

2021 UK&I Identity and Fraud Spotlight: Highlights from the global identity and fraud report

Fraud prevention for building trust and experience in a digital age

May 2021



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Summary

This report provides highlights and context around the priorities for identity and fraud management. It delves into business, consumer and Experian viewpoints – discussing, debating and posing questions.

In reviewing this report, the question for UK businesses is how to create an environment where fraud and identity checks are integrated seamlessly into the customer journey, without disrupting the fast and easy digital experiences consumers expect.



Introduction: understanding fraud and identity risks

The Covid-19 pandemic has accelerated demand for digital and online customer experiences. To keep pace, businesses have rapidly transformed their operations to accommodate new digital services and onboarding capabilities, while fulfilling consumer expectations for fast, easy and secure interactions.

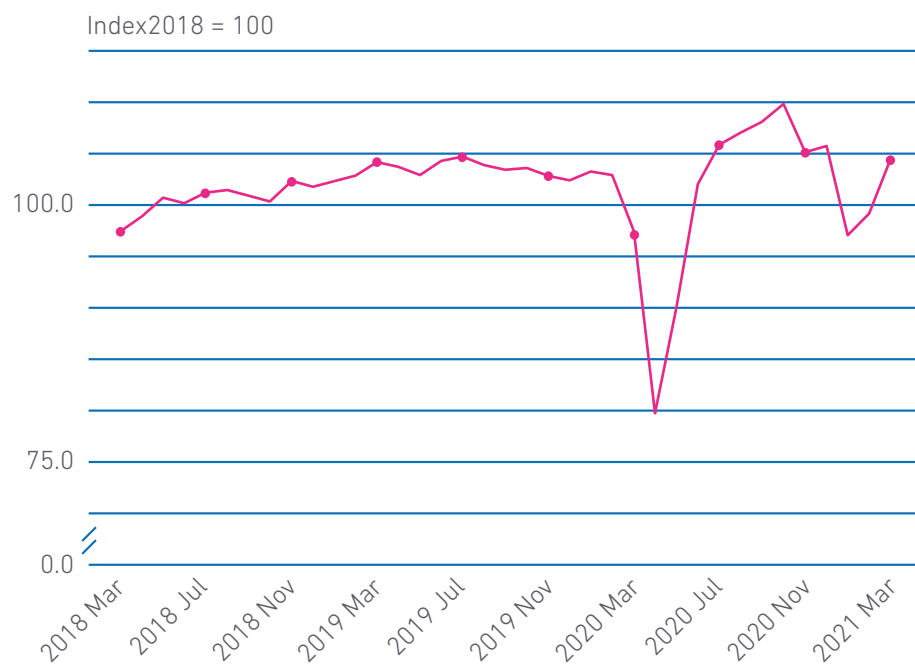
However, the rapid rise in digital activity has created new opportunities for fraudsters, exposing businesses and consumers to increased risks of fraud, identity theft and data breaches.

During the pandemic, the UK credit market has continually changed. Critically, in the first few months, credit applications virtually ceased across all products, apart from retail finance. This, of course, produced a corresponding decline in fraud levels. Since then, credit applications and fraud have begun to rise once more, but are still lower than pre-pandemic levels.



In addition, the types of customer applying for credit changed during the pandemic. We saw people in the lower credit score bands conducting more soft searches and multiple applications. These consumers are likely to need credit to manage their bills and it is well known that when people are financially vulnerable, fraud levels rise. The challenge for lenders is to understand whether fraud is born of desperation or criminal intent.

Volume sales, seasonally adjusted, Great Britain, March 2018 to March 2021



Source: Office for National Statistics (ONS) – March 2021.



With more people than ever buying and transacting online, fraud prevention has become increasingly critical and it is vital that businesses embed it smoothly within their customer journeys. If businesses want to continue to meet customer expectations while upholding security standards in the digital marketplace, they need to redouble their efforts in fraud detection and prevention.

Customer journeys need to be designed with the right security checks built in. Otherwise, as digitisation accelerates and customer onboarding and acquisition strategies bring new lending on board, fraud-related losses will continue to rise. The consequence will be a deterioration in trust from customers and, while short-term acquisition goals may be realised, long-term losses will be the ultimate consequence.

About this report

Research methodology

Experian conducted global research from June 2020 to January 2021, including surveying 900 consumers and 270 businesses across the UK. The global and regional trends marked notable changes in consumer preferences and the focus of businesses throughout the pandemic.

This report focuses on the UK trends. Should you want to read the global comparisons, **[please click here to view the report.](#)**



9,000

consumers surveyed globally
(900 UK consumers)
18-75+ years old.



2,700

businesses surveyed globally
(270 UK businesses)
\$10M-\$1B in revenue.



3

fieldwork waves:
June 2020, September 2020,
January 2021.



10

While we focus on UK&I results,
global comparisons are derived from:
Australia, Brazil, Germany, France, India,
Japan, Singapore, Spain, the UK and US.

Our research findings



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Digitisation trends



Business viewpoint

Last year, businesses moved fast to meet the growing demand for digital transactions. According to our research, businesses are looking to technology to help make the customer journey a more fluid and positive digital customer experience.

Strategies to recognise and authenticate customer identities became essential too. **80%** of UK businesses have a strategy in place for customer recognition.

For the year ahead, UK businesses are looking for ways to improve their digital customer services, with investments in fraud management, AI and decisioning software. They also want to increase internal staff to provide that human touch when customers need it.

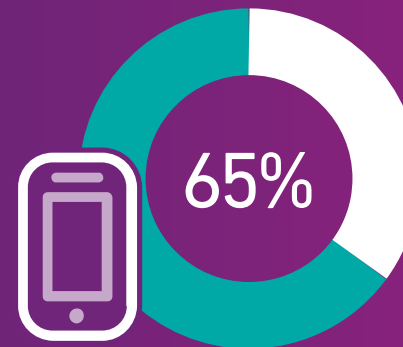


Consumer viewpoint

Over the past year, consumers have increased their use of online channels. Online banking increased from **37%** in June 2020 to **40%** by January 2021. Consumers aged over 40 are more likely to use online banking – **40%** compared to **36%** of those under the age of 40.

However, more younger consumers are applying for loans, **12%** compared to **5%** and they are also ordering more food and groceries online.

The use of mobile wallets is strongest among older consumers. Perhaps to be expected – retail apps, service provider payments and QR codes are used more by younger consumers. In the UK, **65%** of consumers use mobile wallets compared to **70%** globally.



65% of consumers have used a universal mobile wallet, a **-8%** change between Sept 2020-Jan 2021.

While in the early days of the pandemic consumers had some tolerance for sub-optimal digital experiences, now that digitisation is part of everyday life consumers have even higher expectations. They also want to have confidence in the security of their online transactions. Businesses that are able to conduct robust security checks without disrupting the customer experience are in a stronger position to build the trust and loyalty essential for business growth.

"It's critical businesses are confident in who they are dealing with and protect their customers by identifying suspicious activity. This is not only at the point of log-in but throughout all points of the digital interaction."

Eduardo Castro, Managing Director, Identity & Fraud, Experian UK&I



Experian viewpoint

As businesses strive to grow in the post-pandemic period, this drive must be accompanied by a focus on security and fraud prevention – implementing the relevant checks and procedures at every stage of the customer journey. It's in the interests of businesses to protect their customers against common types of fraud, such as new application fraud and account takeover fraud, not just during onboarding, but throughout the customer lifetime, in order to build confidence and loyalty.

By incorporating the relevant authentication and fraud prevention procedures into every digital channel and life-stage, businesses can build trust, improve retention levels and create opportunities to win more customers in the digital marketplace.



Do you have access to the best data and technologies to understand the causes of fraud? How are you integrating fraud prevention measures into your customer journey? Has this brought a reduction to fraud levels?

Investment priorities



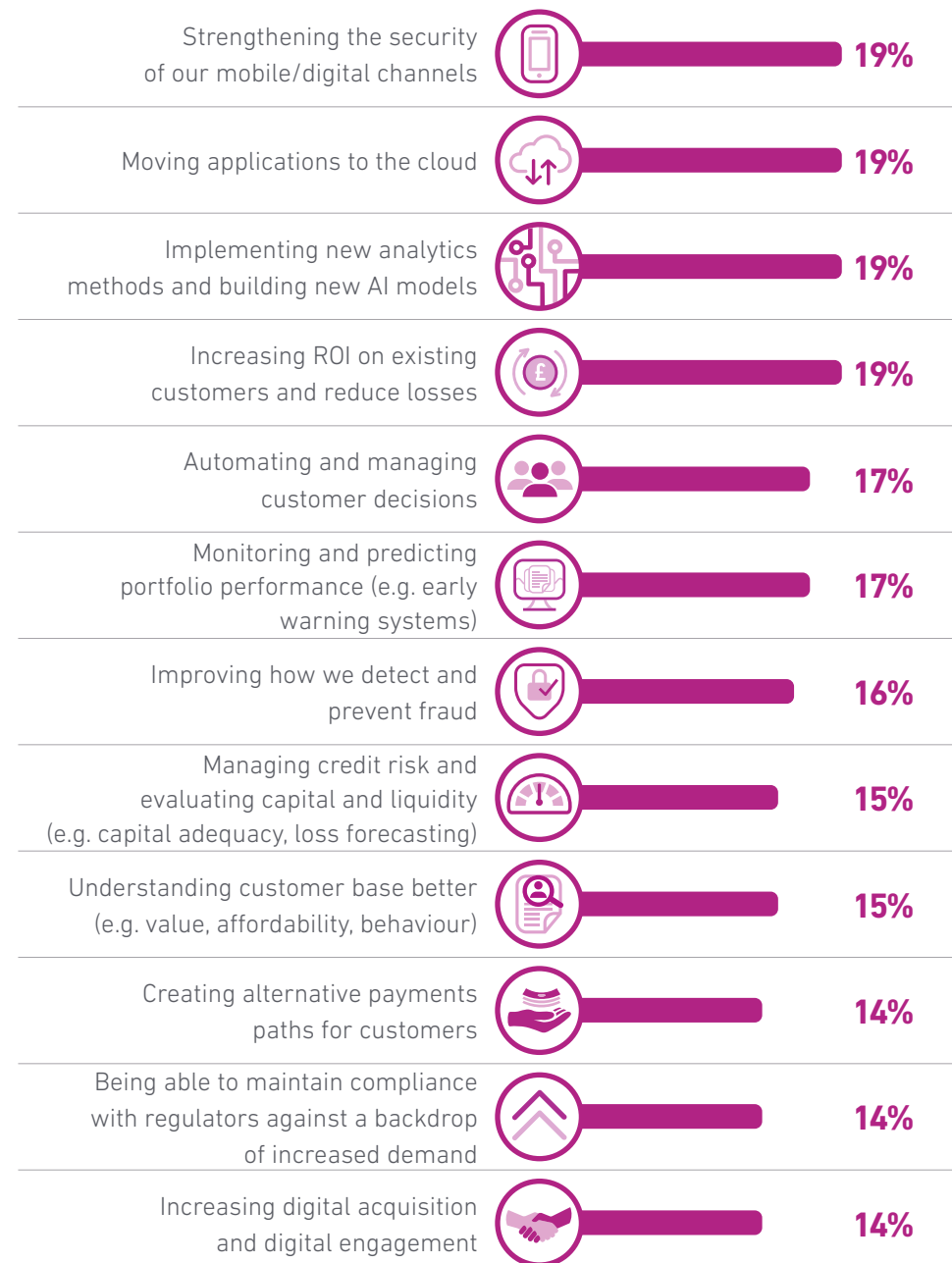
Business viewpoint

UK businesses identified a number of top investment priorities to support growth and build customer confidence – this is in line with global trends.

The top focus areas for investment in the year ahead include:

- Strengthening the security of mobile and digital channels.
- Moving applications to the cloud.
- Implementing new analytics methods and building new artificial intelligence (AI) models to improve customer decisions.
- Increasing return on investment from (ROI) existing customers and reducing losses.

Top investment priorities for UK businesses include:



Technology in 2021 and the digital customer journey

Top ways UK businesses believe that technology will help with their digital customer journey:



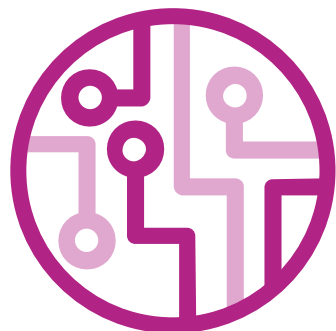
21%

Improve how we detect and prevent fraud.



19%

Ability to manage compliance with regulators against a backdrop of increased demand.



19%

Improve the performance of existing Artificial Intelligence (AI) models with the goal of improving customer decisions.

Businesses in the UK remain focused on reducing friction during the digital customer experience – directing resources towards increasing internal staff while investing in advanced analytics, fraud detection methods and digital decisioning software.

UK priorities to improve digital customer experience include:

11%

Investment in fraud detection methods.

10%

Investment in advanced analytics.

10%

Increasing internal staff and support for digital operations.

When it comes to using technology in the future, the number-one priority for UK businesses is to improve how they detect and prevent fraud. The next priorities for technology investments are to improve compliance management and improve existing artificial intelligence (AI) models for customer decision-making.

With the growing belief that budgets will remain the same over the next six months, businesses will be focusing on optimising the investments they've already made in software to meet their fraud detection and prevention priorities, and support improvements to the digital customer journey.



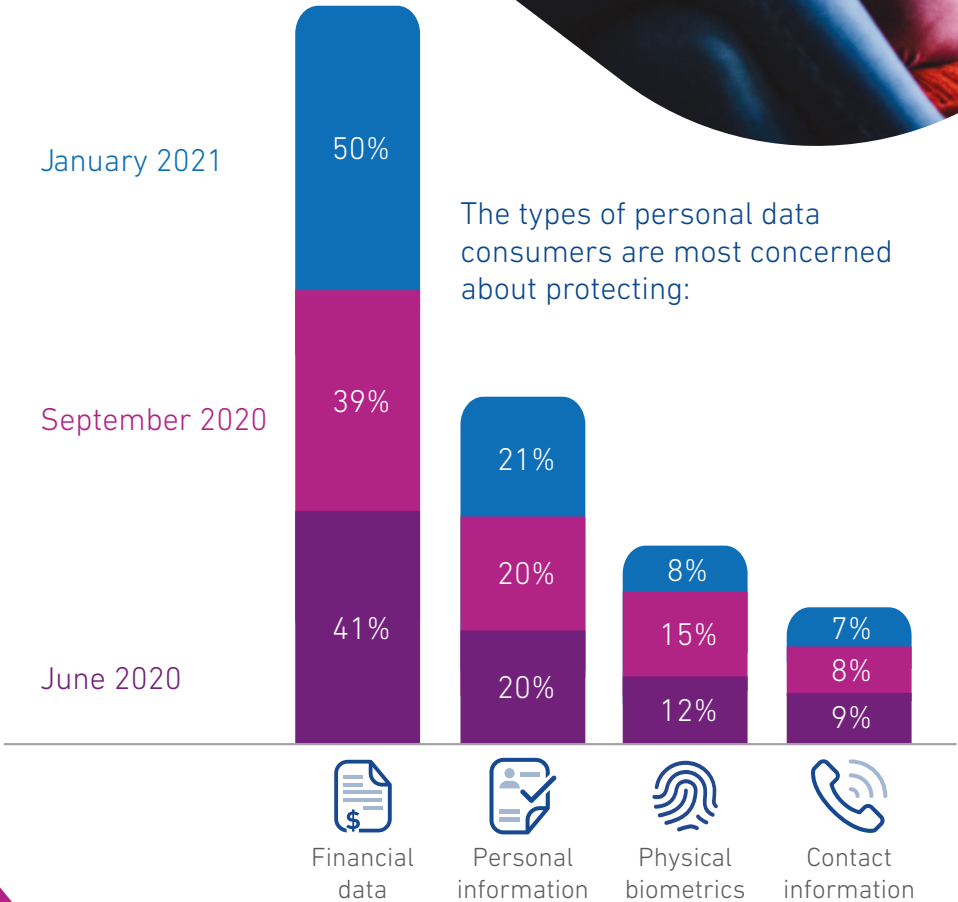
Consumer viewpoint

Our consumer research findings show that in the increasingly digitised marketplace online security is a top concern for consumers. **62%** of consumers said security was their top priority. Globally, consumers have higher levels of concerns about their online privacy compared to consumers in the UK.



62% of consumers say security is their top priority online. This is similar to the global trend over the past 5 years of our study, with privacy (19%) second.

When it comes to transacting online, UK consumers are most concerned about protecting their financial data (**50%**). They are much less concerned about protecting personal information (**21%**) or physical biometrics (**8%**).






It seems that prioritising security in mobile and digital channels is a smart move for businesses, since this is the primary concern for consumers transacting online. There is an opportunity for businesses to educate customers about the importance of safeguarding their personal information, as well as their financial data – since stealing personal information and identities can allow criminals to access a whole range of online services.

Providing education and advice on online security could be an important way for businesses to build loyalty among consumers. Businesses that successfully secure their digital experiences can further win consumer trust and gain access to a wider range of data to personalise the customer relationship at every touchpoint.

“There’s an opportunity for businesses to more freely adopt and incorporate invisible security solutions that don’t rely so heavily on customer involvement and interaction.”

David Britton, Vice President of Industry Solutions, Experian Global Identity & Fraud

A photograph of a woman with blonde hair tied back, wearing a white short-sleeved button-down shirt and a watch, sitting at a desk and working on a laptop. She is holding a white mug with her left hand. The background is a bright, modern office space with a green plant and a white wall.

Q: Are you doing enough to keep consumers safe online? What are you doing to build trust and confidence among consumers? How safe do they feel when transacting with you?

Customer authentication and fraud management



Business viewpoint

Business attitudes towards fraud detection and prevention have remained constant since before the pandemic, which is good news for consumers. Our research showed that businesses appreciate the benefits of long-term investments in customer recognition to combat fraud, although in the UK strategies to recognise customers digitally softened between June 2020 and January 2021. This is likely due to many already having accelerated means to do this, earlier on in the year.

January 2021

- On average, **80%** of UK businesses have a digital online identity strategy (customer recognition strategy) in place.
- Rates were highest in retail banking, with **95%** of UK businesses having a customer recognition strategy.
- In the UK, rates were lowest in financial services, with only **72%** having a customer recognition strategy.

Fraud management budgets look set to remain the same in the near future, with research showing that the intention to add to existing fraud management budgets dipped over the research period.

Overall, the most common fraud detection and protection solutions are security measures in customers' devices, use of passwords and multi-factor/two-factor authentication. In January 2021, the use of security questions was the most common fraud detection and prevention solution used by UK businesses.

Fraud prevention solutions in the UK align with global measures:



20%

Use of security questions.



19%

Security measures in customers' devices.



18%

Document verification.



17%

Use of passwords.



17%

Use of PIN codes.



Consumer viewpoint

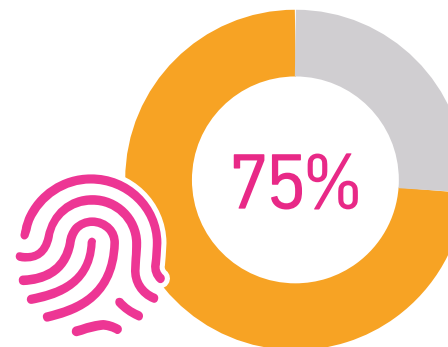
Consumers remain concerned about fraudulent activity while online and continue to expect high levels of security and data protection from businesses to counter these threats.

Consumer preferences for online security and fraud prevention methods have shifted towards invisible solutions, such as physical and behavioural biometrics, as well as PIN codes sent to devices.

It's interesting to note that, for the first time passwords did not feature in the top three most secure methods as perceived by consumers. The trend seems to be towards more elegant, invisible and frictionless consumer recognition systems.

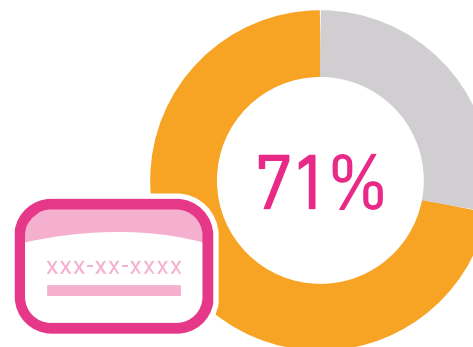


UK preferences are shifting towards invisible security:



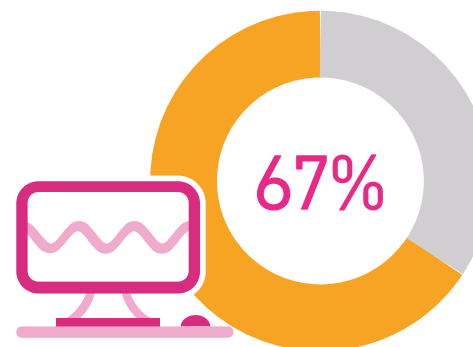
Physical biometrics

Mostly applicable to mobile devices and include facial recognition and fingerprints.



PIN code to device

Requires the use of two devices, each connected to the user's account.



Behavioural biometrics

Passively observed signals across browsers/devices requiring no effort from the consumer.

The research found that UK consumers are increasingly willing to share personal data with businesses with which they have a long-standing relationship. Older consumers (40+) are more willing to share more types of personal data with trusted businesses; younger consumers are more willing to share biometric (physical and behavioural) data.



“Now more than ever businesses need to get the balance right between having the best fraud prevention solutions and still offering customers a quick and seamless journey. With the right technology most of the required checks can be done invisibly whilst onboarding the customer.”

Traci Krepper, Head of Propositions and Portfolio Marketing, Experian UK&I



Experian viewpoint

Even as UK businesses prioritise the customer experience, it's encouraging to see they are sustaining pre-pandemic levels of investment in customer authentication and fraud prevention. Reassuringly, businesses in the UK are placing more emphasis on fraud detection than revenue generation – contrary to the global trend.

However, comparing businesses' security measures with consumer preferences reveals an interesting disconnect. The most common measures used by businesses (use of security questions and passwords) do not feature in the top three preferences for consumers who perceive more invisible forms of identity verification as more secure.

Businesses need to optimise their investments in authentication and fraud prevention solutions, so it's vital to match these investments to consumer demand. Consumers consistently say they'll abandon an online transaction if they have to wait more than 30 seconds for security checks. Therefore, businesses need to make fraud prevention methods as fast and seamless as possible without compromising their effectiveness.

Q: **Is your business optimising its investments in customer authentication and fraud prevention? How are you keeping pace with changing consumer preferences?**

Analytics



Business viewpoint

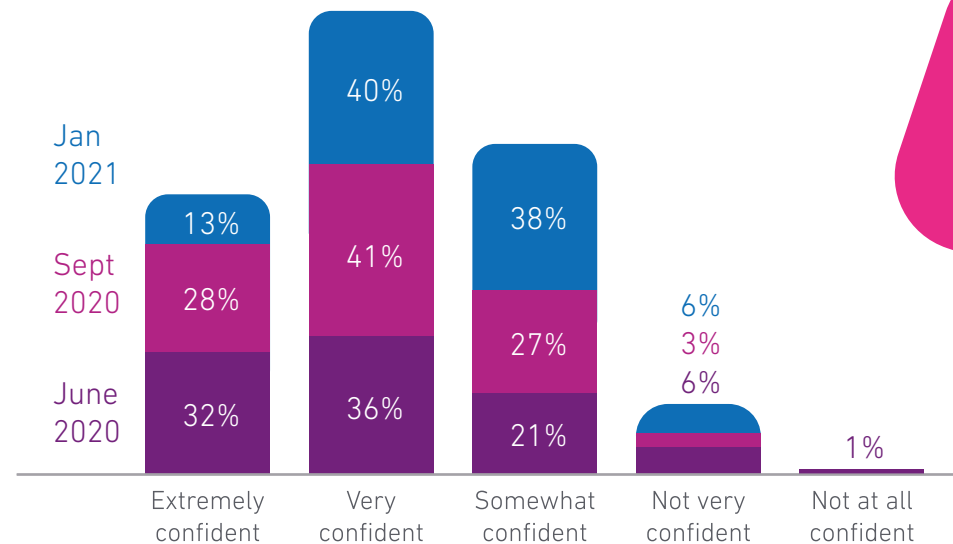
There is a desire among both UK and global businesses to enhance current analytics models. However, budgets are increasingly constrained, and “extreme” confidence in the effectiveness of analytical models is falling.

Businesses in the UK also expressed less confidence that they have the right metrics and KPIs in place to effectively manage fraud (**-12% decline from September 2020 to January 2021**). They are also feeling constrained when it comes to using analytics to inform customer decisions, such as recommending a product or offer, and declining or approving an application for credit.

A lack of historical data is one of the most common factors impacting the efficacy of analytical models. To make up for this, the most common solutions adopted by UK businesses are to invest in customer behavioural profiling (**51%**), to explore new and alternative data sources (**48%**) and to ask consumers to contribute more information (**42%**).



Confidence in existing analytics models:





While many businesses have invested in data science, analytics and machine learning to support their decision-making, these models can become less effective over time if businesses do not continually evolve, monitor and scale these tools to suit the changing marketplace.

That's why we are seeing increasing concerns about the effectiveness of analytics in our research, and the desire among businesses to build new analytic models into their technology strategies. Doing so will enable businesses to benefit from a virtuous cycle of monitoring, improving and deploying effective analytics, which makes decision-making more dynamic, secure and future proof.

Experian constantly invests in analytics and machine learning for fraud prevention, enabling businesses to enhance their analytics models continuously and improve the speed and accuracy of decision-making. This agile technology can also draw data from multiple sources to compensate for any lack of historical data – ensuring businesses continue to have an accurate and up-to-date view of their customers.



"AI is a common tool for preventing and detecting fraud, or validating identity, and more and more businesses are starting to use it to make better fraud decisions. With the correct governance and monitoring, AI can be a great way to better target fraudsters attacking your organisation and minimise the impact on your genuine customers."

Chris Farmer, Fraud Product Director, Experian UK&I

Q:

How will you ensure your analytics models can accurately support your decision-making as the market evolves? Are you investing in the right technologies to create seamless and secure customer journeys?

How Experian can help

Real-time analytics and fraud detection

Businesses need to find ways to continually improve the customer experience, while protecting consumer identities and information. When it comes to making fast, accurate decisions on credit risk, fraud and identity management, technology and analytics play a central role. Combating fraud relies on incorporating continuous authentication and advanced recognition into your decision-making strategy.

Experian has a proven track record in delivering solutions to protect businesses and their customers. We can help you build trusted relationships with legitimate customers at every touchpoint, with solutions that address risk and provide safeguards at every stage of the customer journey across industries. Whether you're looking for fraud prevention, age verification, online identity checks or a host of other solutions to keep fraudsters at bay, we have the complete future-proof solution.

- We can help you detect, and prevent fraud across products, devices and channels.
- Our analytical, data-ready tools can provide actionable insight that can be seamlessly connected into existing processes.
- Our continuous investment in innovation, and partnerships, means we can provide access to the latest tools and techniques fast.



CrossCore™:

Your complete fraud and identity management platform

CrossCore™ is the first smart, open, plug-and-play platform for fraud and identity services. It delivers a future-proof way to modify your strategies quickly, identify fraud faster, improve compliance, and enhance the customer experience.

Using a flexible and scalable API with powerful workflow and decisioning functions, CrossCore™ allows you to connect, access and orchestrate decisions across multiple systems. Machine learning techniques create decision-making models and monitor performance for continuous improvement – providing a frictionless, secure customer experience while reducing time and costs.

Because no single system will ever have all the answers, CrossCore™ supports a best-in-class approach to managing a portfolio of services – including Experian solutions, third-party services and client systems – to provide the level of confidence you need.

The CrossCore™ platform makes it fast and easy for businesses to access fraud and identity services. Enabled by the cloud, firms can benefit from easy integration of multiple use cases relating to fraud and identity tasks.

For example:

- **Account takeover** – complete defence package, enabling you to continuously monitor customer accounts across all interactions.
- **Digital onboarding** – accurate and automated identity checks, reducing manual processes and streamlining the customer journey.
- **Age verification** – unique capability allowing businesses selling age-restricted goods or age-threshold services to authenticate customer age.
- **Device intelligence** – create trusted profiles that recognise customers' devices and associated attributes to identify suspicious device activity.



The benefits of CrossCore™

- Future-proof way to manage fraud and identity services.
- Reduce risk across fraud and compliance by accelerating time-to-market.
- Drive top-line growth by reducing the friction and false positives that cause customer fall-out.
- Increase operational efficiency by avoiding needless referrals and driving down the cost of deploying new tools and strategies.

"With the right platform, such as a cloud-hosted SaaS solution, it's much easier for firms to be able to augment their existing strategies – as opposed to have to completely rebuild causing extensive IT costs and complexities."

Eduardo Castro, Managing Director, Identify & Fraud, Experian UK&I

To find out more about CrossCore™

Click here



Cloud architecture

allows for scalability and flexibility.



Single open platform

where data and services can be quickly and easily added to enable you to adapt to the changing environment.



Smart orchestration

using multiple data and services that can be called in parallel in sequence or conditionally.



Decisioning capabilities

which empower you to make the best possible decision and give you confidence in every customer interaction.



Registered office address:
The Sir John Peace Building, Experian Way,
NG2 Business Park, Nottingham, NG80 1ZZ

T: 0844 481 9920
www.experian.co.uk

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