



**Association for Payment Clearing Services**

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8 March 2004

**NEWLY RELEASED CARD FRAUD FIGURES SHOW FIRST FALL IN  
EIGHT YEARS**

**Drop mainly due to clamp-down on fraud committed abroad**

Fraud committed on UK plastic cards has fallen for the first time in eight years, according to the 2003 figures released today (8 March) by the Association for Payment Clearing Services (APACS). Last year saw a decrease of around five per cent from £424.6 million in 2002 to £402.4 million in 2003. However, the fall is entirely due to a reduction in the amount of fraud committed abroad on UK cards whereas for UK-based transactions there has been a very slight increase.

Counterfeit card fraud saw the largest reduction, down by 28 per cent (£106.7 million in 2003, compared with £148.5 million in 2002). The bulk of the reduction occurred in mainland Europe where counterfeit fraud was down by £26 million on the previous year. Fraud on lost and stolen cards has also dropped, by two per cent (£106.1 million compared to £108.3 million in 2002). Much of this reduction is a result of sophisticated fraud intelligence systems which help to spot fraud quickly by tracking unusual cardholder spending patterns - often before the cardholder knows that a card has been stolen or compromised.

Together, fraud on lost and stolen cards and counterfeit fraud accounted for more than half (53%) of all plastic card fraud. They remain a critical issue in the UK. However, the introduction of chip and PIN, the system which replaces signatures with PINs for verifying payments, will directly tackle these fraud categories. The UK chip and PIN rollout is currently underway.

Cardholder-not-present fraud (CNP) is now the biggest fraud type. However, it only increased by six per cent last year rising to £116.4 million. Areas which traditionally have involved smaller losses continue to grow. The largest percentage increase in fraudulent activity was in identity theft which grew by 45% to reach £29.7 million, while fraud at UK cash machines grew by 34% to £39 million.

Sandra Quinn, director of communications, APACS, comments:

“It is encouraging that card fraud figures on UK cards have gone down but we must look carefully at the figures. The bulk of the reduction was on transactions on counterfeit, lost or stolen cards in mainland Europe as a result of sophisticated intelligence and monitoring methods deployed by the card issuers. Plastic card fraud on lost and stolen cards and counterfeit fraud within the UK is still a critical issue and one which is being directly tackled by the current rollout of chip and PIN.

“The fraudster will always look for new avenues and that means we cannot be complacent. When plastic cards were first introduced in the 1960s it was never envisaged that they would be used to buy goods and services in an environment where neither the card nor the cardholder would be present. Criminals have used this fact to their advantage primarily by stealing people’s card details through such techniques as skimming or ‘bin raiding’. A number of initiatives are in place to clamp down on this type of fraud and as a result the growth rate of fraud where cardholders are not present is now decreasing.

“Despite that, cards are always safer than cash. The chances of becoming a victim are still low and fraudulent transactions make up only 0.130% of all card transactions.”

### Plastic card fraud losses on UK cards split by fraud type

	2003 (change)	2002	2001
Counterfeit cards	106.7 (-28%)	148.5	160.4
Cards stolen or lost	106.1 (-2%)	108.3	114.0
Card not present fraud	116.4 (6%)	110.1	95.7
Mail non-receipt	43.4 (17%)	37.1	26.8
ID Fraud	29.7	20.6	14.6
– fraudulent applications	(45%)		
– account takeover			

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Notes to editors:

#### Key industry card fraud prevention initiatives:

- The introduction of chip and PIN to be used in the majority of face-to-face credit and debit card transactions by 2005 will provide greater protection from counterfeit (skimmed or cloned) fraud and fraud on lost and stolen cards.
- To reduce the success of criminals successfully using card details for web, phone and mail order transactions: roll-out of an address and security code checking system that will reduce card-not-present fraud. The international card schemes MasterCard and Visa have also introduced systems specifically for online transactions. A training pack for CNP merchants is available from [www.cardwatch.org.uk](http://www.cardwatch.org.uk)
- A successful pilot of a specialist police squad (the Dedicated Cheque and Plastic Crime Unit or DCPCU), funded jointly by the banking industry and the Home Office to target organised gangs who are behind the majority of UK card fraud losses has achieved savings of an estimated £60m.

- Enhanced technology: examples include the use of intelligent fraud systems that monitor unusual spending patterns to spot fraud at an early stage, and work with manufacturers to make cash machines tamper-proof and the use of CCTVs.
- A cross-industry project to prevent ID fraud, including a multi-sector training pack
- Implementation of a wide range of secure methods for delivering cards.
- Information and guidance on anti-fraud measures for retailers and card accepting businesses under the banner of Card Watch ([www.cardwatch.org.uk](http://www.cardwatch.org.uk))

The Association for Payment Clearing Services (APACS) is the UK trade association for payments. It provides the forum for the UK's financial institutions to come together on non-competitive issues, to develop banking systems for the future and to provide innovation and developments in payments. It is also the banking industry voice on payments issues such as plastic cards, card fraud, cheques and electronic payments.

APACS' fraud prevention website is at [www.cardwatch.org.uk](http://www.cardwatch.org.uk)