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### **Technology's Role in Fighting Fraud**

The topic of fraud is rarely away from the headlines. Most days we are reading about new cases of fraudulent activity that have been identified, and in the current market conditions, industry analysts and associations are warning that the number of incidents are likely to rise dramatically due to financial pressures individuals are facing in the current climate.

KPMG recently released its latest Fraud Barometer figures that highlighted how the total value of fraud cases that were dealt with via the courts during the first half of 2009 had a total value of £636m. The number of court cases related specifically to mortgage related fraud also continues to increase, with 18 cases taking place during the first half of 2009 with a combined value of £24m. This compares to 25 cases worth £36m in the whole of last year.

We believe, however, that the figures from KPMG's Fraud Barometer are simply the tip of the iceberg. When you take into consideration that these statistics are based purely on those incidents that have been taken through the judicial system, it doesn't take into account the other cases that have gone unnoticed or unreported. There is currently no central resource for recording and tracking all incidents of fraud across the market, so the true scale is not a clear-cut figure.

The Association of Chief Police Officers (ACPO) was commissioned to conduct an intelligence study into the nature of mortgage fraud by the FSA. It recommended that a multi-agency Mortgage Fraud Bureau is developed to analyse trends, whilst support targeted investigations, which would also include a national mortgage fraud intelligence database that would be centrally controlled by a single law enforcement agency. It will be interesting to see how this develops.

### **Technology's Role in Combating Fraud**

As the fall out from the recession continues, incidents of mortgage application fraud are continuing to escalate as lending criteria tighten and people look for alternative methods of securing the finance they need, or those in desperation seek new 'creative' ways to make some money, fast. During the past 18 months, we have witnessed an increase of 132% in the number of Risk Alerts that are being issued to mortgage lenders by our Q-Guard fraud detection tool.

When it comes to mortgage-related fraud, the real challenge for lenders is to not only catch up with criminals' constantly evolving fraudulent activities, but to overtake them. It is therefore essential that the next generation of fraud related technology continues to evolve too. Eventually the technology must become as much a deterrent as a detective, to force the fraudsters to go elsewhere.

There are a number of technology solutions available today that automate the process of highlighting concerns, discrepancies and potential issues and help support lender's anti-fraud strategies.

The first step that is taken is to undertake identity and credit checks on the individual(s) applying for the loan. The likes of Experian, Equifax and Callcredit have a number of products that are designed to validate the personal information and review past credit history of the applicant(s).

Experian also hosts the National Hunter system, which was developed in conjunction with Credit Reference Agencies and input from the Council of Mortgage Lenders (CML) to apply a level of consistency checks on mortgage applications. Each member, of which there are approximately 90, submits details of applications they receive for mortgages, credit cards, loans and other related products and the software

The applications are then checked against existing applications for inconsistencies and similarities that may indicate application fraud, using a predefined set of rules. Any applications that warrant investigation are then referred for further checks.

At Quest, we have developed a new tool that greatly complements National Hunter by adding an additional layer of security to the process. Q-Guard was beta-launched 18 months ago and is designed to analyse for areas of risk at the point of valuation. It was the first product of its kind to market and works by detecting suspicious characteristics, which are automatically sent to the lender as an alert. This provides them with the opportunity to investigate the application more thoroughly before it is processed.

Already this year, Q-Guard has highlighted over 10,000 suspicious transactions and has been successfully used to track fraudsters who make multiple applications across several lenders, which Quest is uniquely positioned to do.

National SIRA is another fraud prevention service which operates among a number of lenders of mortgages and unsecured loans, credit card operators and insurance companies. SIRA cross-

checks new applications against previous data to highlight any inaccuracies or conflicting information.

In addition, CIFAS was the world's first not for profit fraud prevention data sharing scheme, which was designed so that member organisations are able to share information regarding identified frauds in a bid to detect and prevent future fraud crimes. Trends reported by CIFAS for the first half of 2009 reveal a continuing surge in fraudulent activity, with its members reporting a 43% increase in the number of victims of impersonation and a 74% rise in identity fraud cases, compared to the same period in 2008.

### **Supporting the Industry**

At Quest, we have always been in the business to help streamline processes to create efficiencies in the property buying and selling process; and this is no different. We see there are great advantages of the industry working closer together to intelligently scrutinise mortgage applications from a wide range of angles.

Ultimately, as technologies continue to advance across the UK's lending community, security will become even tighter. Analysis of real-time and historic data from multiple lenders will report suspicious characteristics and therefore help combat the increasing cases of fraudulent activity. We believe that cross-industry analysis of this nature will deliver a more detailed picture, which can be fully scrutinised and questioned.

By adding new layers of security to the mortgage application process through intelligent software tools, combined with the huge steps the industry is taking in organising major nationwide initiatives, we believe the number of fraudulent cases can only start reducing as potential fraudsters become more aware of the improved technology, processes and initiatives that are helping lenders stay one step ahead in the fight against such crimes.

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