



FLA RESPONSE TO THE FRAUD REVIEW

FLA is the principal representative of the asset, consumer and motor finance sector in the UK. FLA members achieved £85.1 billion of new business in 2005. Of this, £57.9 billion was provided to the consumer sector, and FLA members represented 25.6% of all unsecured lending in the UK. The remaining £27.2 billion was provided to the business sector and UK public services.

Our members comprise banks, subsidiaries of banks and building societies, the finance arms of leading retailers and manufacturing companies, and a range of independent firms. The facilities they provide include secured and unsecured personal loans, credit cards and store card facilities, leasing, and hire purchase.

The prevention and investigation of fraud is something that our members and FLA itself take very seriously indeed, and something on which our members have worked collaboratively for some years. We take a leading role in the credit industry in initiating imaginative projects in this area, and we maintain a number of standing groups of members on fraud-related issues. We are represented on the Home Office's Identity Fraud Steering Committee and Identity Fraud Forum, and on the North West Fraud Forum.

1. OVERALL COMMENTS

FLA welcomes the publication of the Fraud Review as a sign of the government's commitment to tackling fraud effectively throughout the economy. We urge the government to act on the Review's recommendations – to treat the Review as a starting point, not as a conclusion. We agree in broad terms with all the recommendations in the Review, and we comment below only on those recommendations where we wish to add, or make observations on, a point of detail.



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2. SPECIFIC COMMENTS

Turning to the specific recommendations, our comments are:

Chapter 2 – Measuring Fraud.

Recommendation 2: we agree that it is important to obtain an accurate picture of the extent of fraud within the UK, but we do have a concern about the burden that might be imposed on both the private and public sector if the National Fraud Strategic Authority, NFSA, requires statistics that are not already compiled by organisations. We therefore recommend that the measurement unit within the NFSA should start by ascertaining what statistics are already available and then assess their value, rather than start by deciding what statistics are needed and then ask the private and public sector to supply them.

In addition, we recommend that the measurement unit assesses not only the national extent of fraud but also, if possible, the extent of other crime committed by fraudsters, to help demonstrate that tackling fraud can help law enforcement agencies tackle other crimes, too. To quote from a report written by Professor Michael Levi for FLA about the Metropolitan Police's Vehicle Fraud Unit, which is sponsored by FLA members, "Experienced detectives are delighted at the way the FLA hands to them enticing ends sticking out of the muddled ball of string that is local criminal activity. They pick up these ends, unravel them and very often it leads to criminal intelligence and prosecution opportunities that go far beyond vehicle leasing fraud. If nothing else, a patchwork of unexpected arrests and straightforward prosecutions reminds the criminally inclined in some difficult neighbourhoods that they cannot offend with impunity. It also reduces the negative symbolic images offered to the local community who see local villains enjoying smart motors for which they have not paid."

Chapter 3 – Fraud Strategy

Recommendations 3 and 4: a key question is, what will be the source of the 'authority' in the NFSA's title? Is the NFSA to rely on its own influence to be

effective, or should it have compulsion in its toolkit? For the NFSA to have authority, we consider that it needs to have statutory backing and to be attached to HM Treasury. (We say HM Treasury rather than any other government department because the NFSA's work revolves around the prevention of economic harm.) But a further key question is, to what extent should the government try to persuade or force private sector organisations to protect themselves against fraud? One could argue that private sector organisations do not need any encouragement to protect themselves against fraud because such protection is in their own economic interests, but in reality fraud prevention measures can be seen by some organisations as business prevention measures and, as such, are treated as unwelcome, if not ignored.

Chapter 4 – Reporting Fraud

Recommendation 10: the NFRC should not only have the capacity to accept crime reports but should also have the responsibility to do so.

3. CONCLUSION

FLA welcomes the publication of the Fraud Review as a sign of the government's commitment to tackling fraud effectively throughout the economy. We urge the government to act on the Review's recommendations – to treat the Review as a starting point, not as a conclusion – and we look forward to further involvement in the detailed work that will be needed to implement the recommendations.

4. FLA CONTACT DETAILS

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