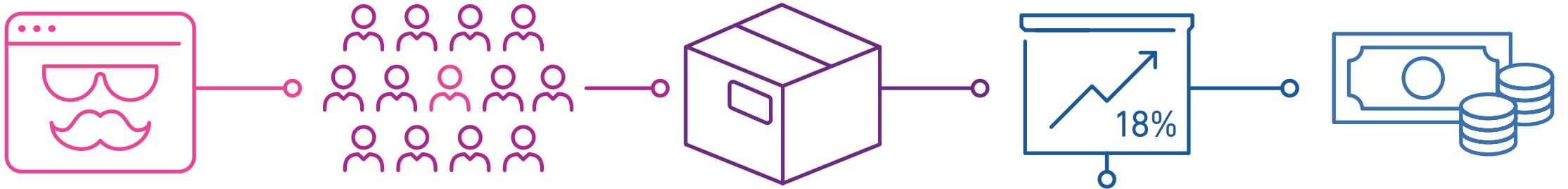


Spotlight on First Party Fraud

Would you exaggerate your income or employment details to get a better deal?
Or order something online, knowing you're going to wear it once and then return it for a refund?



What is first party fraud?



First party fraud involves knowingly misrepresenting your identity or giving false information to get services and credit you might not otherwise be eligible for.

CIFAS research shows that **1 in 13 Brits** admitted to committing at least one form of first party fraud in 2021, with **16-34-year-olds** the most likely to have done so.

The most common types of first party fraud were falsely claiming an online delivery hadn't arrived to obtain a refund, claiming a Single Person Discount on a council tax bill, and falsifying an insurance claim.

Data from the National Fraud Database showed that first party fraud rose by **18% in the first nine months of 2021**, compared to the same period in 2020.

First party fraud is often seen as a "victimless" crime, but it has a knock-on impact on all our finances; from higher insurance premiums to bigger council tax bills.

First party commercial fraud

First party commercial fraud involves a business misrepresenting their identity or giving false information - to access a product or service they wouldn't otherwise be eligible for, or to get better rates or borrow more.

In some cases, businesses commit first party fraud with no intention of paying for the goods and services they've received.

Examples of first party commercial fraud include:



Businesses exaggerating their company turnover values, or amending their income and expenditure data, to give a more favourable picture of their performance.



Someone in a higher risk occupation, like a roofer, claiming to work in a lower risk role, such as a builder, when applying for insurance, to get a lower premium.

We found:



First party fraud is on the rise

There tends to be a short-term increase in first party fraud during major events like the pandemic.

First party fraud or credit risk?

First party fraud is often miscategorised as credit loss and written off as bad debt. Making it harder for lenders to determine how much they've lost to fraud versus credit risk, and then make future lending decisions.

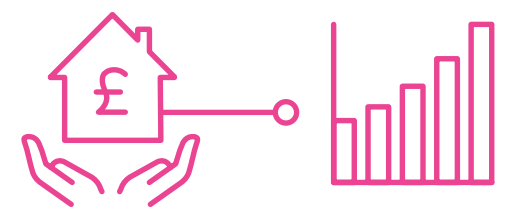
What can lenders do?



To detect first party fraud, you need to compare your customer's details against multiple data sources - to check the information they've provided and spot any discrepancies.



Customer risk profiles change - it's vital to keep reviewing them, not just at the application stage, but throughout the customer journey.



The cost-of-living crisis may see many consumers and businesses struggle financially, increasing the risk of first party fraud.

