



Experian UK Fraud Index

Q4 2022

(October–December)



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Overall fraud

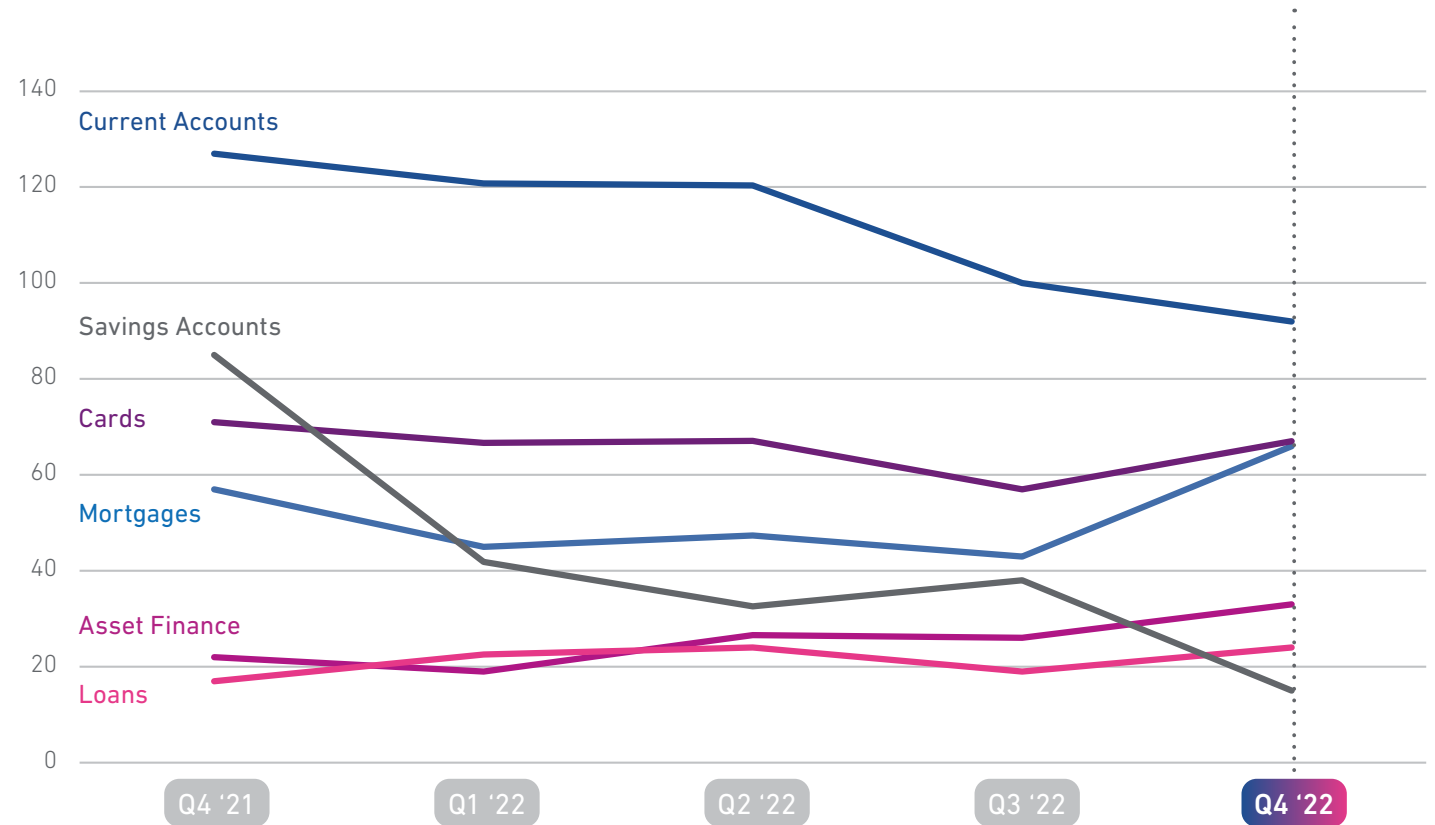
Q4 2022, Oct–Dec

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

The final quarter of the year has seen a rise in fraud in most product types: including Cards, Mortgages, Asset Finance and Loans, with the largest being a 53% increase in Mortgage Fraud.

However, Current and Savings Accounts fraud continues to decline, with fraud rates now significantly lower than the peaks of 2021.

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

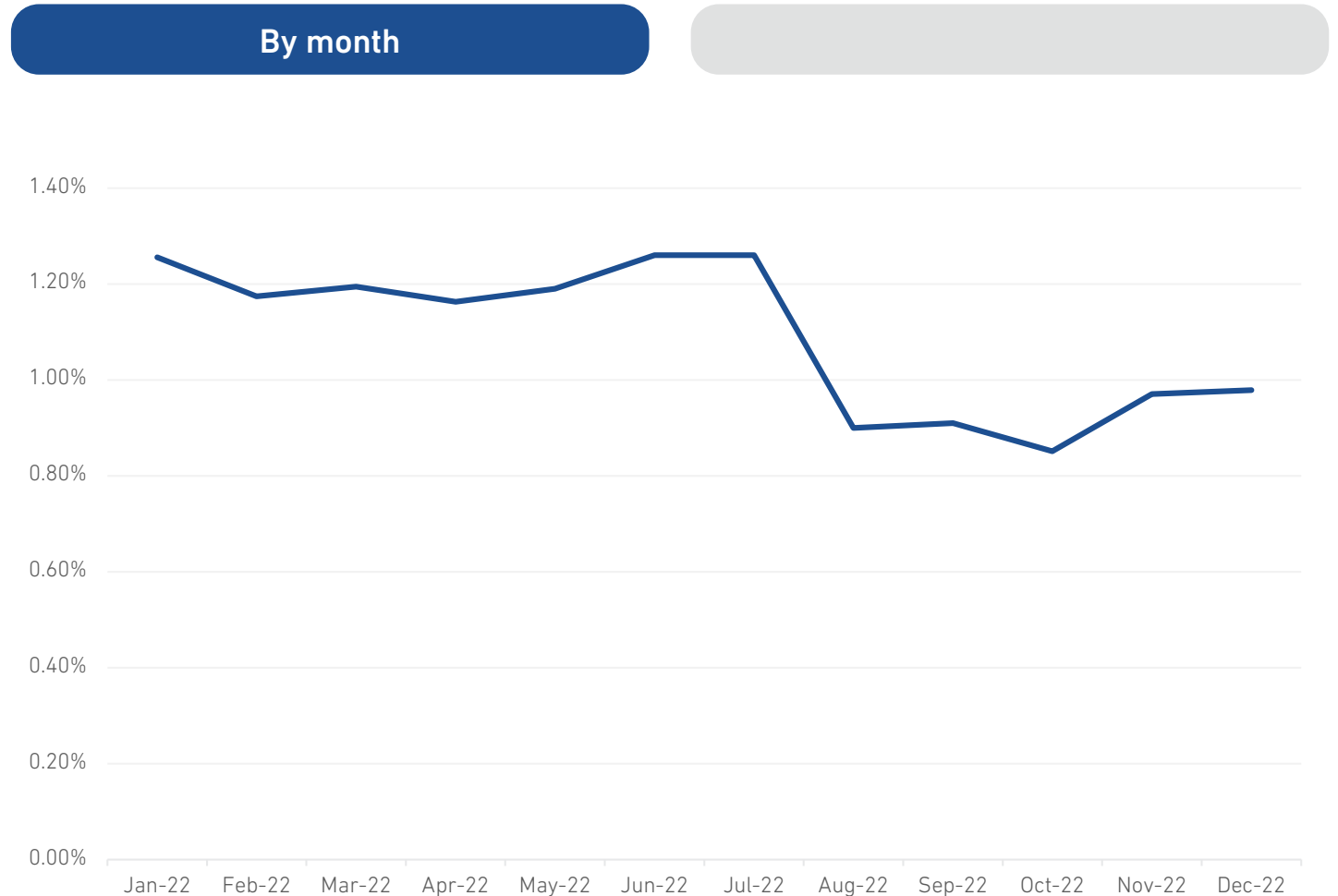
Experian Fraud Index Q4 2022

Fraud rate

During the final quarter of 2022, we have seen a slight increase in the Current Account fraud rate from a low of 0.85% in October, up to 0.98% in December.

Although this is still lower than the 1.26% rate seen in June, application volumes from August to November were up c.25% and as a result investigator review rates were down c.20% as they struggle to keep up with the increased number of applications.

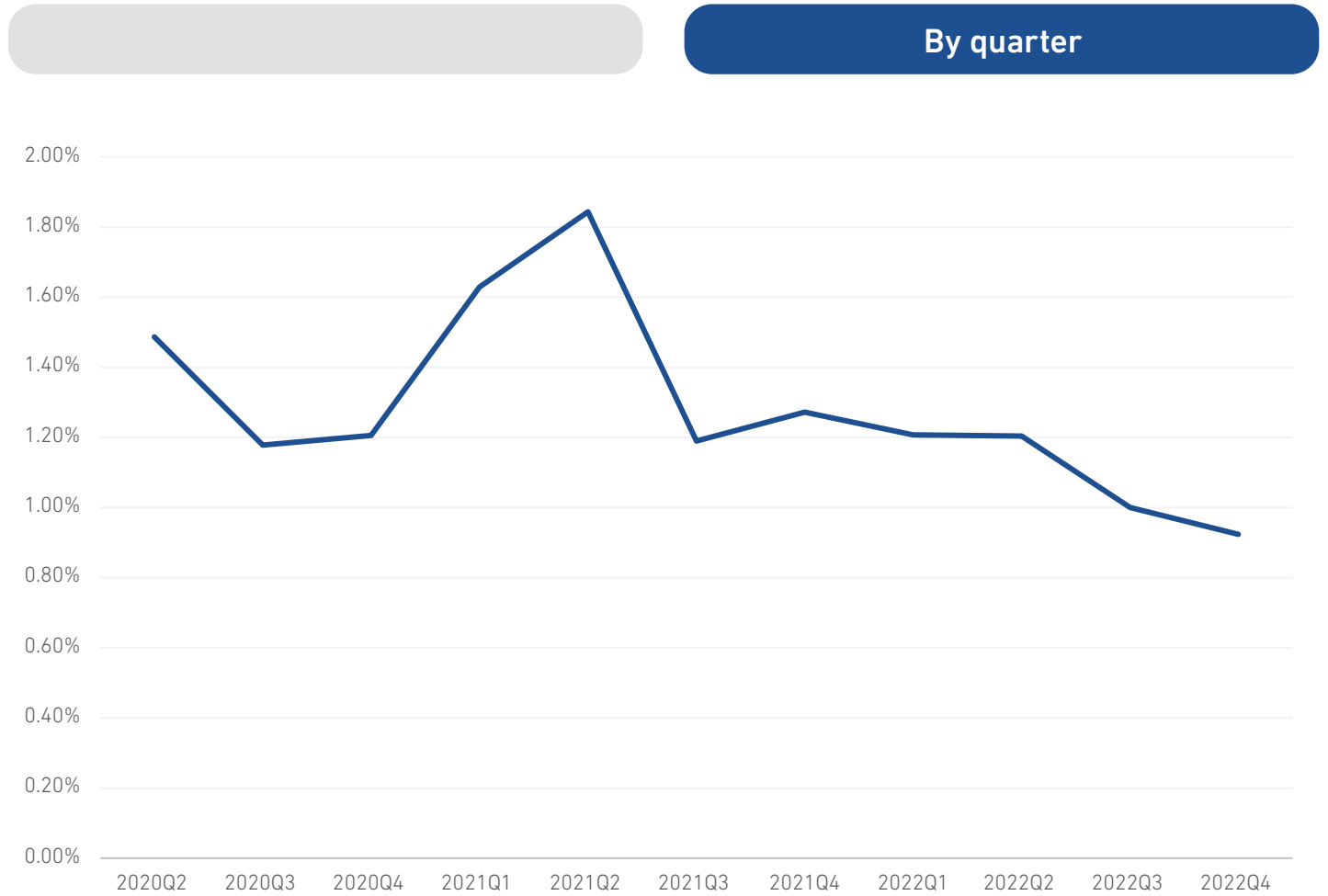
As expected, December's volumes were down 35% on other months, so it will be interesting to see whether the fraud rate increases in early 2023 as investigators begin to catch up.



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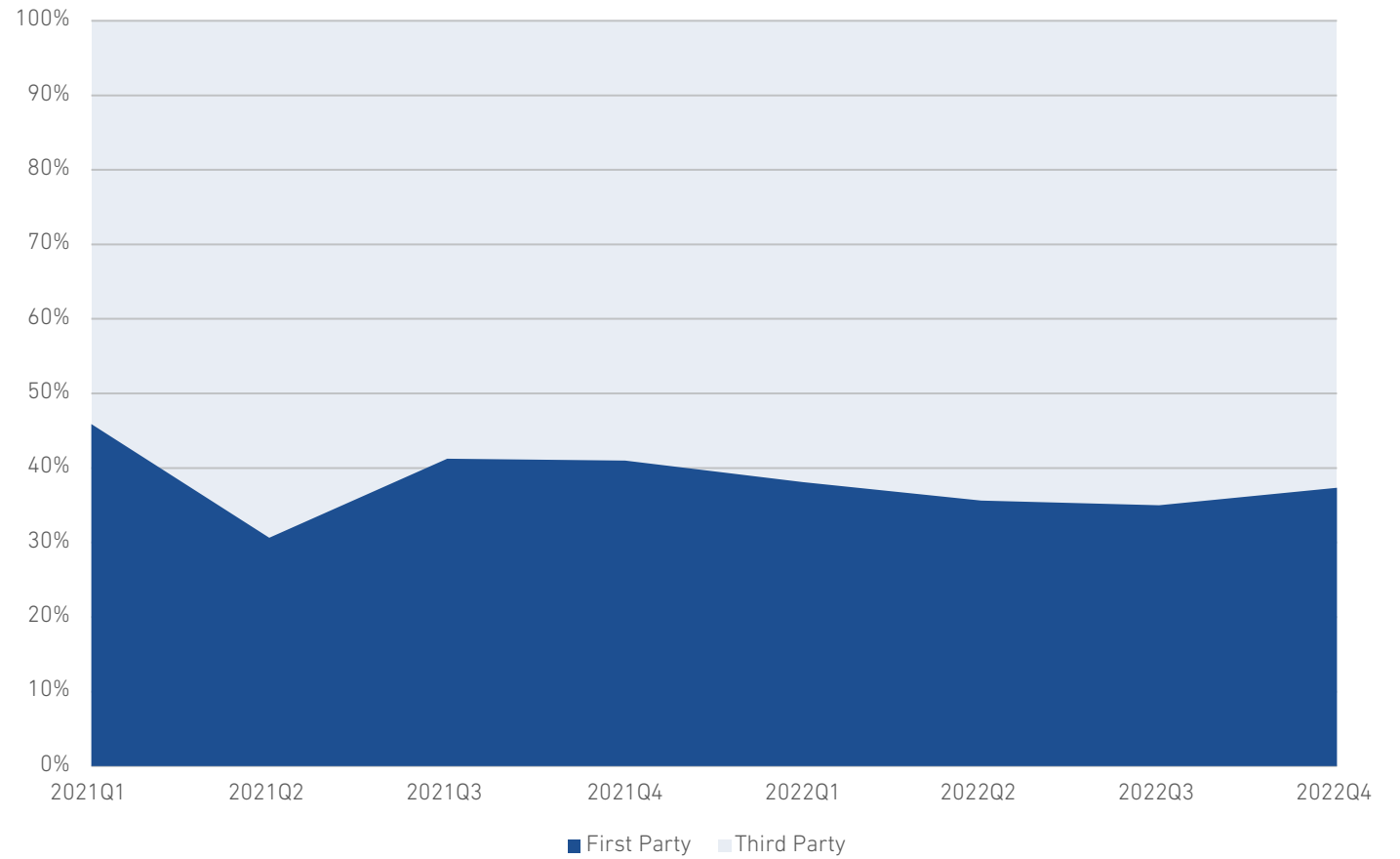
Fraud rate

The last 6 months have seen the lowest Current Account fraud rates for the last 3 years however this is combined with the highest number of Current Account applications since the second half of 2020.



Fraud type

Current Account fraud has remained consistently 62-65% in favour of third party for the entirety of 2022.

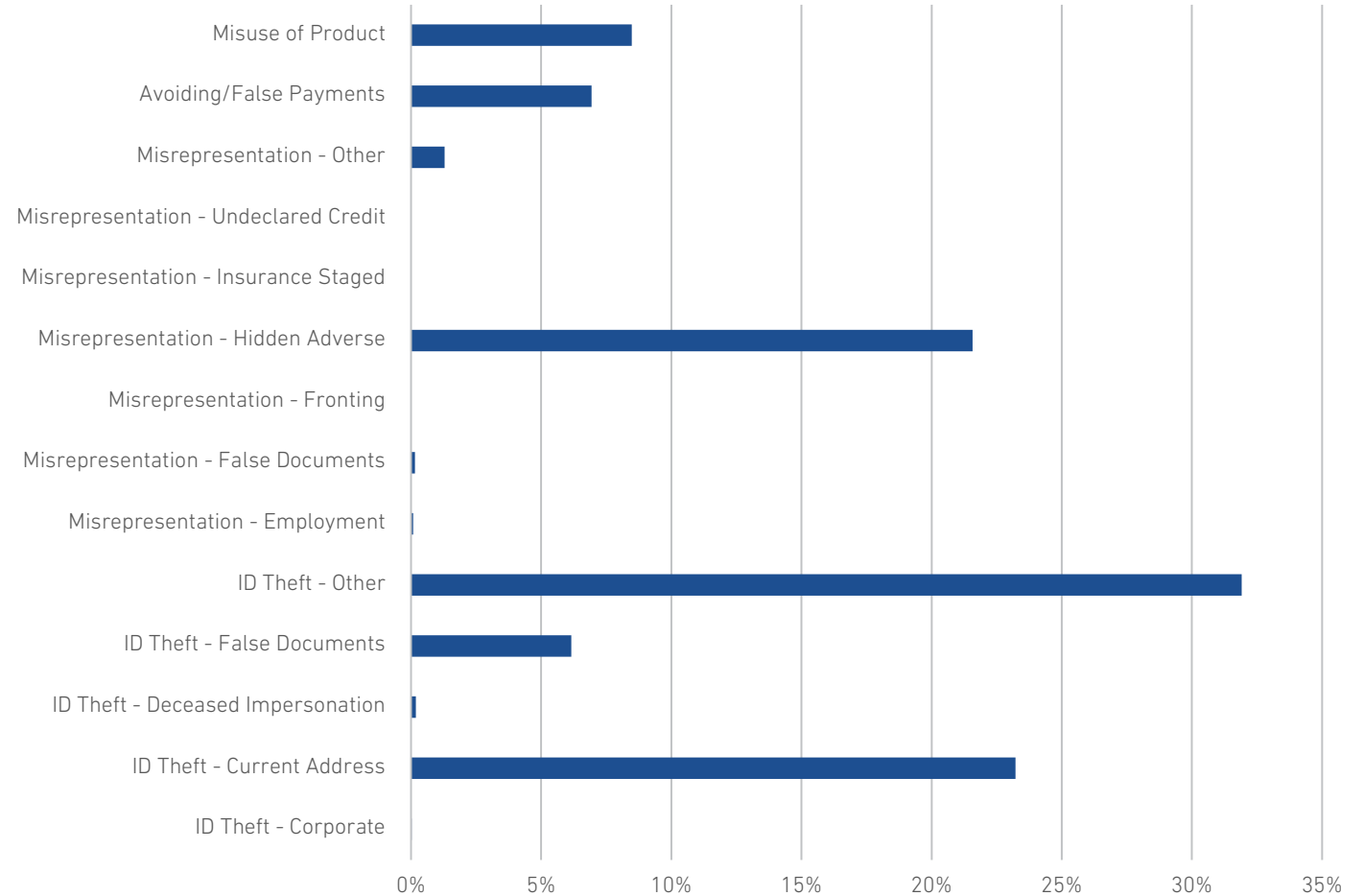


Fraud Categories

Combined, ID Theft continues to be the most common type of Current Account fraud, contributing to 61% of all frauds recorded.

Misrepresentation rates have remained consistently around 20% all year and this continues throughout Q4.

Payment related fraud and misuse of product account for 15% of frauds reported. In addition to misuse of overdraft facilities this also includes money mule activity.



Age and Gender

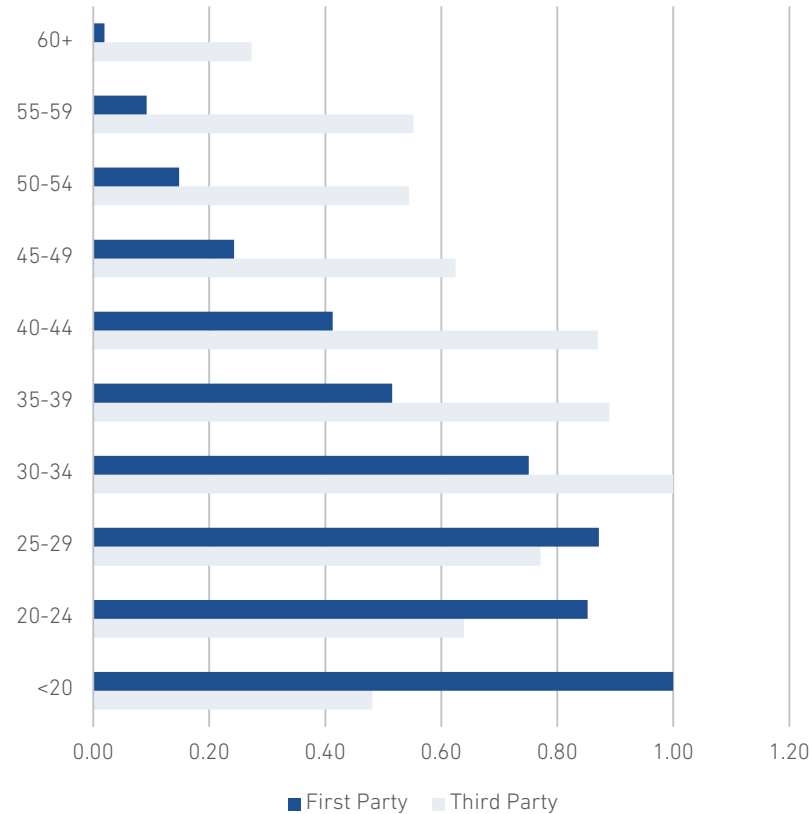
First and third party Current Account fraud continues to present very differently when looking at age.

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

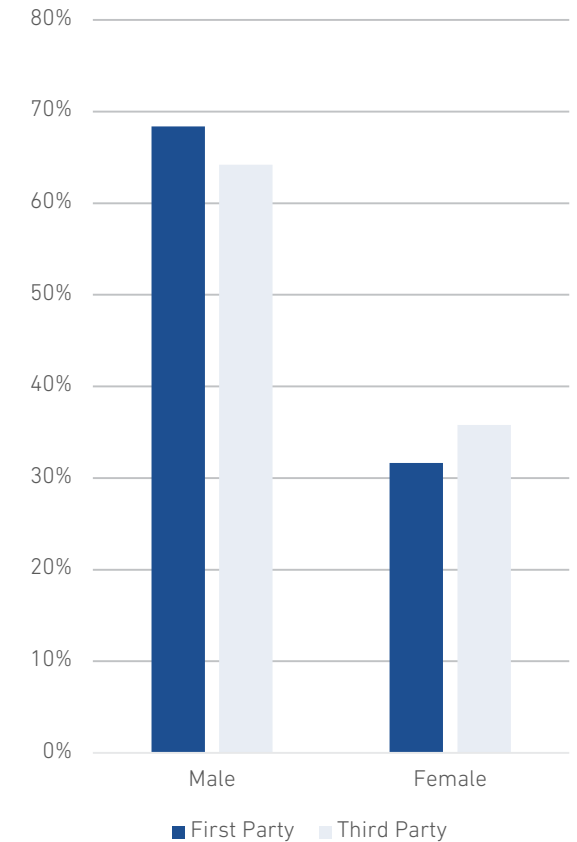
For third party fraud, this is centered in the 30-44 range, with risk reducing among the oldest and youngest age groups.

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

Normalised and indexed age distribution



Gender distribution



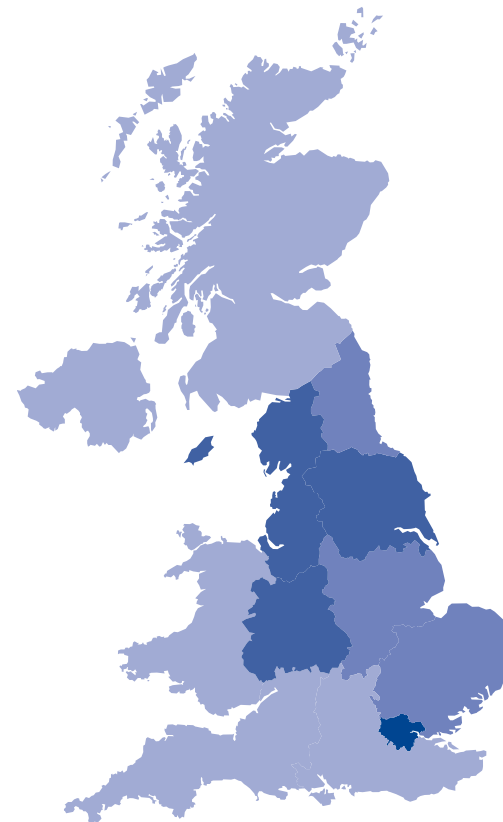
These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).

Geography

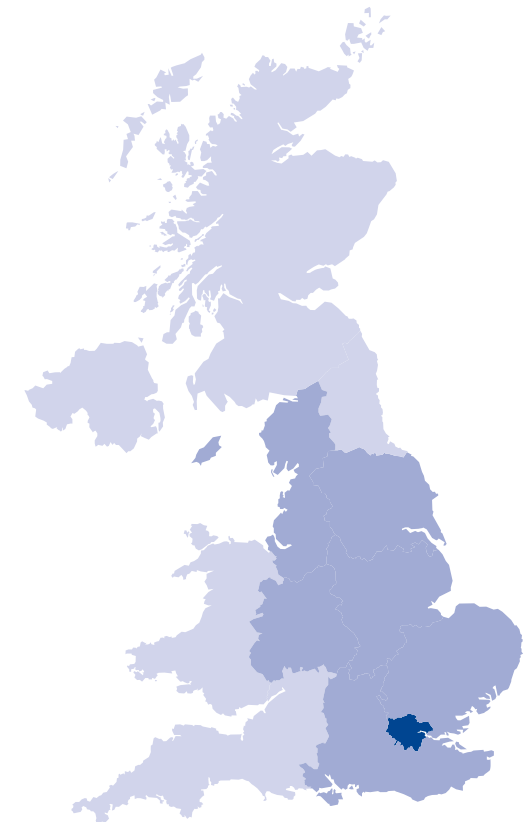
For first party fraud, London is the highest risk region however it is closely followed by West Midlands and Yorkshire and the Humber, with a reasonably even distribution around the entire country.

In contrast, for third party fraud, London is a significantly greater risk than any other region, with Scotland and Wales only presenting 10% of London's risk.

First party



Third party



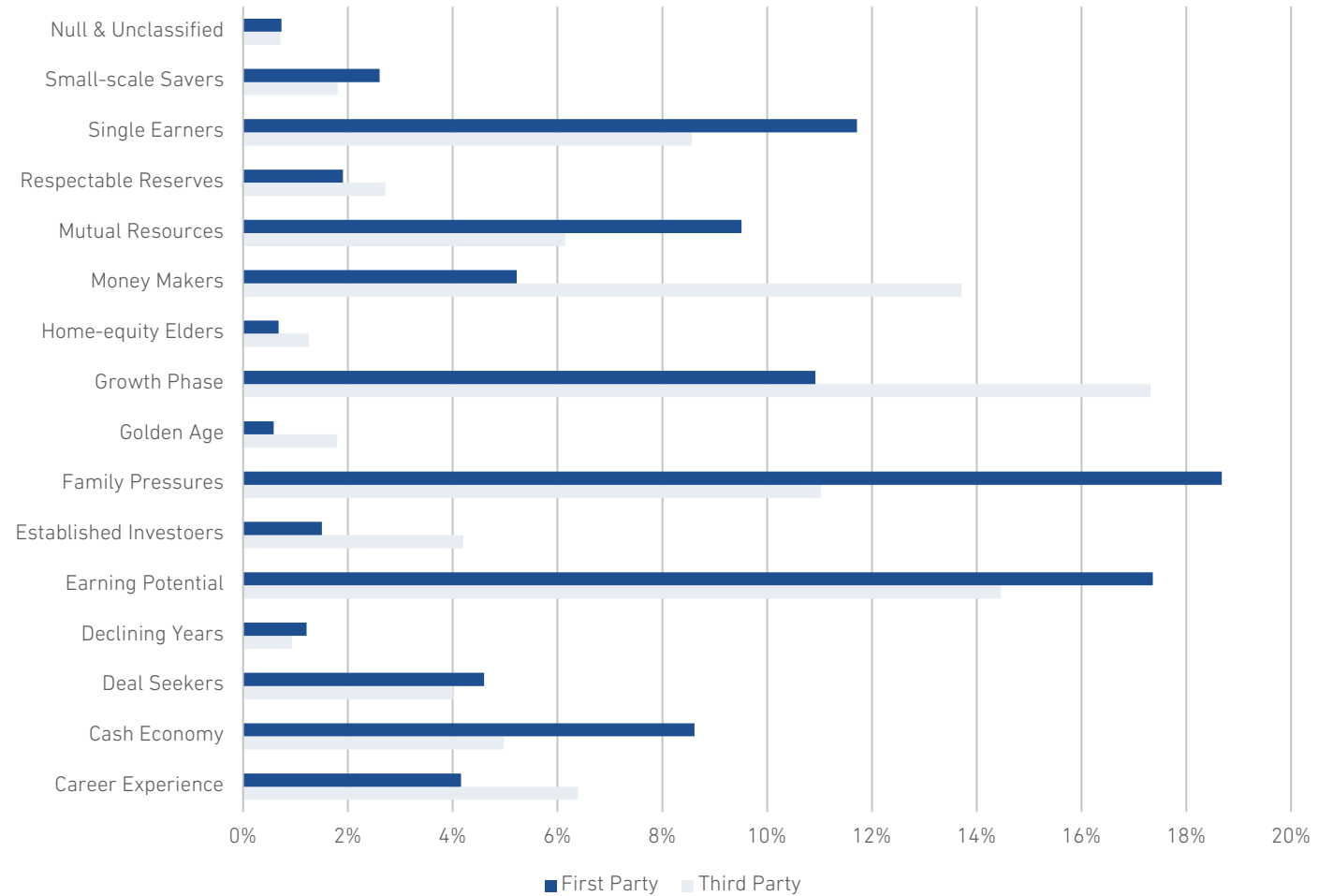
These figures are normalised based on relative regional population size and then indexed against the largest group.

Demographics

First party fraud is concentrated within those 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 group 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 or be victims of third party fraud when compared to the other demographics.



Mortgages

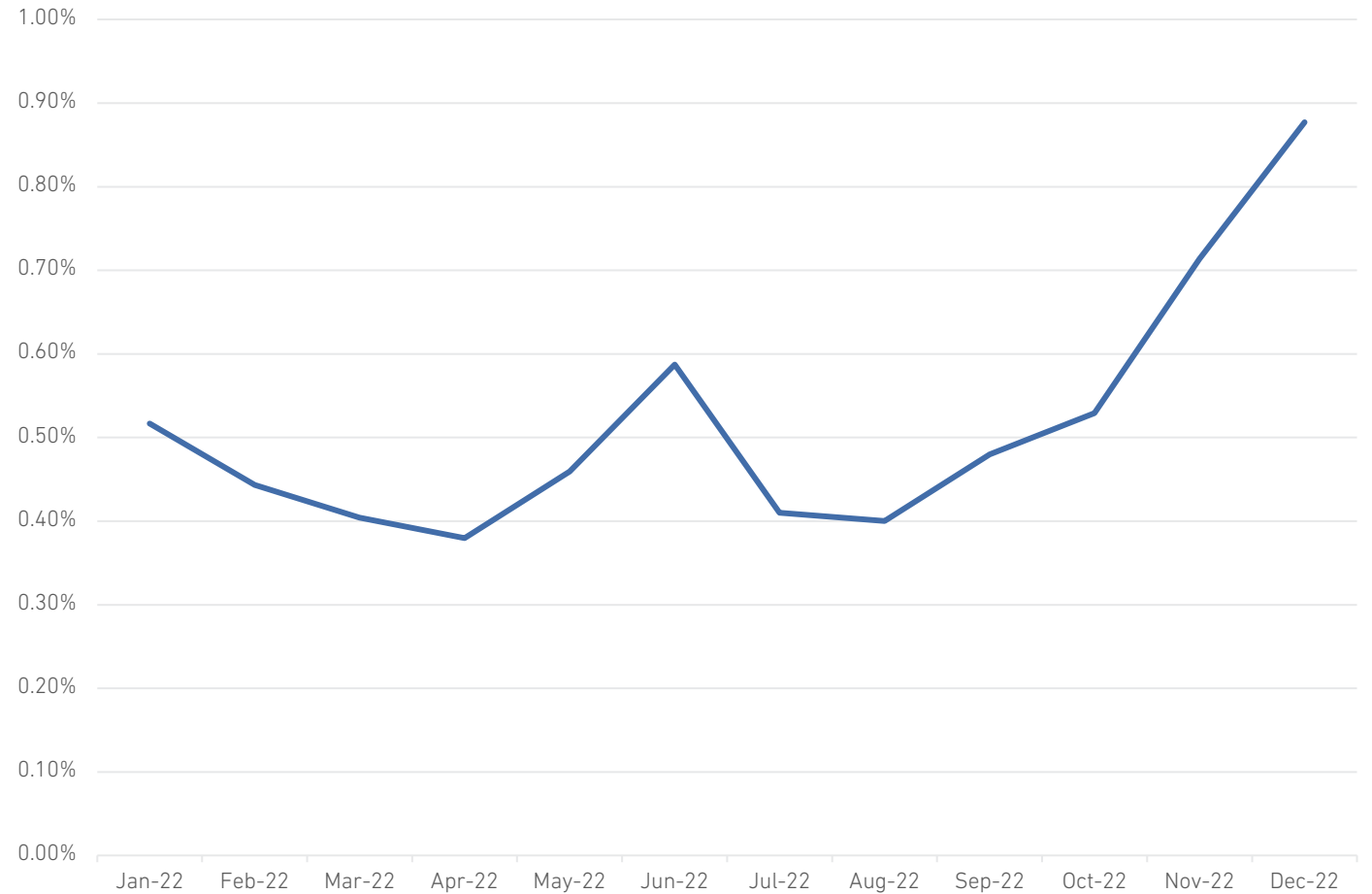


Fraud rate

Over the second half of the year there has been an increase in the Mortgage fraud rate which has accelerated during the final quarter, reaching 0.88% in December.

With application volumes down 41% compared to the same period in 2021, this increase is potentially due to an increase in investigator work rate but also likely due to applicants falsifying information to access lower interest rates.

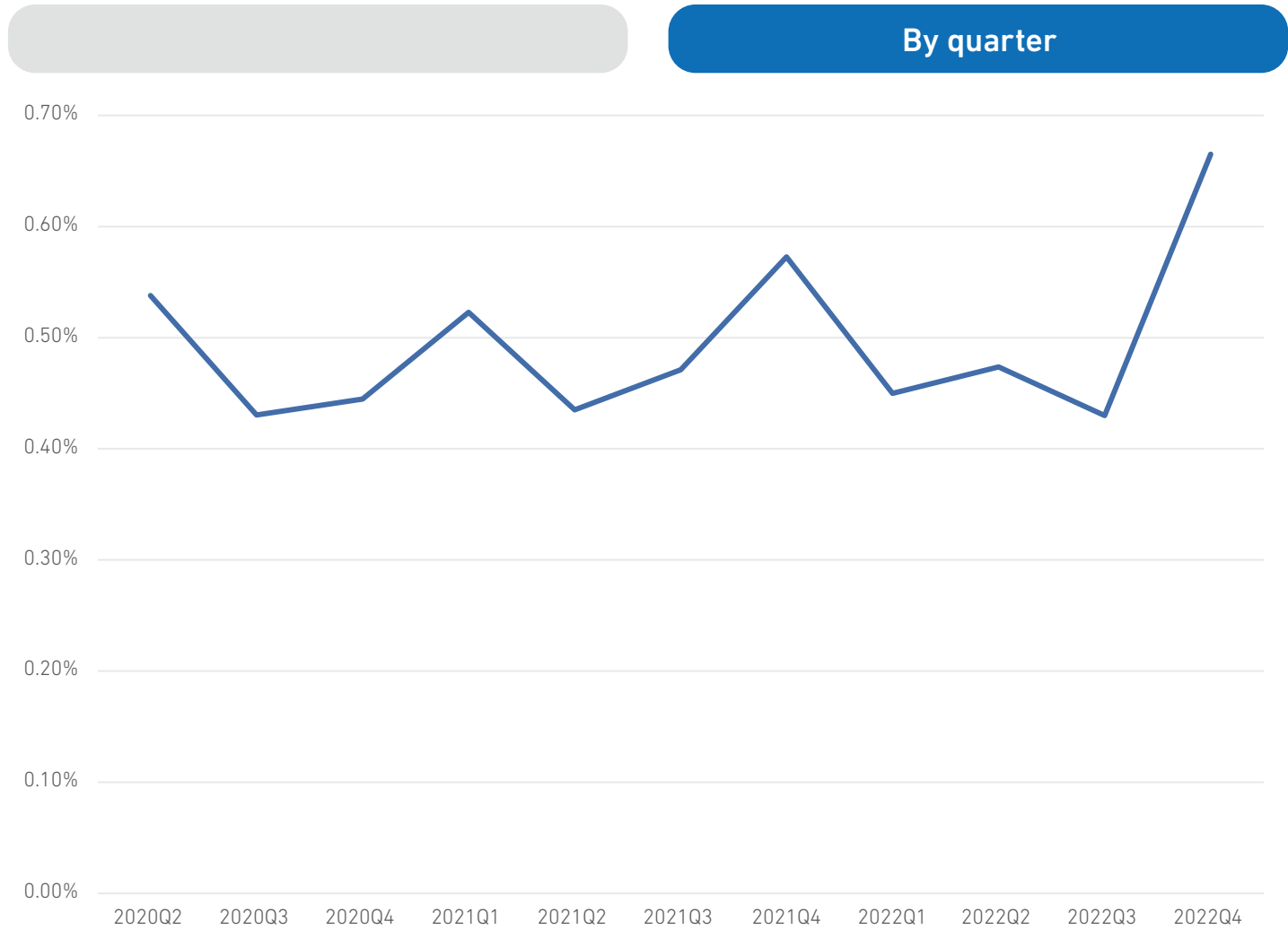
By month



Fraud rate

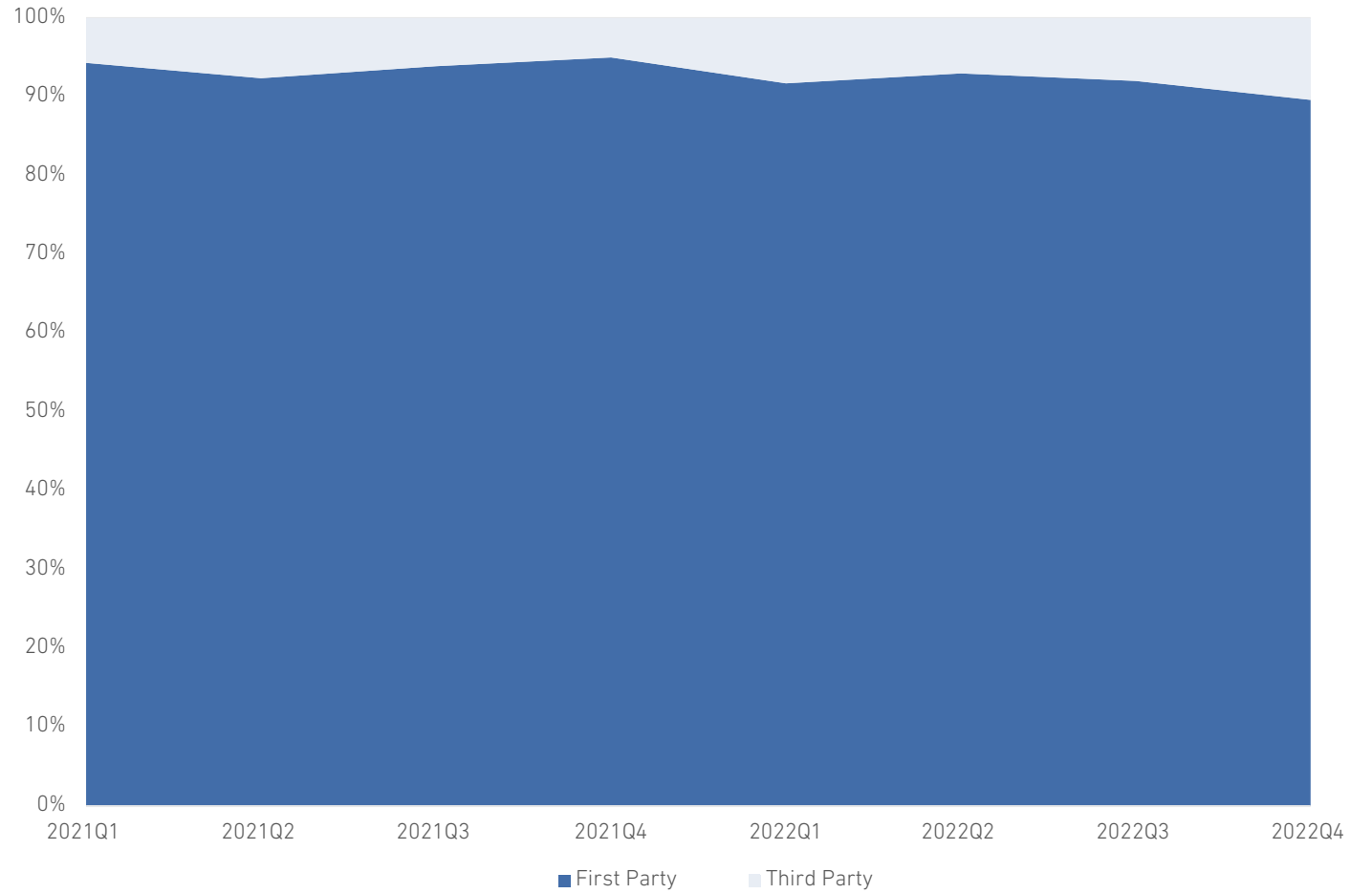
When reviewing the last 3 years we can see that this increase is larger than the one that coincided with the conclusion of the stamp duty holiday in 2021.

Looking back further, the quarterly fraud rate of 0.66% is the largest seen since 2017.



Fraud type

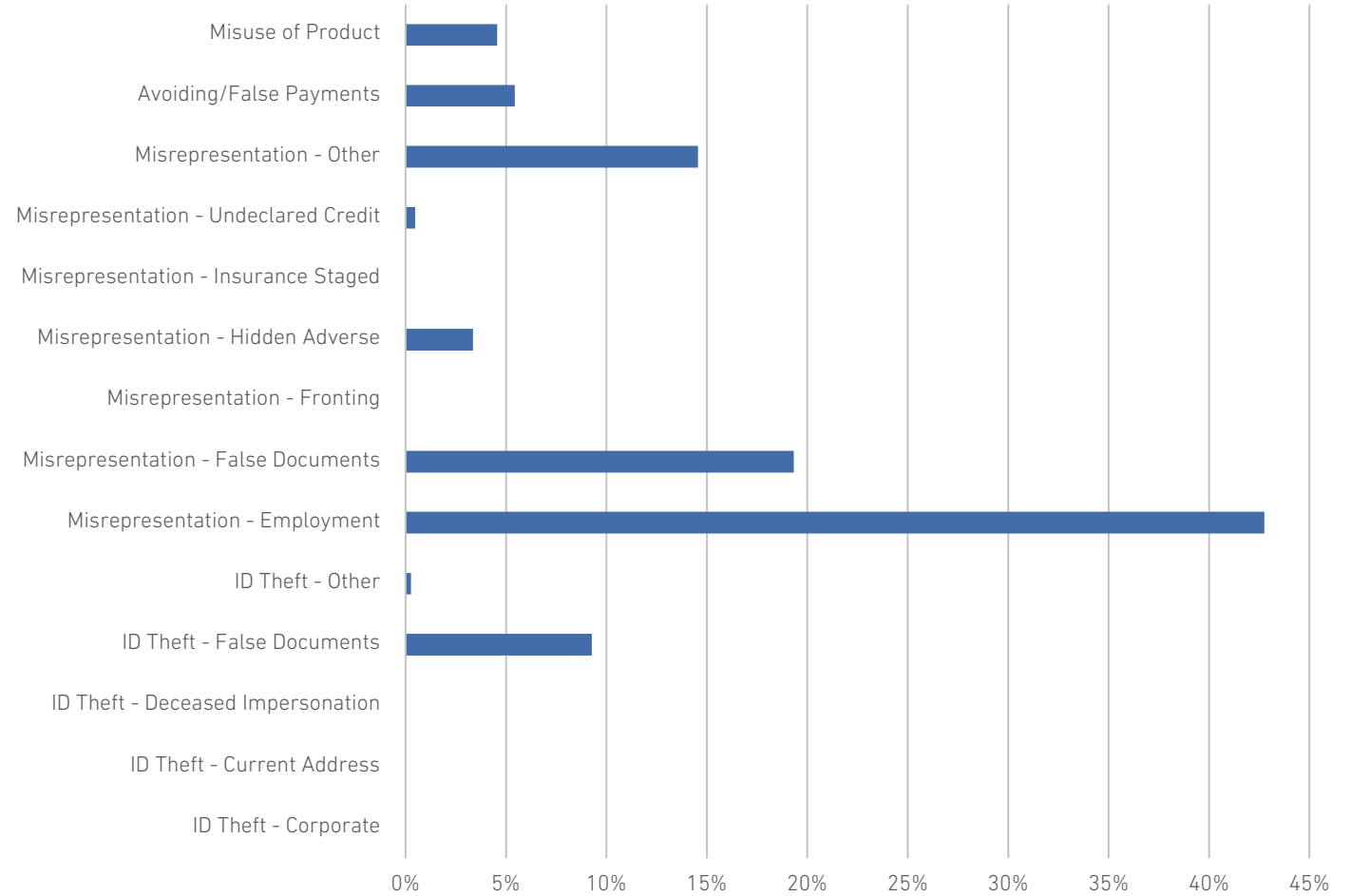
Mortgage fraud continues to be predominantly first party, although third party fraud has gradually crept up to 10% in the final quarter of 2022.



Fraud Categories

The Misrepresentation fraud types account for 80% of all the fraud identified within Mortgages, with the majority centering on employment details.

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

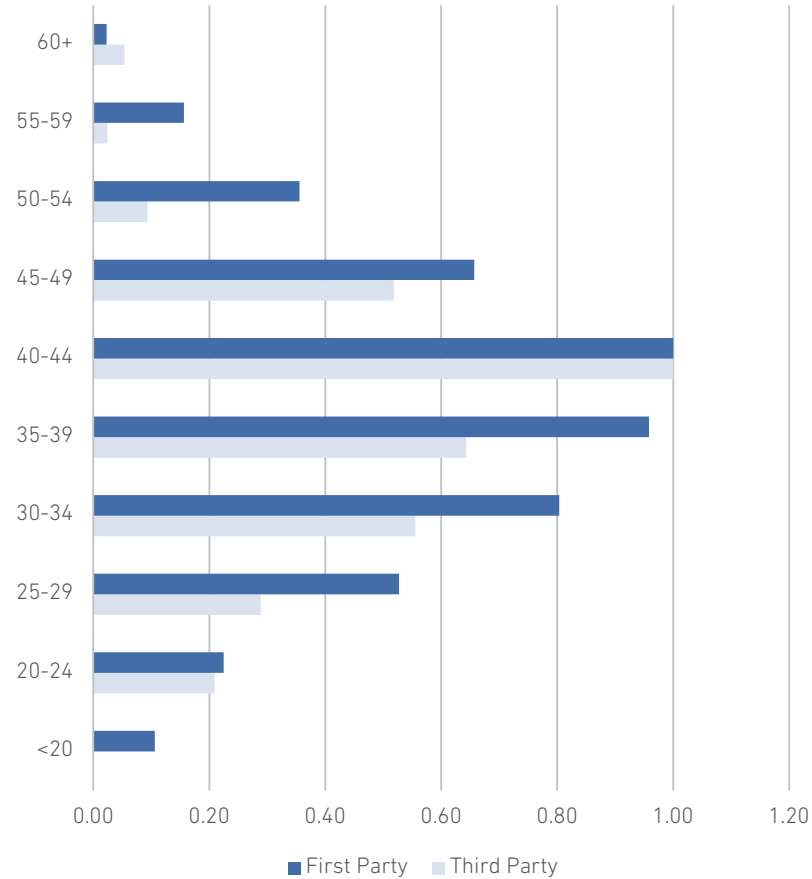


Age and Gender

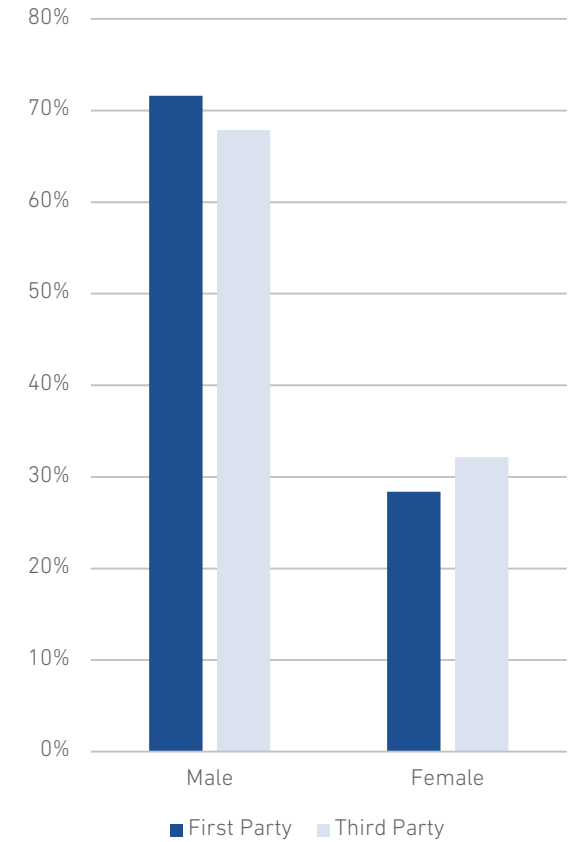
First and third party fraud track very similarly when looking at age, with both peaking within the 40-44 age group. This is more of a focused peak within third party fraud, whereas the fraud risk for first party remains significant from ages 30-44.

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).

Experian Fraud Index Q4 2022

Geography

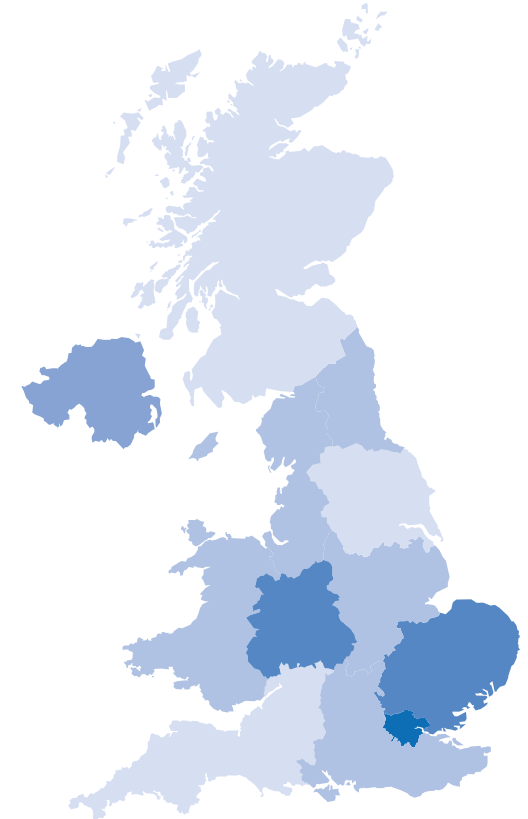
London, West Midlands and the East of England remain the highest risk regions across both first and third party fraud in Mortgages.

North East England, Wales and Northern Ireland are the lowest risk regions for first party fraud, whilst Scotland, South West England and Yorkshire and the Humber are among the lowest risk for third party fraud.

First party



Third party



These figures are normalised based on relative regional population size and then indexed against the largest group.

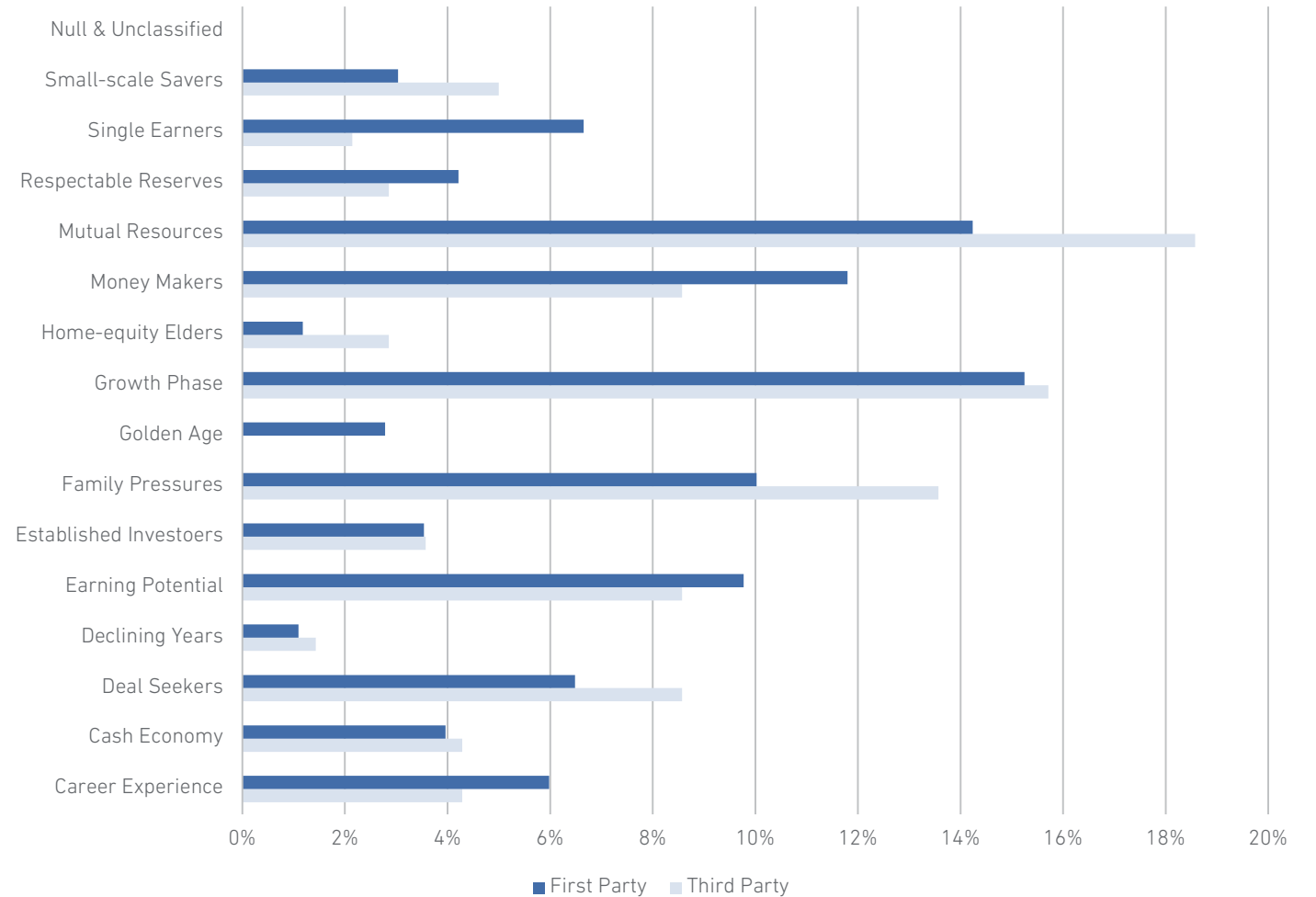


Demographics

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 are relied upon for some level of financial support.

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

The lower risk groups are predominantly the older generations.



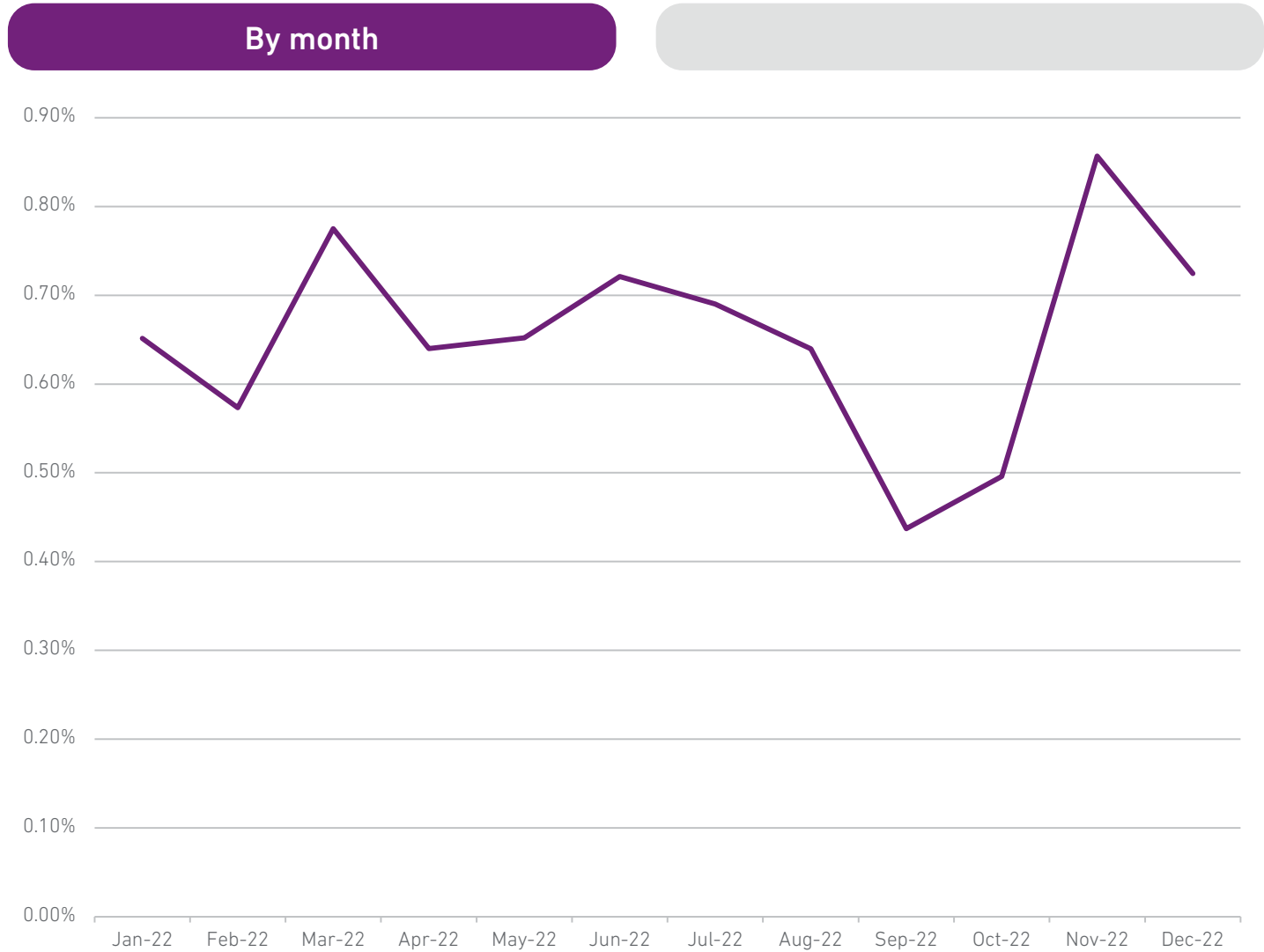
Cards



Fraud rate

As Card application volumes started returning to the levels seen prior to the sudden increase of July to October, November's fraud rate peaked at 0.86%.

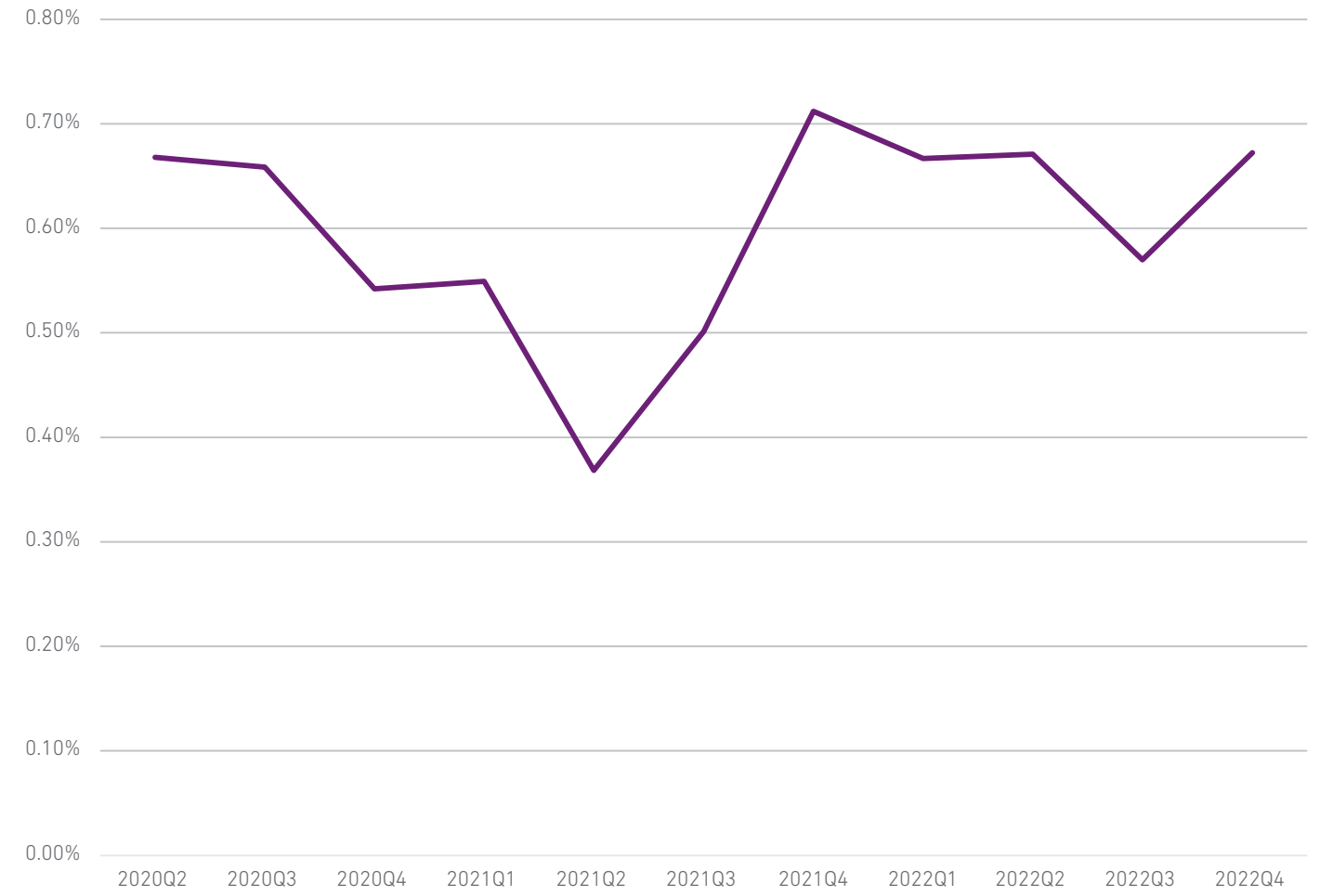
The figures suggest that households were looking to obtain additional borrowing over the Christmas period in order to cover costs.



Fraud rate

With the exception of Q3, the Cards fraud rate has remained at 0.67% for the entirety of 2022.

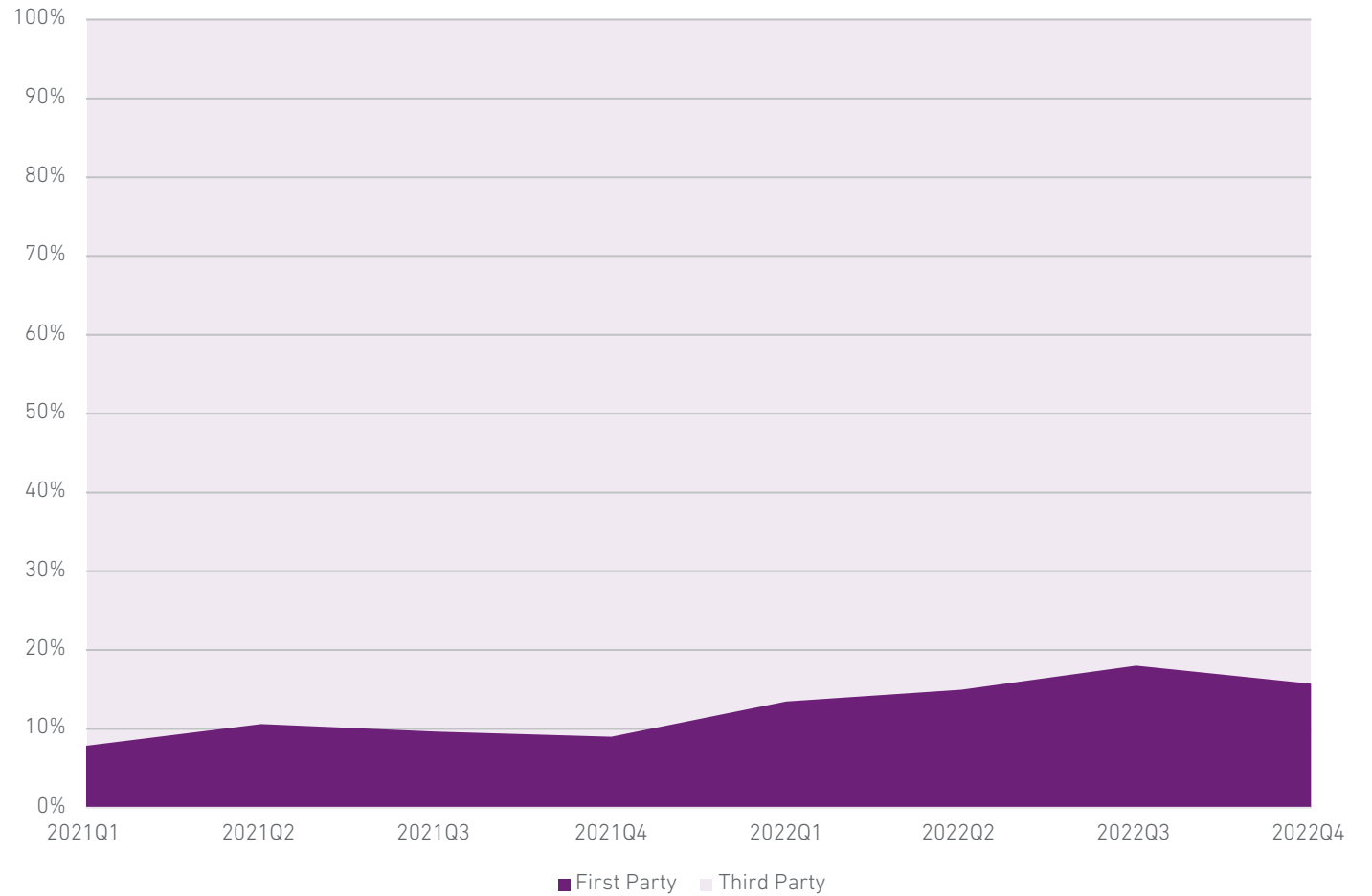
This is in stark contrast to the rates seen for the majority of 2021 and potentially demonstrates a new baseline for fraud levels in this product set.



Fraud type

First party fraud rates have doubled over the last 12 months, with this now equating for 16% of all Cards fraud.

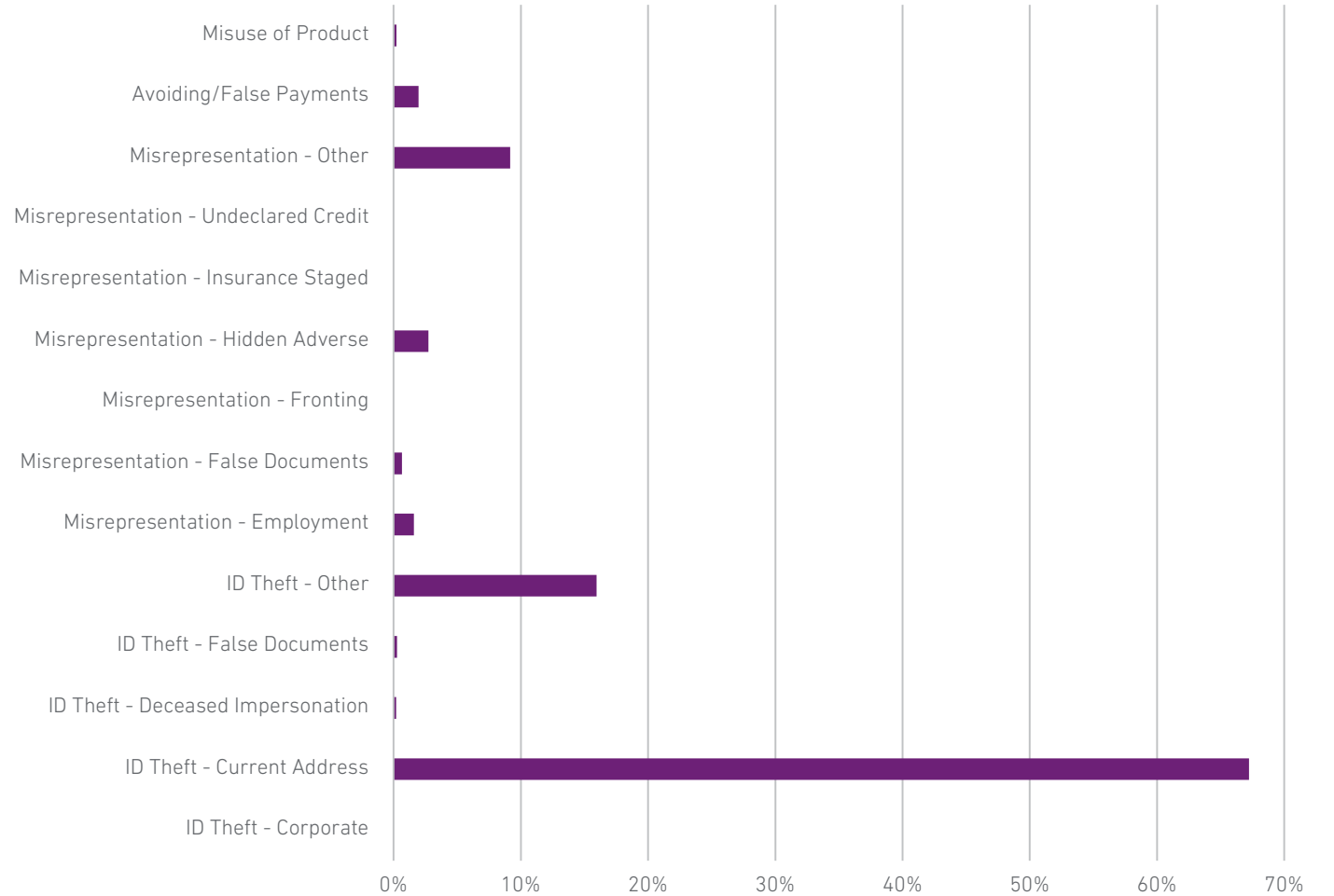
Similarly to the increase in application volumes seen from July to October, this increase in first party fraud is almost certainly linked to the economic pressures many consumers are now faced with.



Fraud Categories

Although first party fraud has increased throughout the majority of 2022, third party fraud is still more common with ID Theft – Current Address accounting for 67% of all Cards fraud.

Of those cases that are first party Misrepresentation – Other, which includes falsifying number of dependents, is the most common fraud type and found in 9% of fraudulent Card applications.



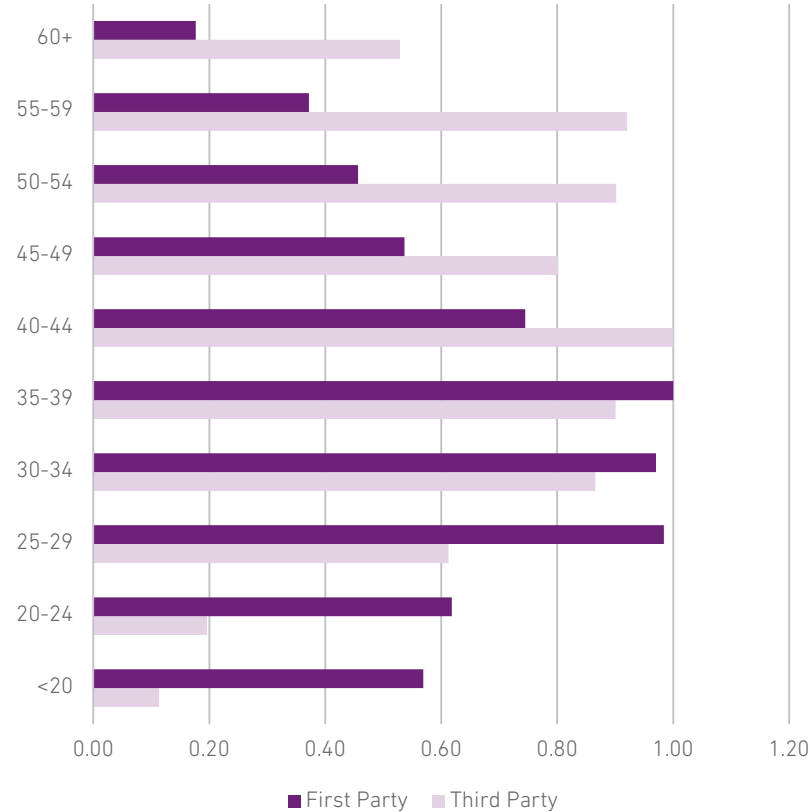
Age and Gender

First party Cards fraud is at its highest among the 25-39 age groups, with risk decreasing either side of this age band.

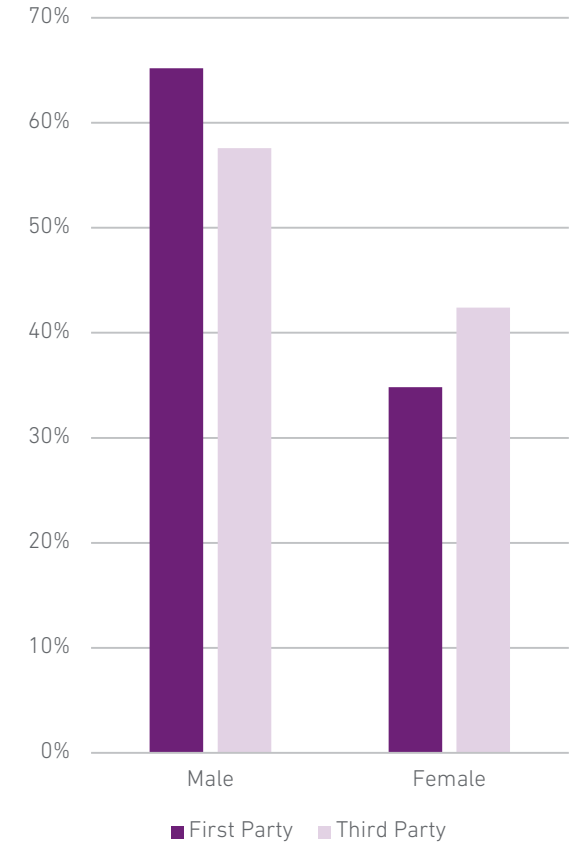
Third party fraud however is more evenly distributed with similarly high rates across ages 30-59.

Gender is skewed to males, however females now represent 42% of Cards fraud victims.

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).

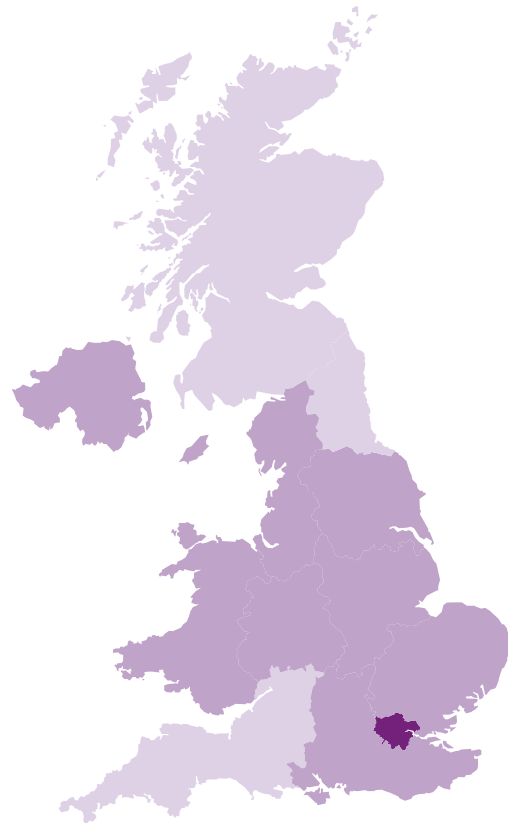


Geography

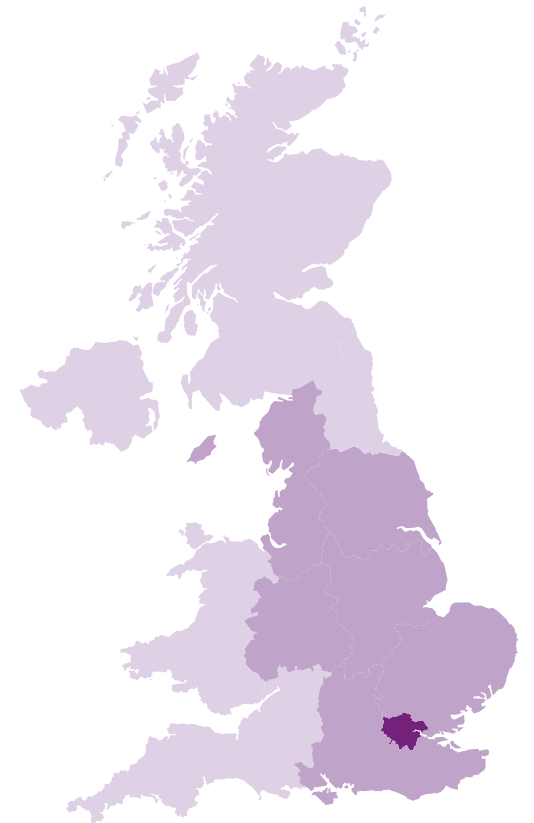
Both first and third party Cards fraud are heavily focused on London, with the next highest rated regions representing only a third of London's risk.

North East and South West England, are joined by Scotland, Wales and Northern Ireland as the lowest risk regions for Cards fraud.

First party



Third party



These figures are normalised based on relative regional population size and then indexed against the largest group.

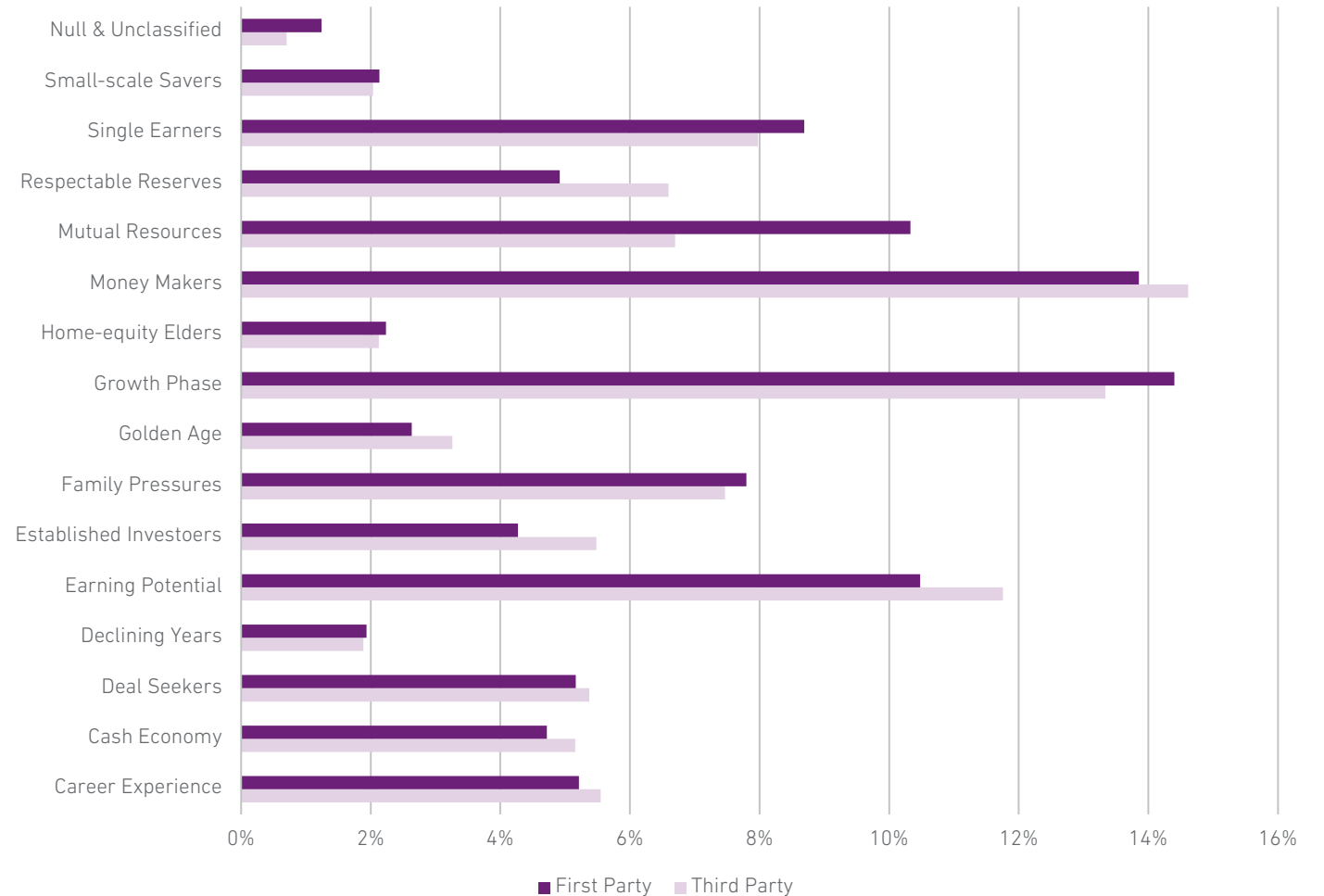


Demographics

The similarities between first party fraudsters and victims which were identified in the first quarter of the year have continued through most of 2022.

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

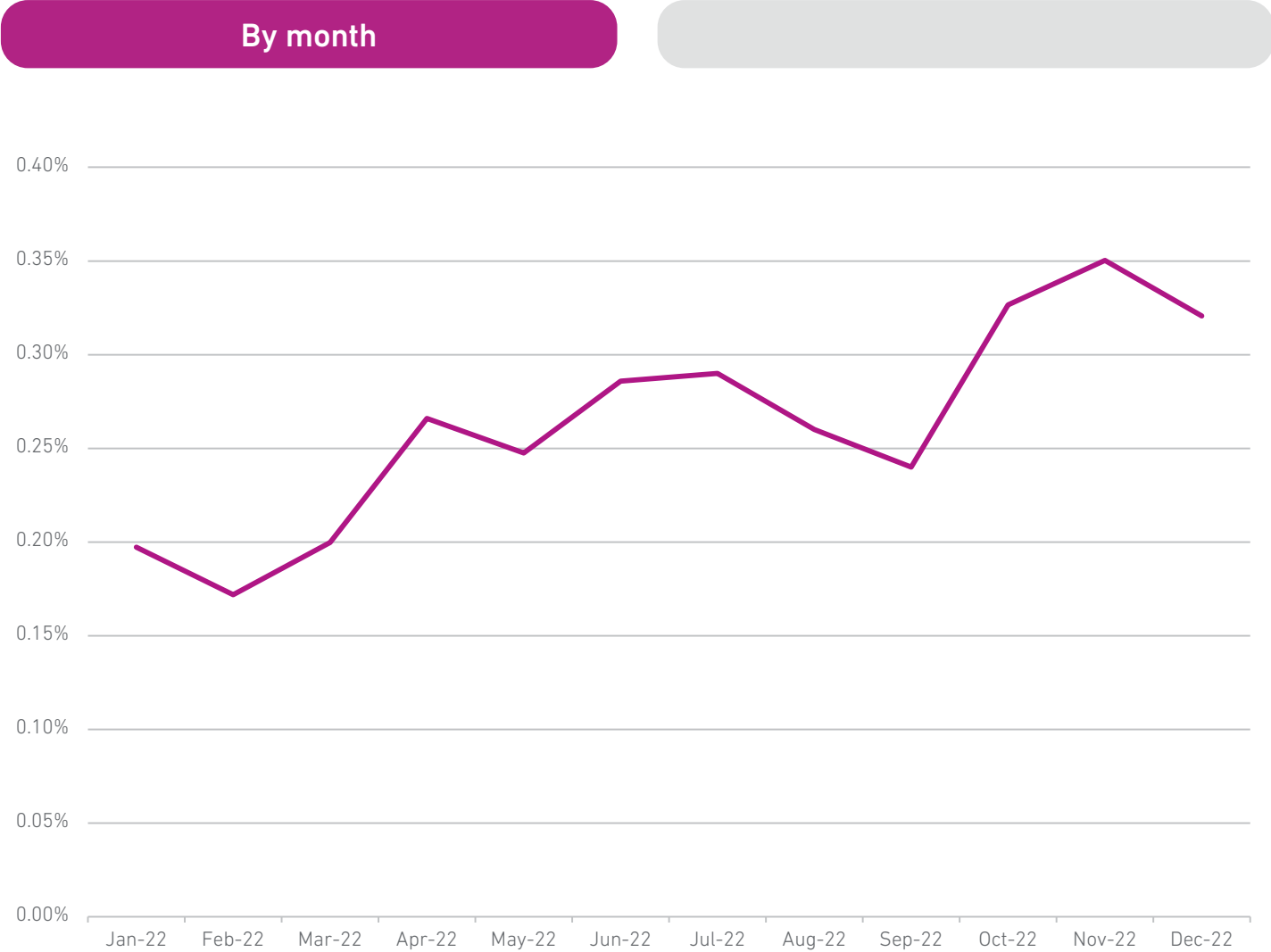
Similarly to other products, the older age groups are at a lower risk of committing or being a victim of Cards fraud.



Asset Finance

Fraud rate

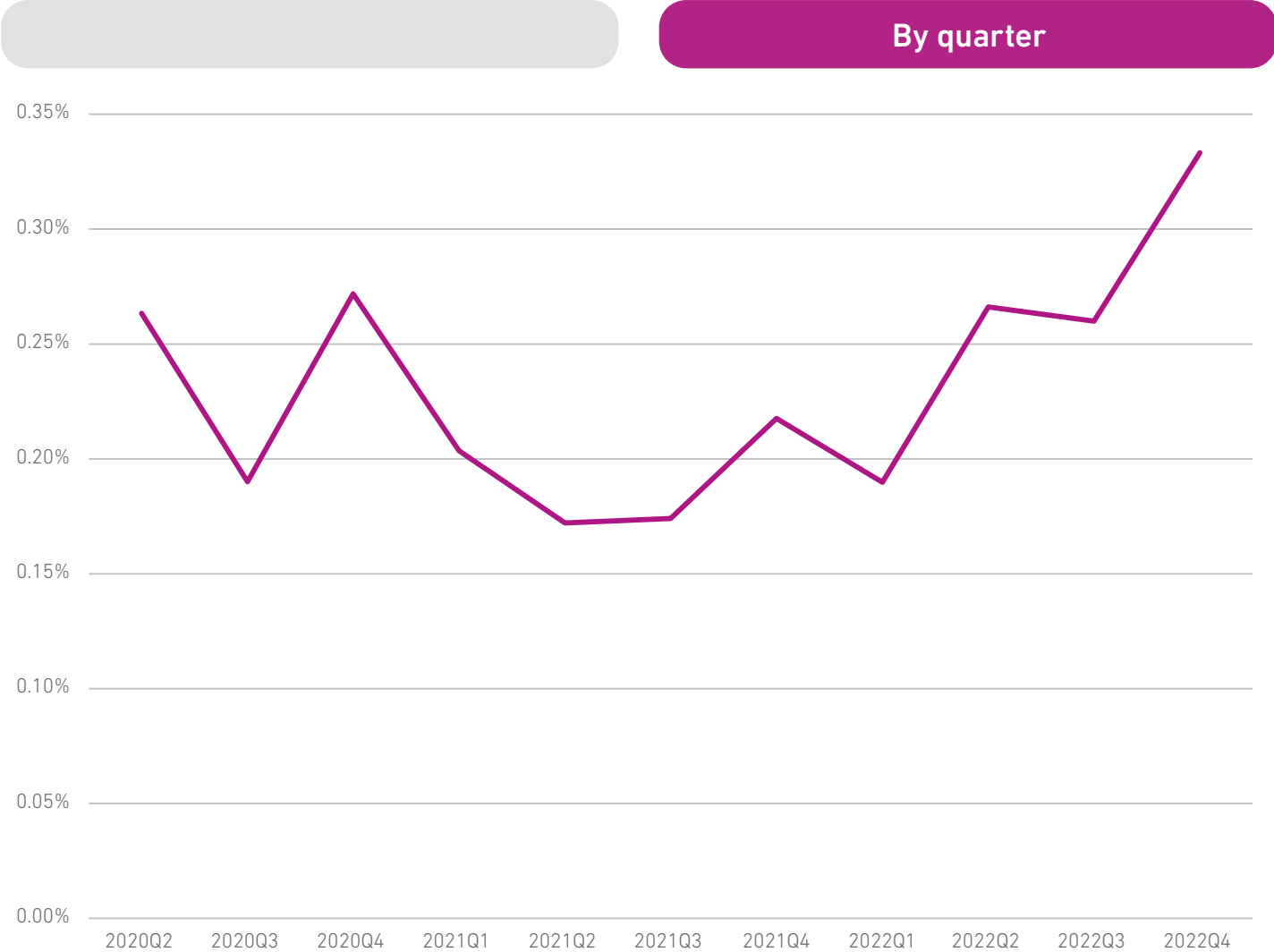
The Asset Finance fraud rate has steadily increased throughout 2022, reaching a peak of 0.35% in November.



Fraud rate

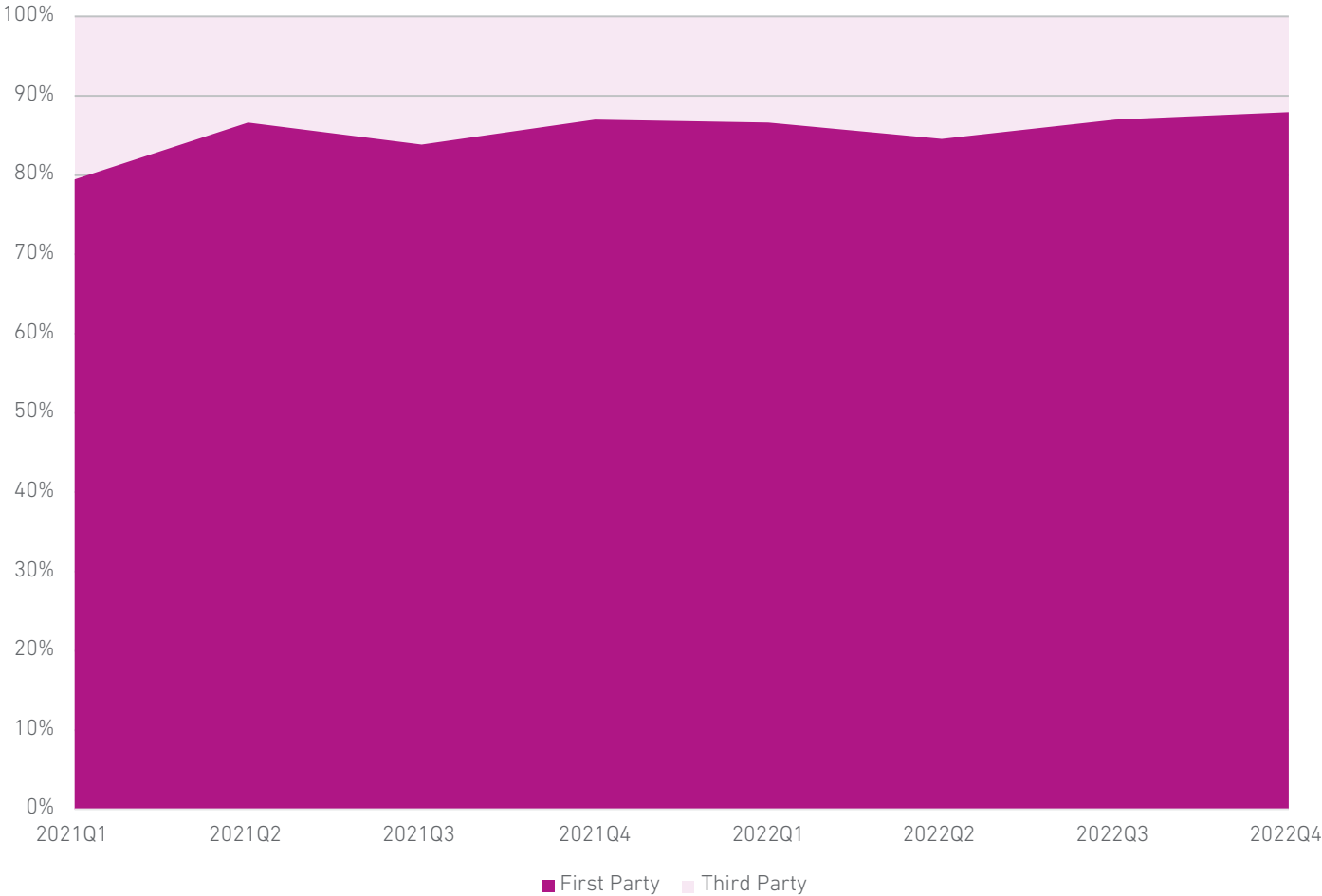
Following the lows of 2021, the latest quarter's fraud rate of 0.33% is the highest seen since late 2017.

It will be interesting seeing if this upward trajectory continues into 2023.



Fraud type

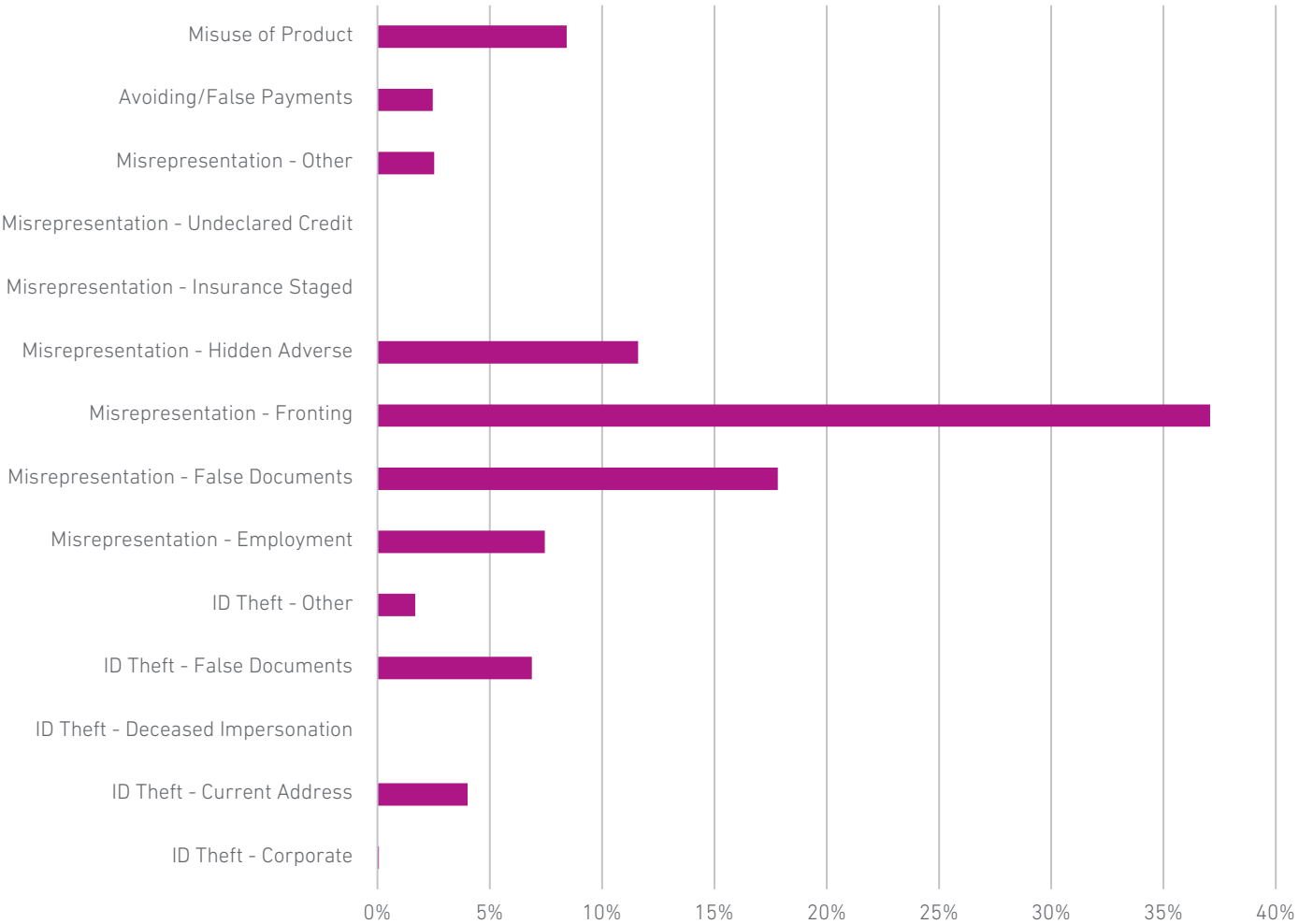
Gradually increasing its share in the last 2 years, first party fraud continues to be the predominant fraud type in Asset Finance.



Fraud Categories

Fronting, in which an individual takes out credit on behalf of another, remains the predominant fraud type for Asset Finance.

Other Misrepresentation fraud types, such as falsifying documents or employment details as well as omitting previous missed payments, combine to make up 37% of all Asset Finance fraud; the same amount as Fronting alone.



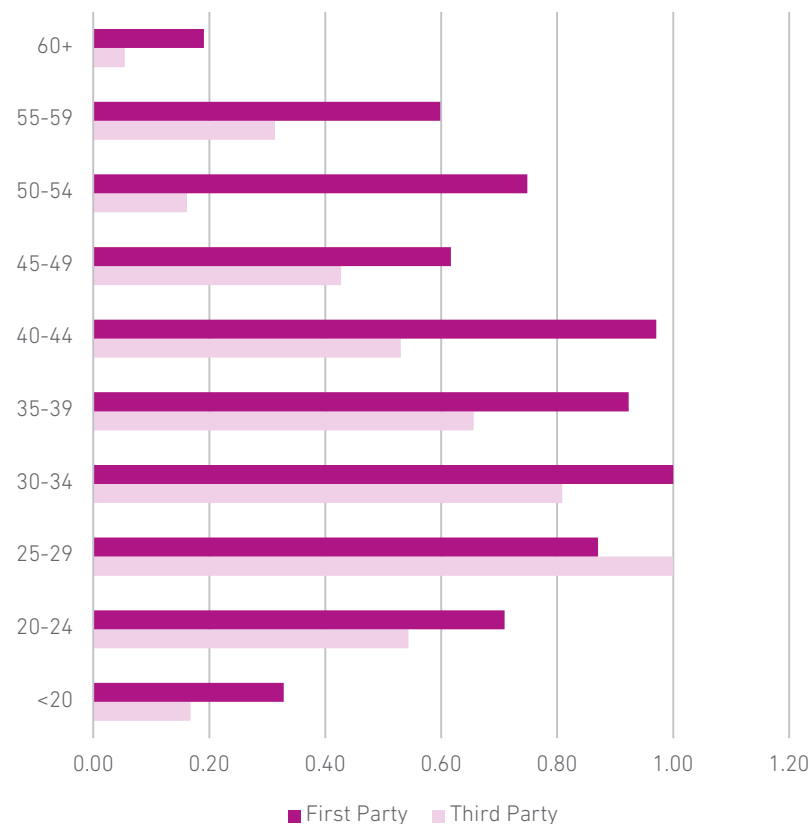
Age and Gender

In contrast to many of the other products, first party Asset Finance fraud appears to be prevalent across a wide age band with a broad peak at ages 25-44.

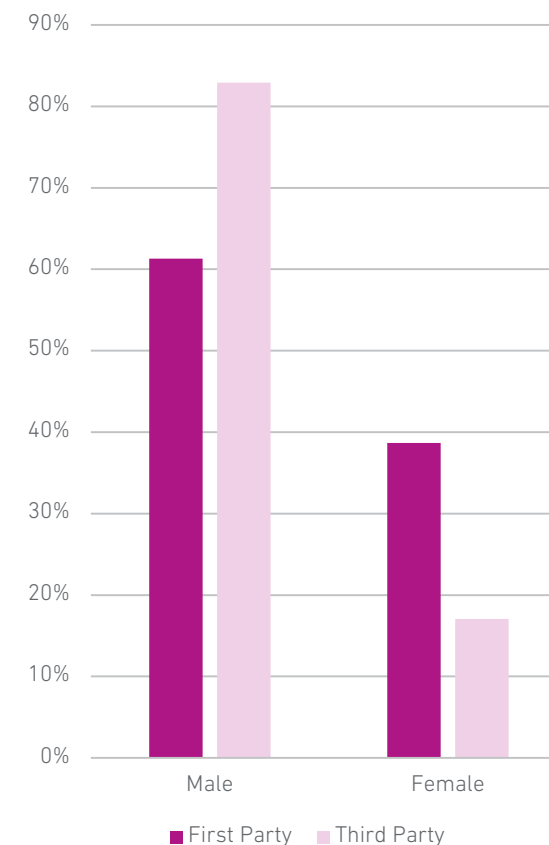
Third party fraud follows a distribution more common in first party of other product sets, with a peak in the 25-29 age band and risk reducing either side of this.

Gender is again skewed towards males but with third party being much higher than typically seen elsewhere.

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

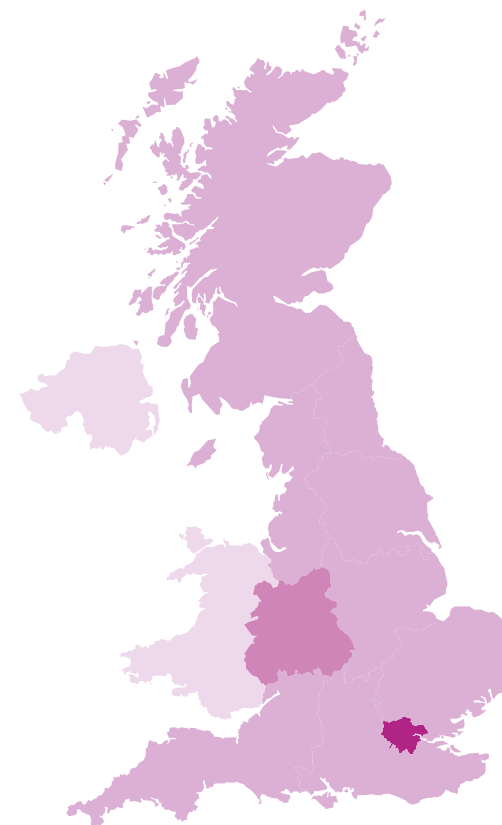
From a first party fraud perspective, London, Scotland and North West England remain the greatest risk for a second quarter in a row.

London and the West Midlands are the riskiest regions for third party fraud, whereas Wales, the East Midlands and South West England are among the lowest risk for both fraud types.

First party



Third party

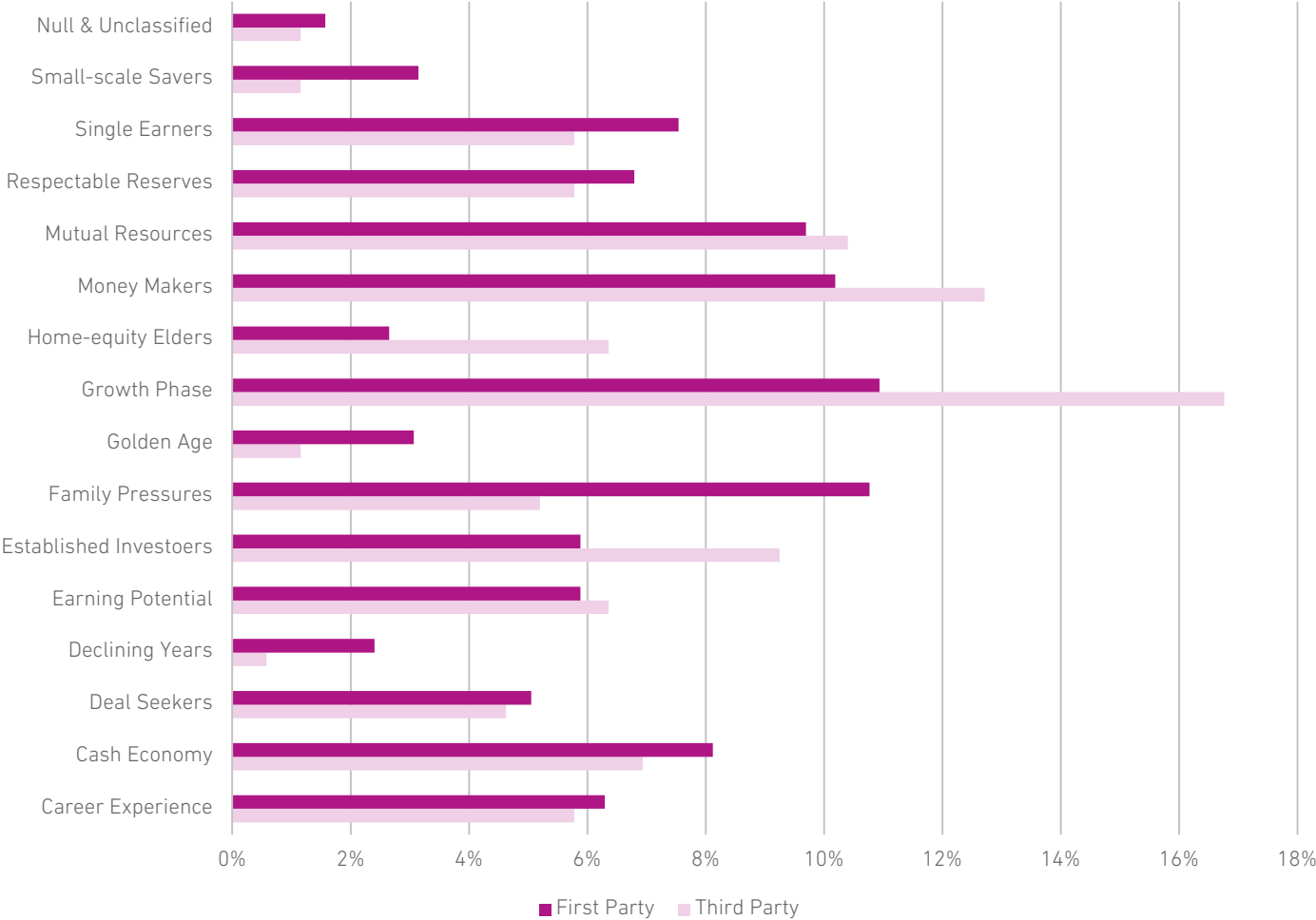


These figures are normalised based on relative regional population size and then indexed against the largest group.

Demographics

There are many commonalities in demographics between both fraud types however the risk of third party fraud among Growth Phase is significantly higher and a notable outlier.

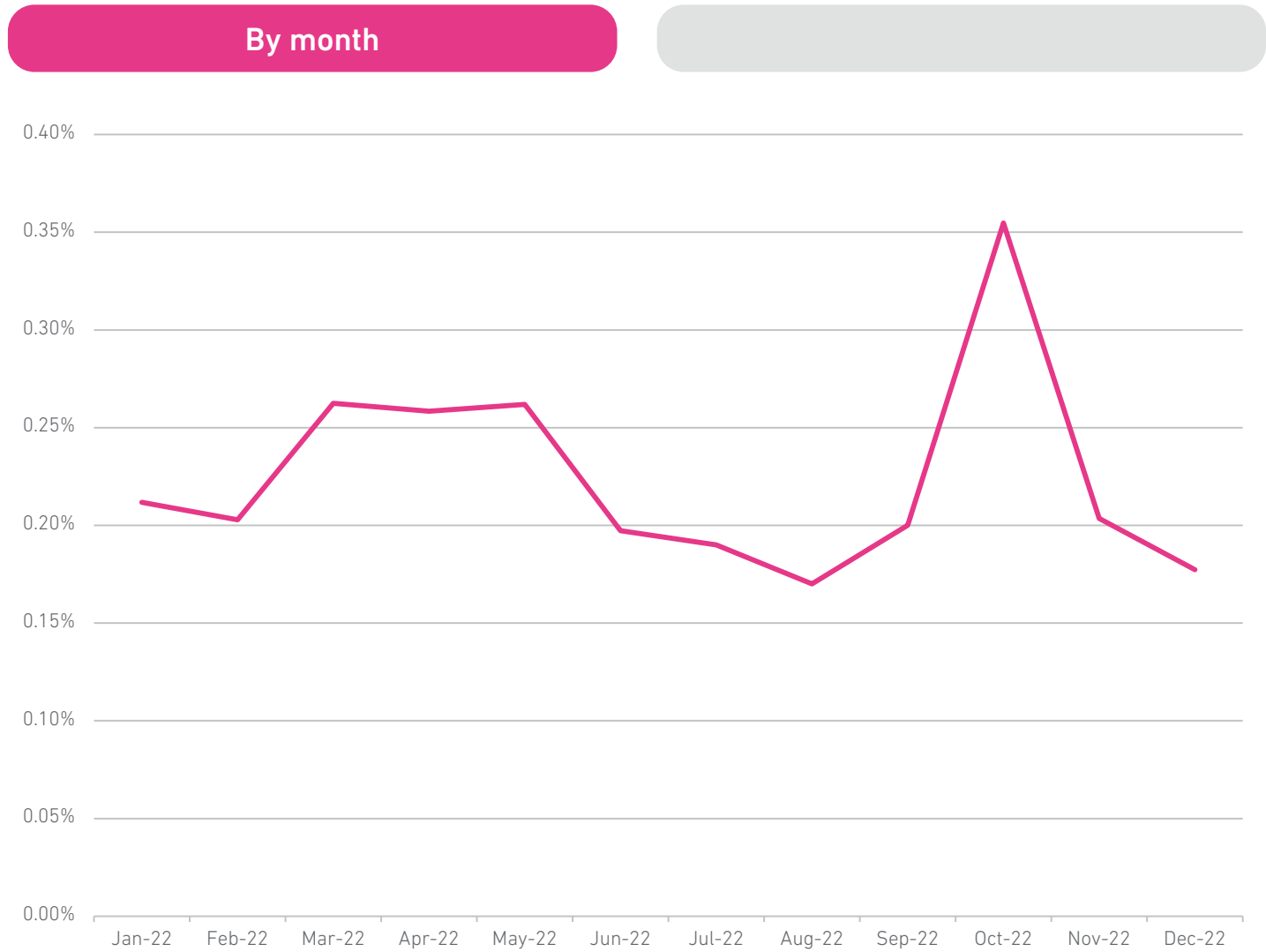
Similarly to many other products the older generations are in general at a lower risk. However, Home-equity Elders make up a significant proportion of third party fraud victims which does buck the trend seen in other products.



Loans

Fraud rate

The final quarter of 2022 opened with a significant spike in fraudulent Loan applications, reaching 0.35% in October. Following this, the fraud rate has dropped back to a similar level seen throughout the second half of the year.



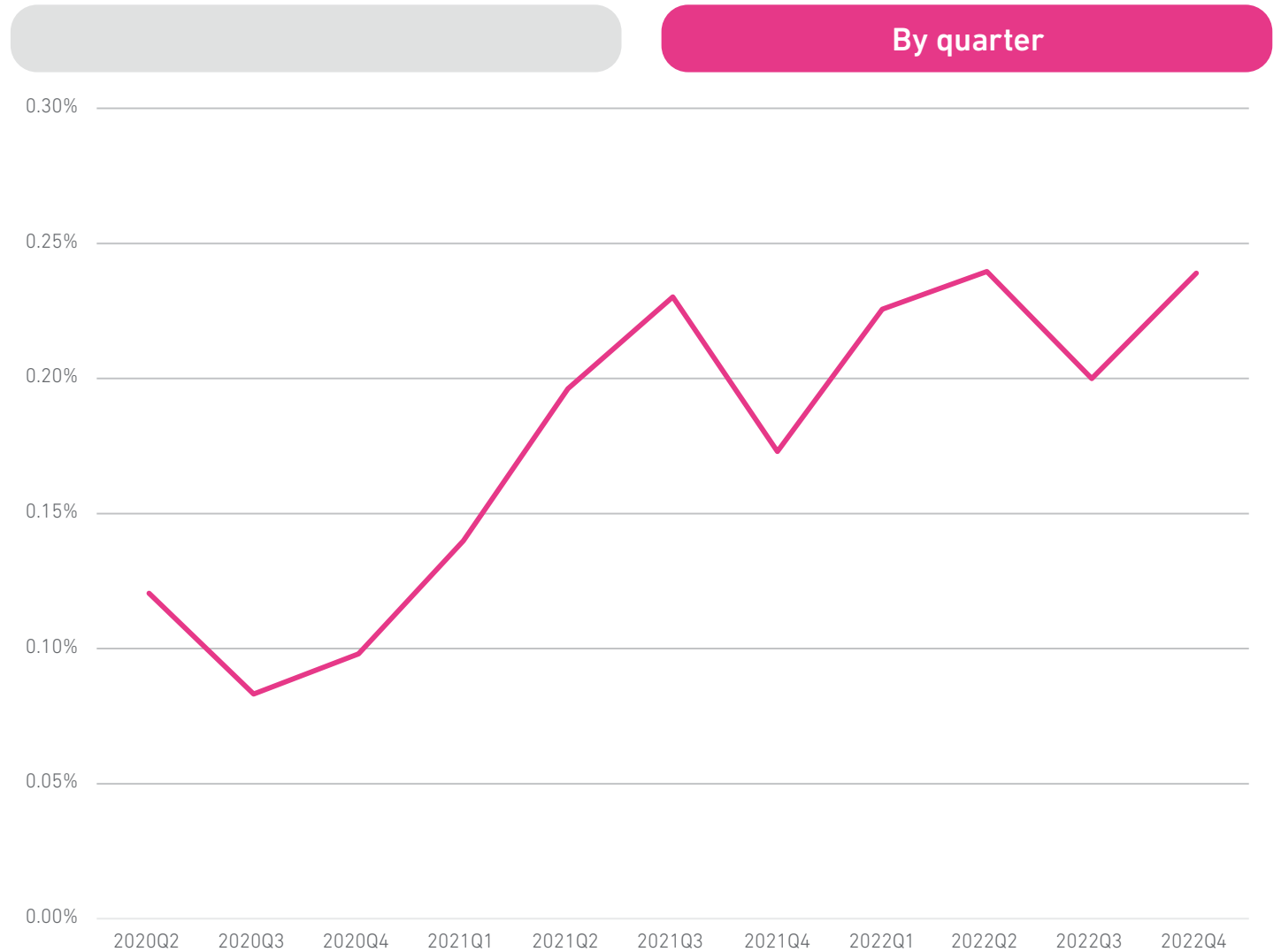
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Fraud rate

As a result of October's spike in fraud, 2022 concluded with a quarterly fraud rate of 0.24%. This remains among the highest fraud rates seen in Loans over the last 3 years.

When comparing back to 2020, fraud in the Loans space has more than doubled in the last 24 months.

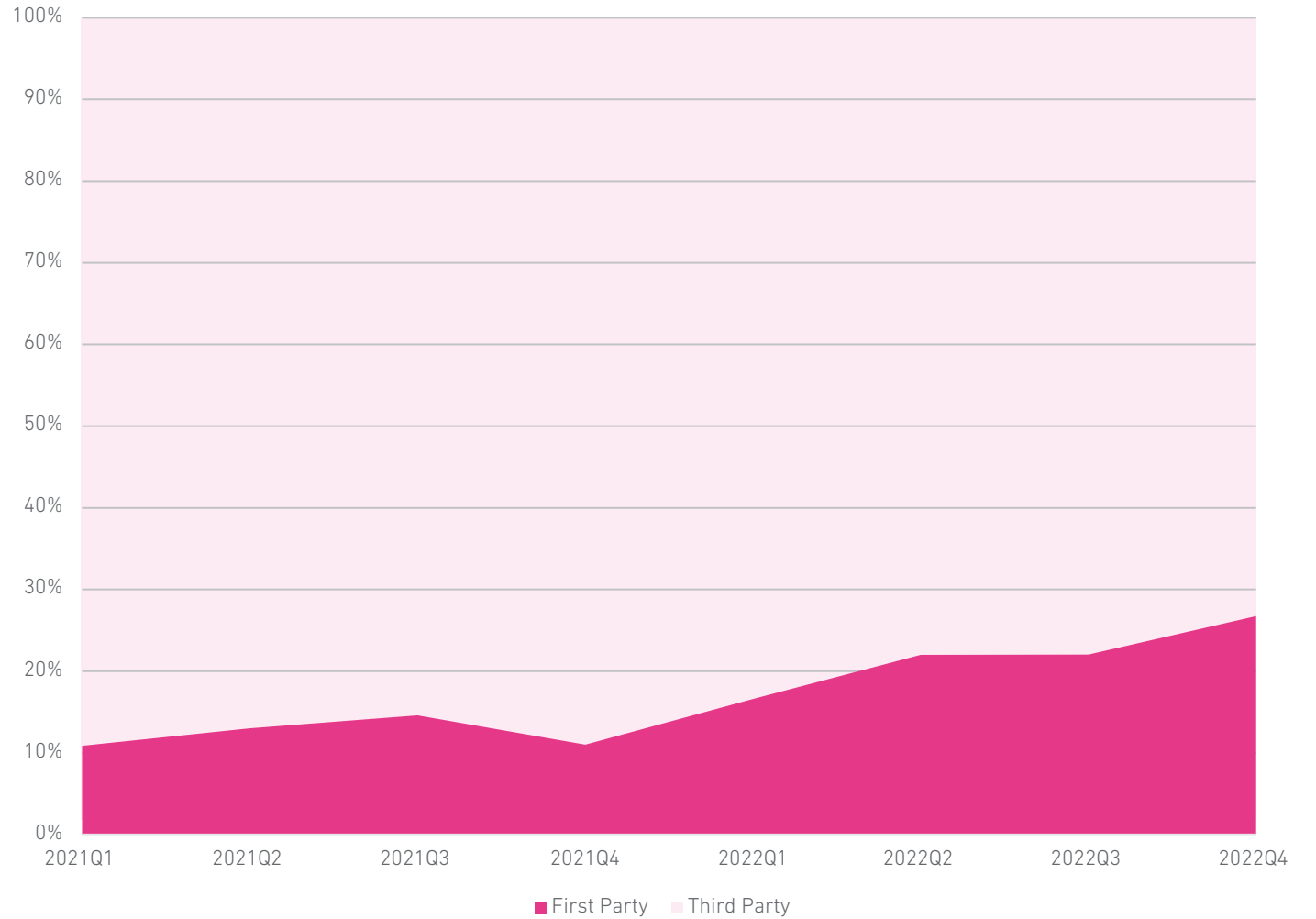
The figures suggest that households are looking to obtain additional borrowing concurrently with increases in the cost of living in the UK.



Fraud type

First party Loans fraud has continued to increase throughout 2022 and now represents 27% of all Loans fraud.

This is a significant increase from the 11% seen 12 months prior and is likely driven by increases in living costs.

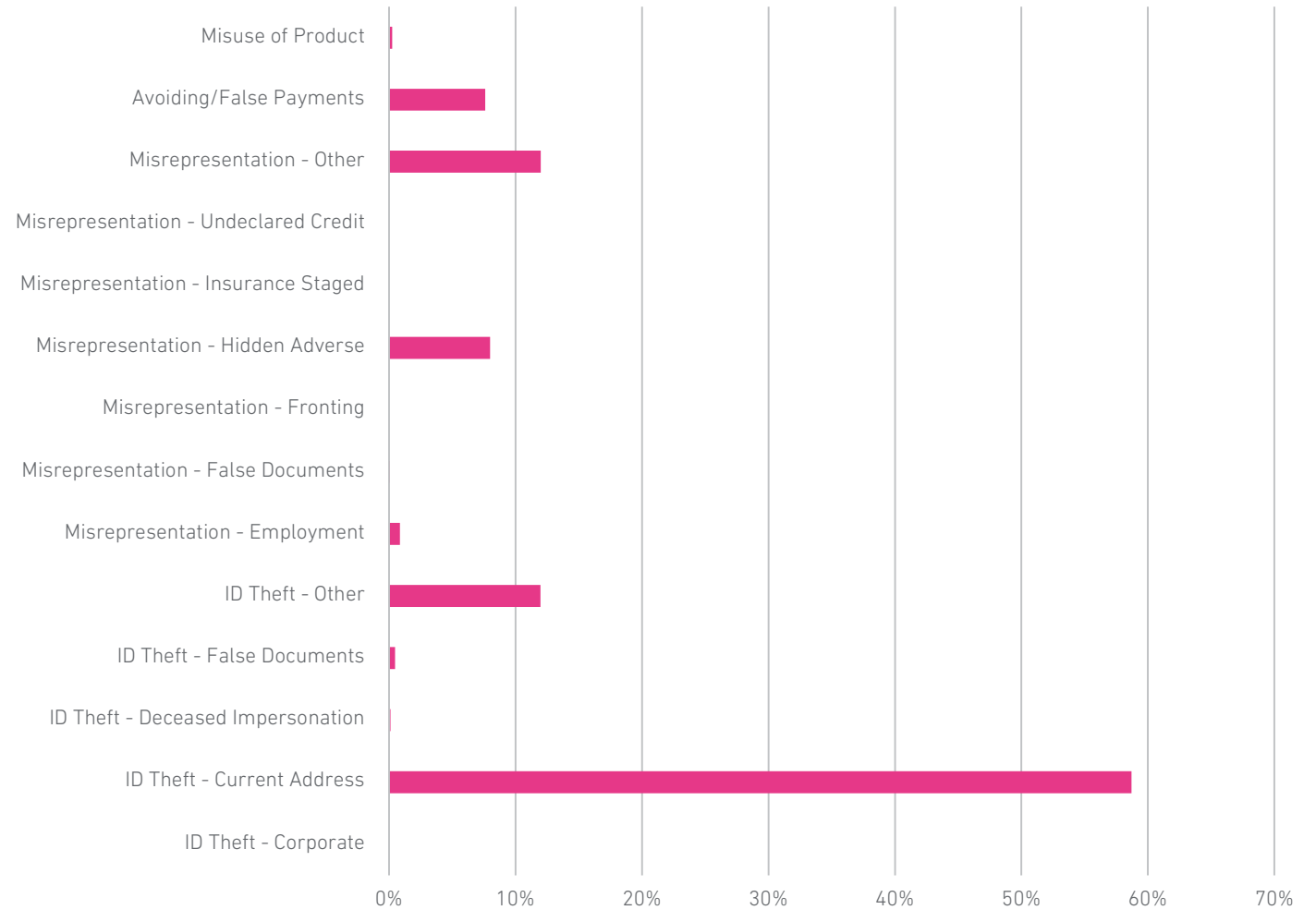


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Fraud Categories

At 59%, Current Address ID Theft remains the most recorded fraud type for Loans.

However, as first party fraud continues to become more prevalent so does its associated fraud categories with both Misrepresentation and Avoiding/False Payments increasing throughout 2022.



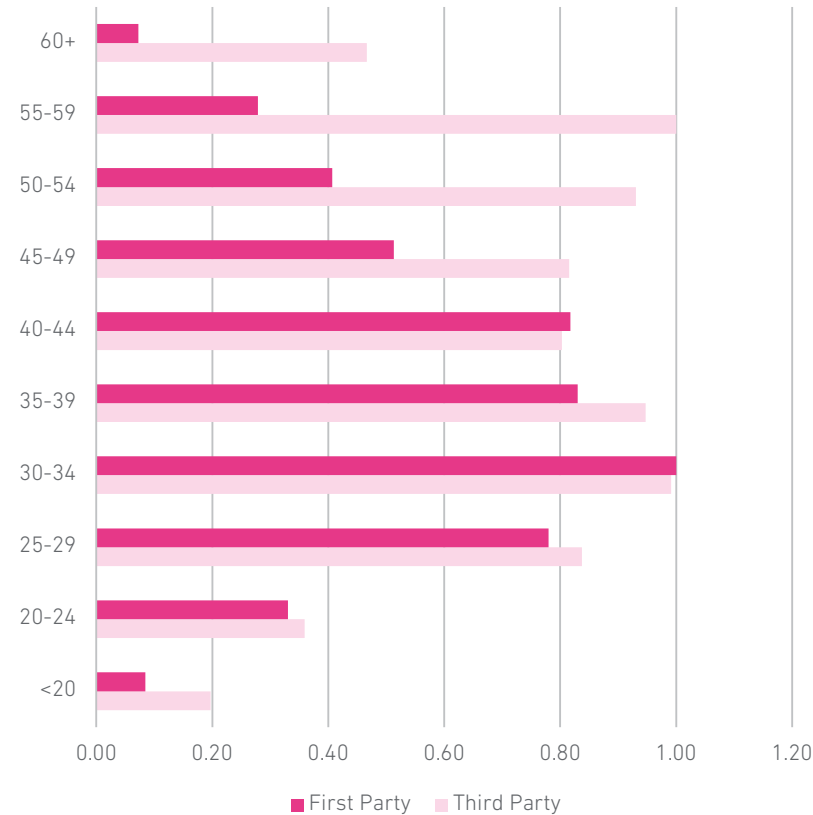
Age and Gender

Although first party fraud continues to increase, its age distribution has not changed significantly and is still focused in the 25-44 region.

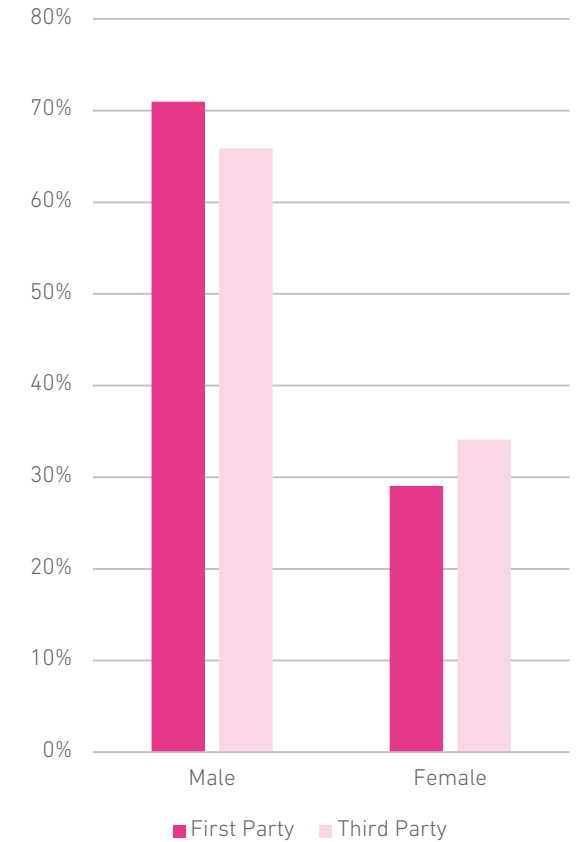
Third party fraud is more evenly distributed from ages 25+ but then drops off significantly at either end.

Gender is again skewed towards males.

Normalised and indexed age distribution



Gender distribution



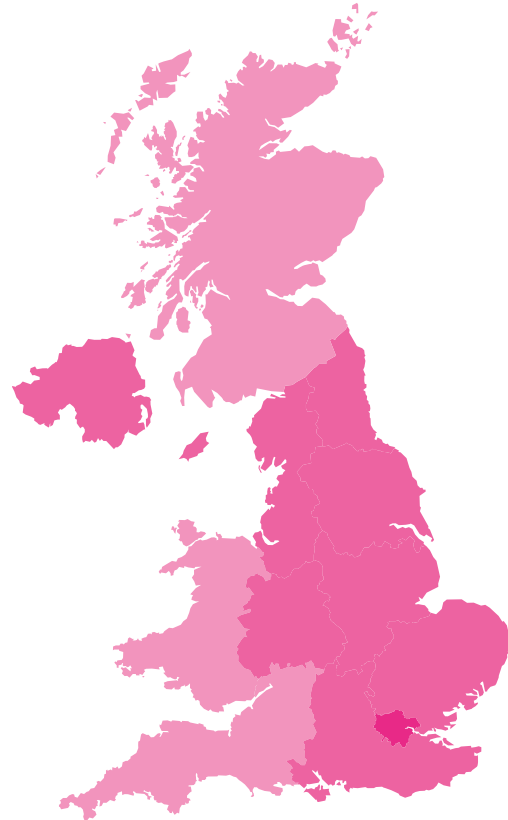
These figures are normalised based on relative population size in each age range and then indexed against the largest group (which is given a score of 1).

Geography

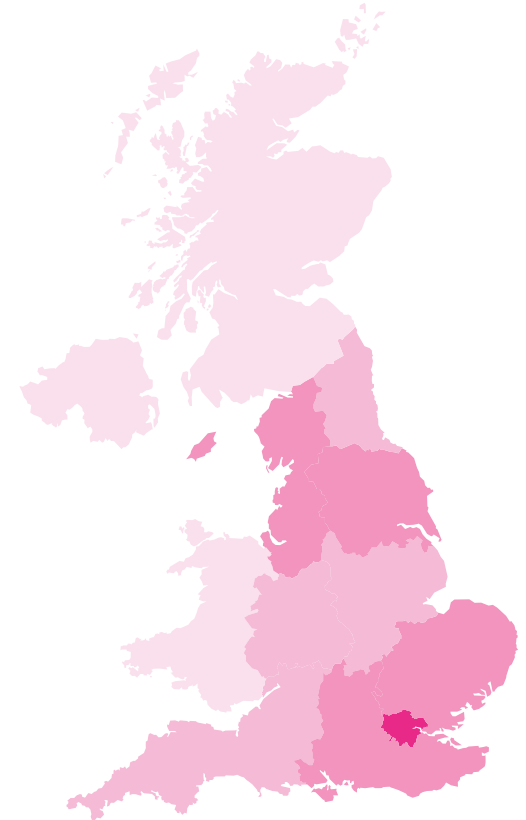
Outside of London, first party Loans fraud is evenly distributed throughout the country with only a small difference in risk between Northern Ireland, the second most risky region, and Wales, the least risky.

Third party fraud is more heavily focused within London, with the lowest risk regions being Scotland, Wales and Northern Ireland.

First party



Third party

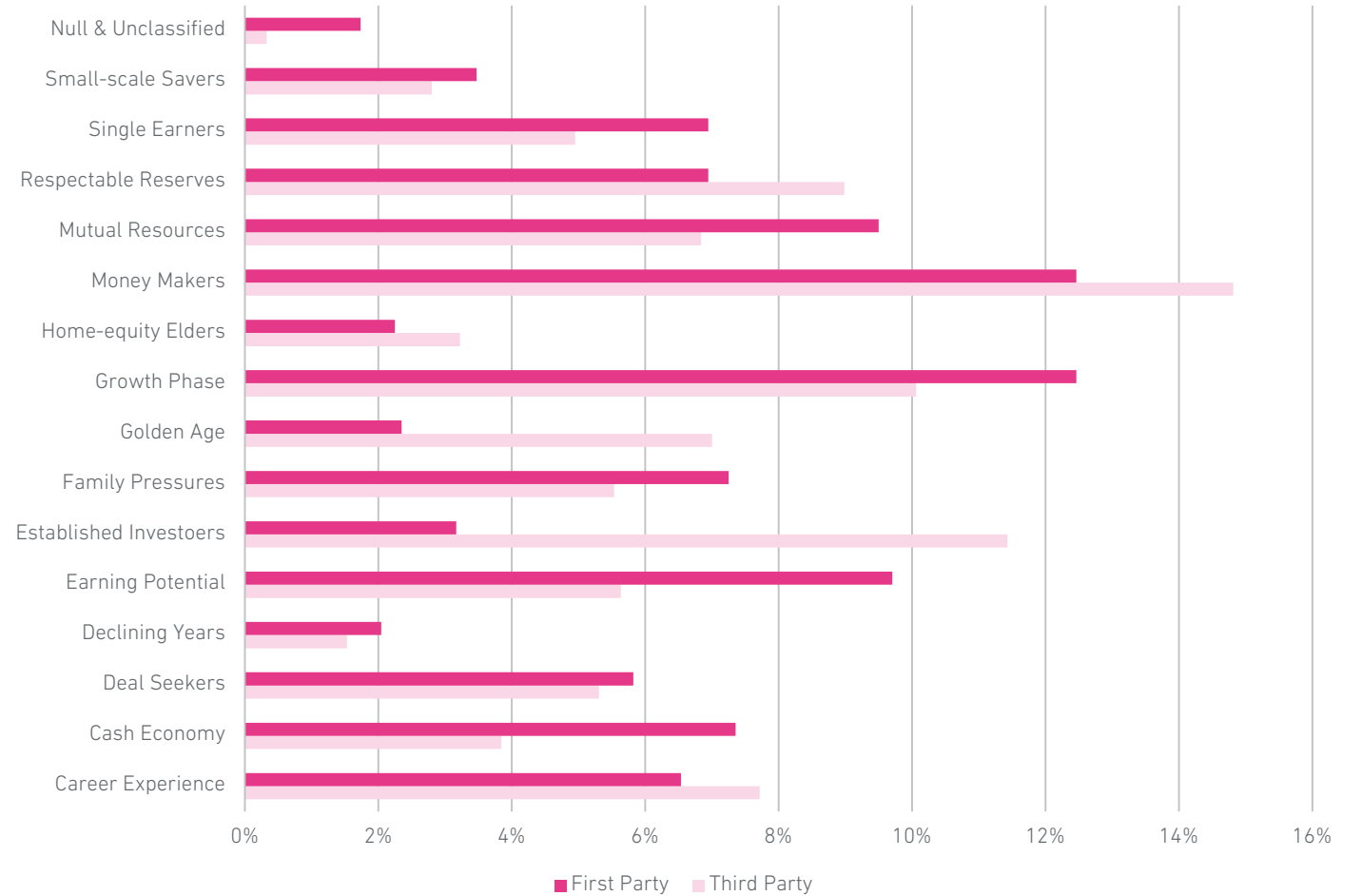


These figures are normalised based on relative regional population size and then indexed against the largest group.

Demographics

Money Makers are at the greatest risk of both committing first party fraud and being the victims of third party fraud.

Whereas Established Investors are at a significantly higher risk of being targeted by fraudsters, potentially due to the likelihood of them passing affordability checks, Earning Potential are a greater risk of falsifying information and committing first party fraud.

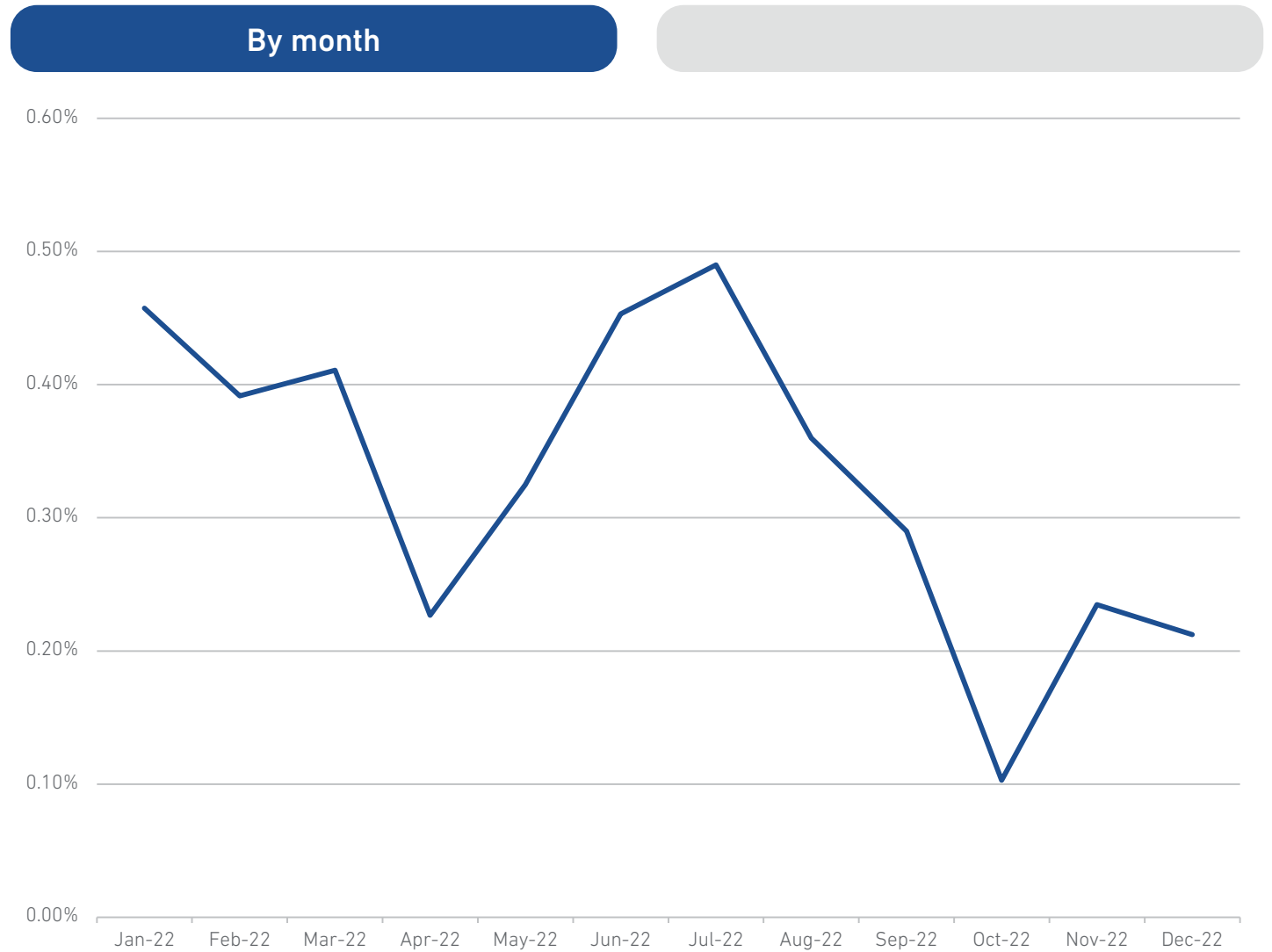


Savings Accounts

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Fraud rate

October saw the lowest monthly Savings Accounts fraud rate of the year at 0.1%. This has since climbed back north of 0.2% but is still lower than most of the monthly fraud rates seen earlier in 2022.

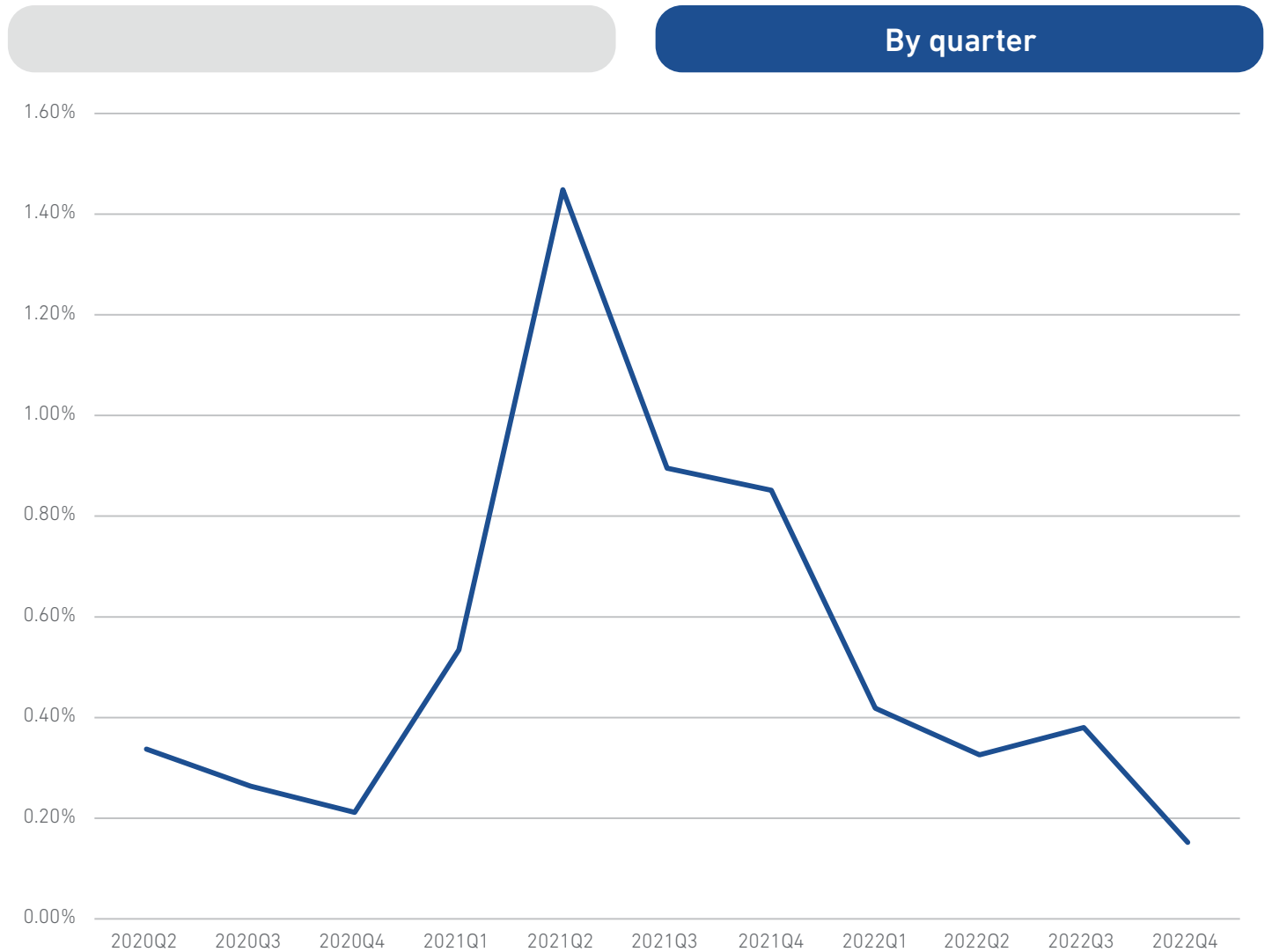


Experian Fraud Index Q4 2022

Fraud rate

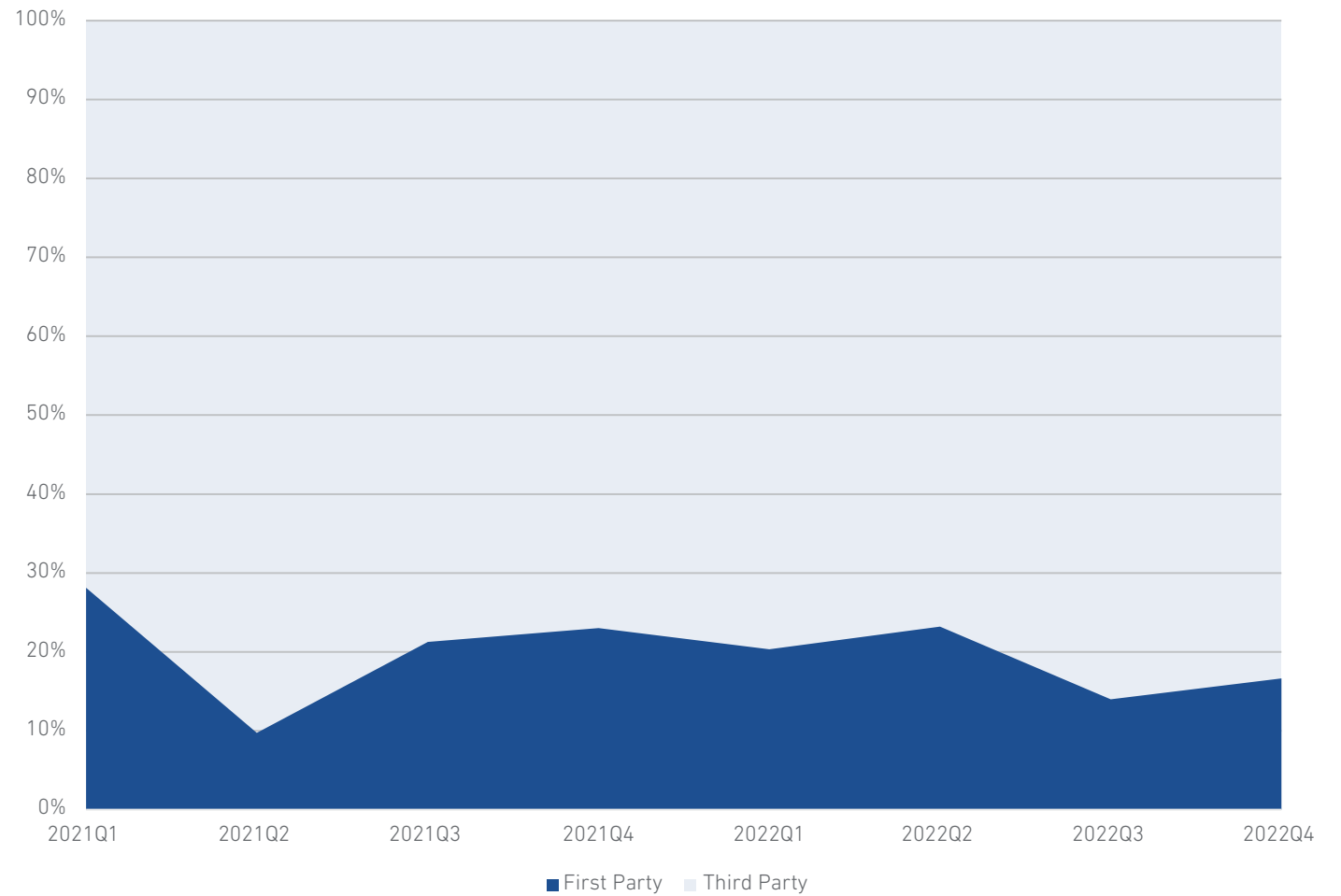
2022 concluded with the lowest fraud rate seen for several years.

A clear downward trajectory can be seen from the peak in 2021, with potentially a new baseline c.0.2% now being established.



Fraud type

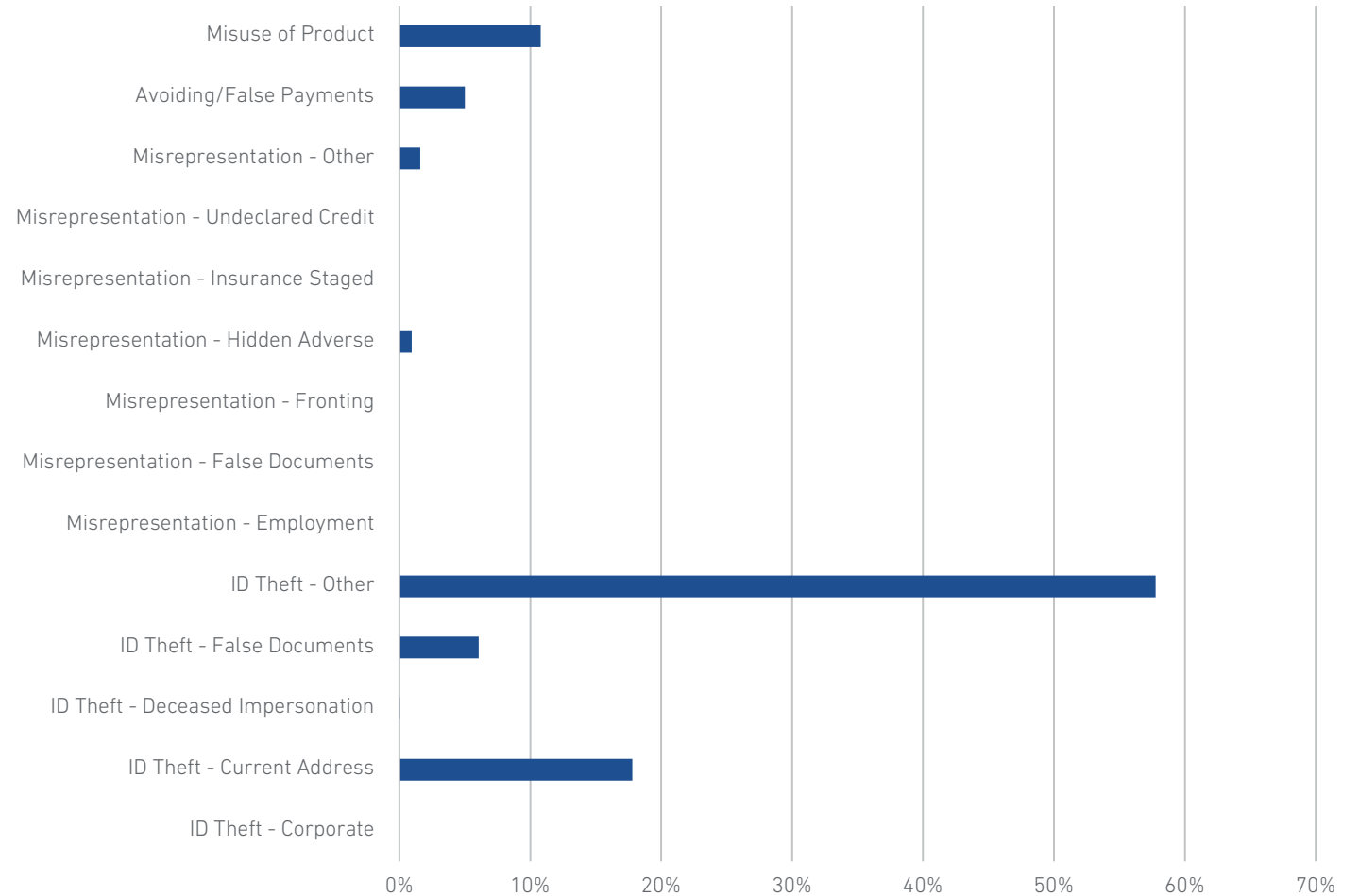
The spike in third party fraud seen in the third quarter of 2022 has retracted slightly during the final months of the year, however this still represents 83% of all Savings Account fraud.



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 16% of all Savings Accounts fraud.



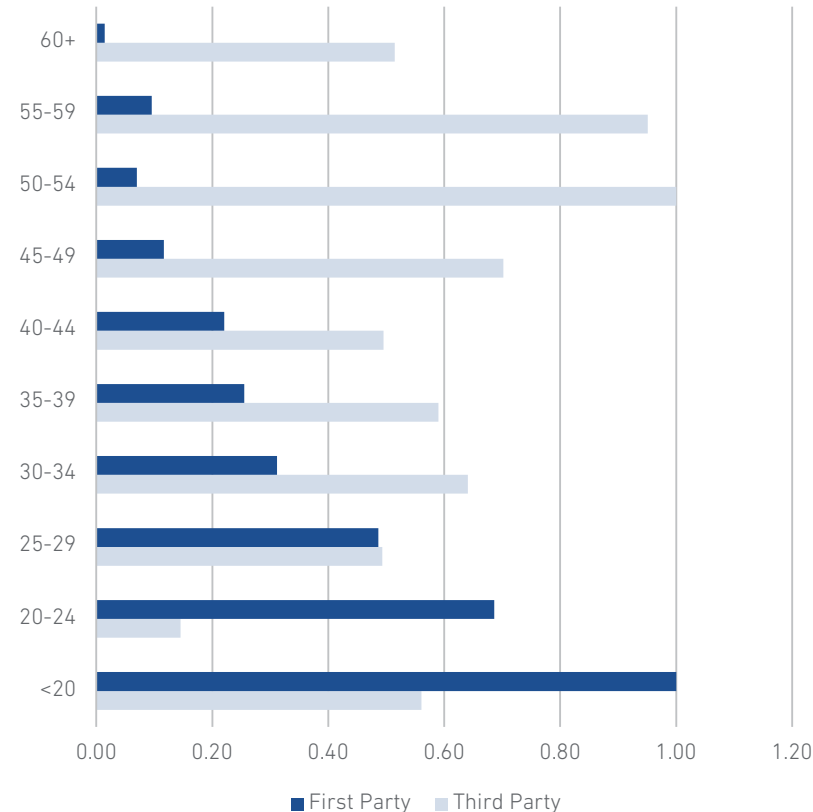
Age and Gender

Money mule activity still appears to be a key driver behind first party Savings Accounts fraud, with the age distributions demonstrating how the younger generations are predominantly targeted by recruiters.

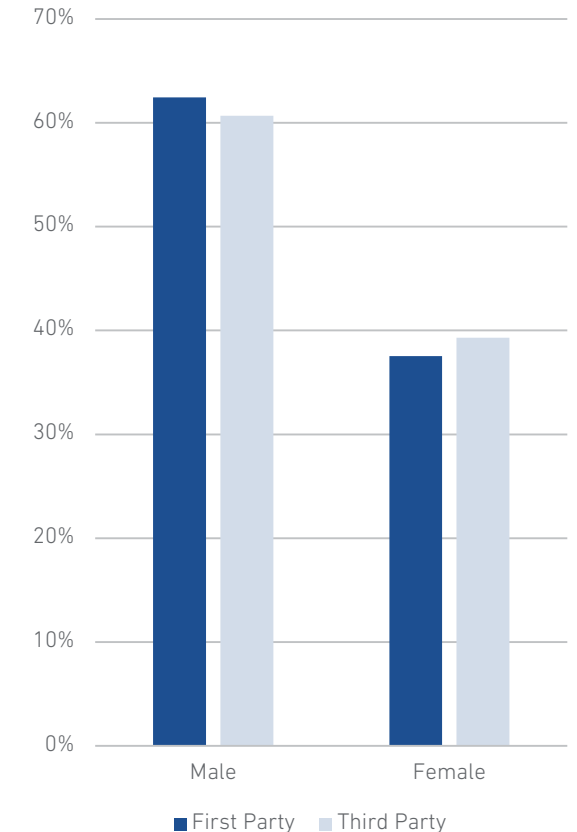
Third party fraud is more focused within the 50-59 age group where victims are more likely to have significant savings to their name.

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

Normalised and indexed age distribution



Gender distribution



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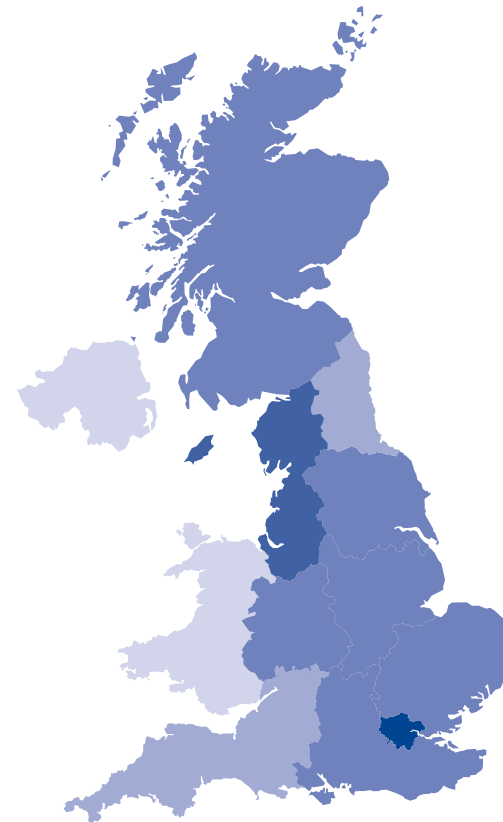
Geography

The West Midlands and South East England join London, which is top for both fraud types, as the riskiest regions for third party fraud.

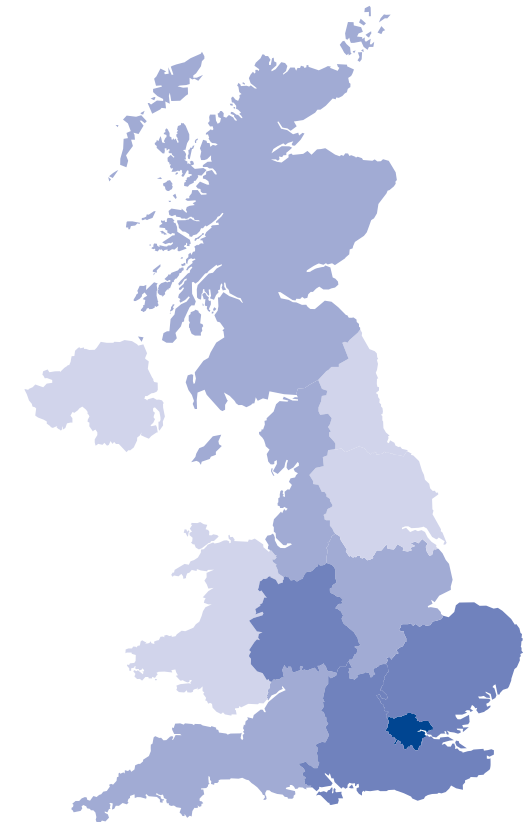
North East England, Northern Ireland and Wales remain the least risky for a second successive quarter.

For first party fraud, joining London are North West England and the West Midlands. In terms of least first party risk, Northern Ireland, Wales and South West England show the lowest rates.

First party



Third party



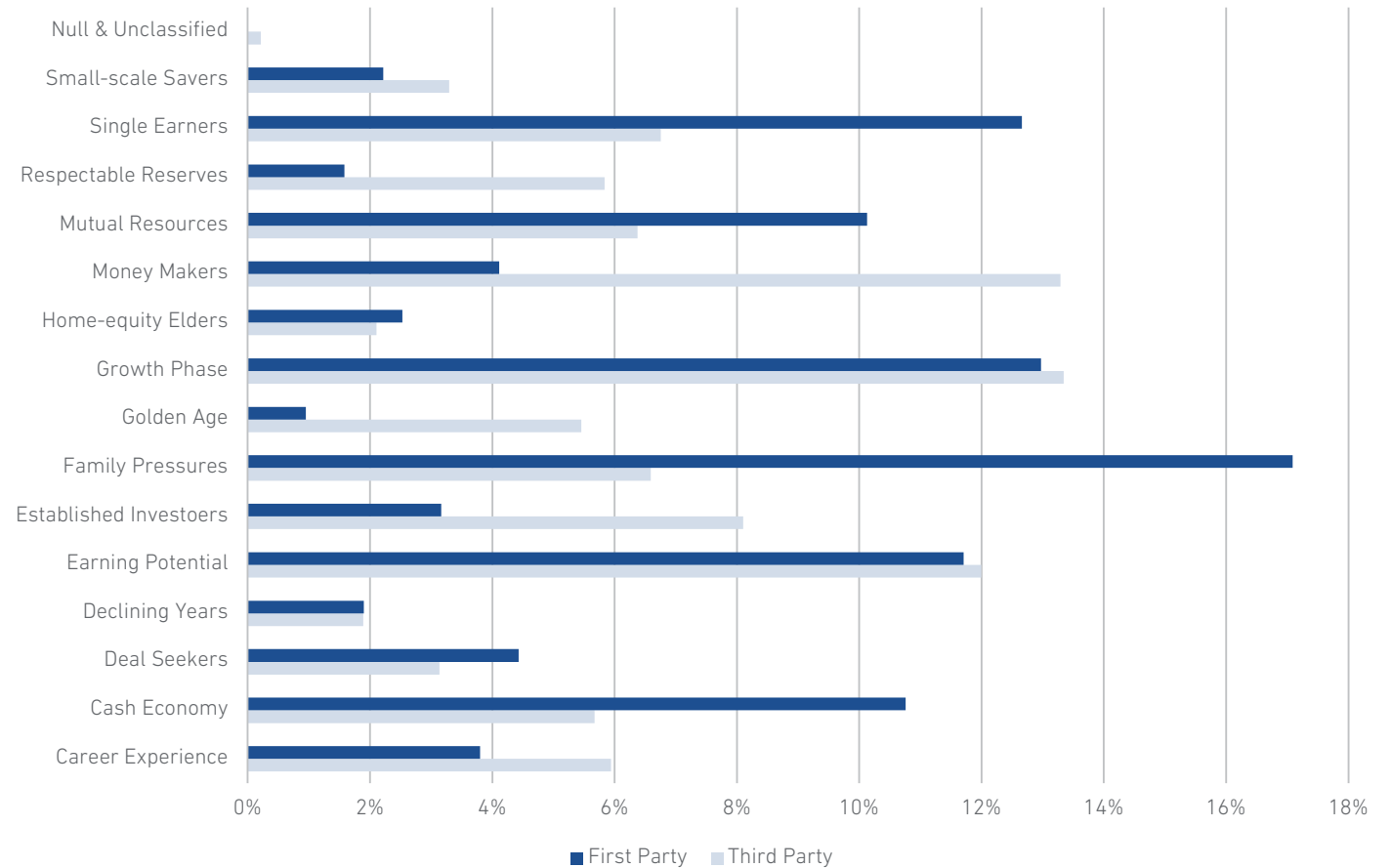
These figures are normalised based on relative regional population size and then indexed against the largest group.

Demographics

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

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

Two of the older age groups, Declining Years and Home-equity Elders, remain among the lowest risk for both first and third party fraud, however Golden Age are at a notably higher risk of being targeted by fraudsters.





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