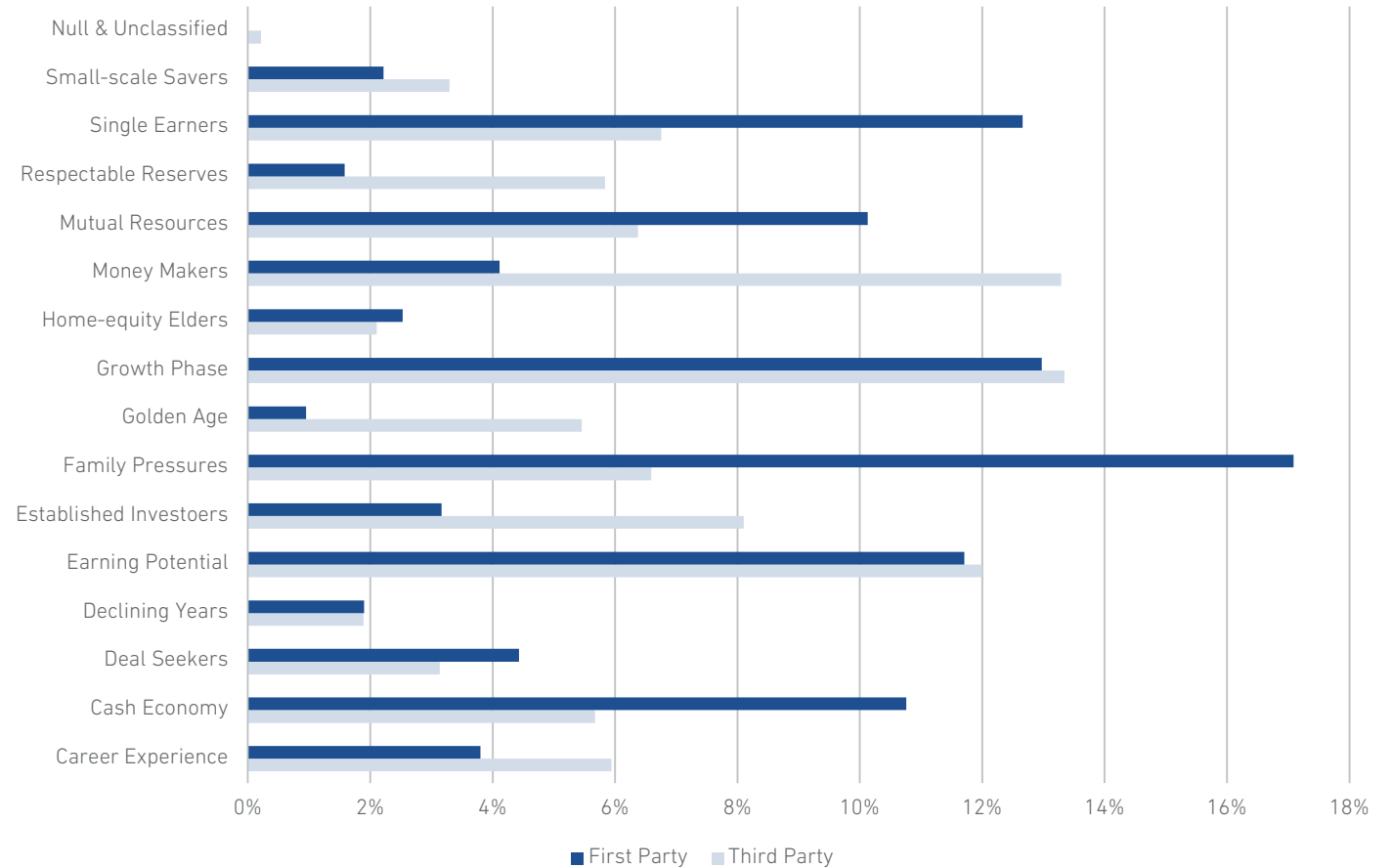


Demographics

Family Pressures stand out as the highest risk from a first party fraud perspective.

For third party fraud the Money Makers, Growth Phase and Earning Potential are among the highest risk.

The older age groups (Declining Years, Golden Age, Home-equity Elders) remain among the lowest risk for both first and third party fraud along with Small-scale Savers.





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