

# Application Fraud in Financial Services Forum

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# Finding the Fraudster with the Hunter Fraud Bureau

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# Hunter Fraud Bureau

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1. Aims and objectives
2. Concept
3. General operating rules

# Hunter Fraud Bureau

## Aims and objectives

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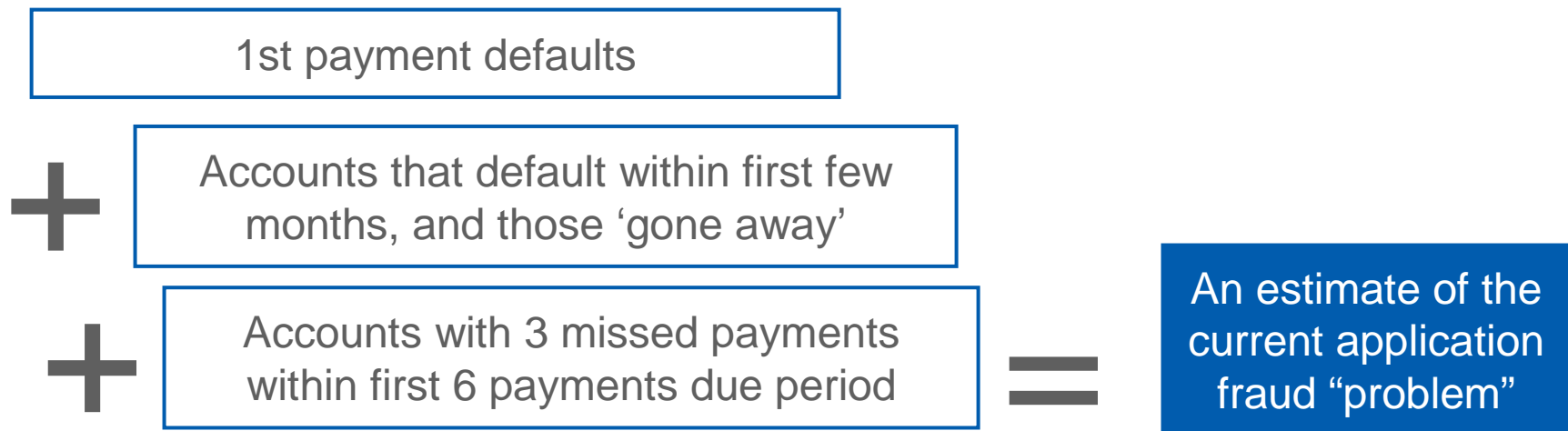
## Hunter Fraud Bureau aims and objective

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- Develop a partnership with financial organisations, retailers and telecomms providers to provide an effective fraud prevention solution to a shared problem
- Implement a proven fraud prevention solution and provide a market leading services to our partners
- Maximises the data intelligence available to all members for fraud prevention
- Provide significant uplift in the value of total fraud savings and in the number of fraud cases found
- Create a closed user group where fraud is displaced to those who are non-members, so encourages everyone to be a member

# The impact of application fraud

- **15 – 25% bad debt** is a good estimate of your fraud problem
- **0.25% application volumes** are likely to be fraud
- Fraud losses account for **30 – 35 basis points (0.3 – 0.35%) book value**
- **1 – 10% revenue** will be lost through application fraud



## South African market – fraud issues

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- False ID documents being used or claimed lost
- Place of employment does not exist or a real company willing to provide false records
- False income documents, genuine documents false information
- Sales staff unable to verify false documents
- Internal fraud at point of sale, staff willing to accept bribes to assist with granting of loans, accept false documents.
- Car loans employees at showrooms can be agents for many banks and will make duplicate applications using same documents and application details
- Organised crime, multiple car loans and cars taken across borders
- Credit Card multiple under floor limit spend

# Hunter Fraud Bureau

## Concept

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# Hunter Fraud Bureau concept

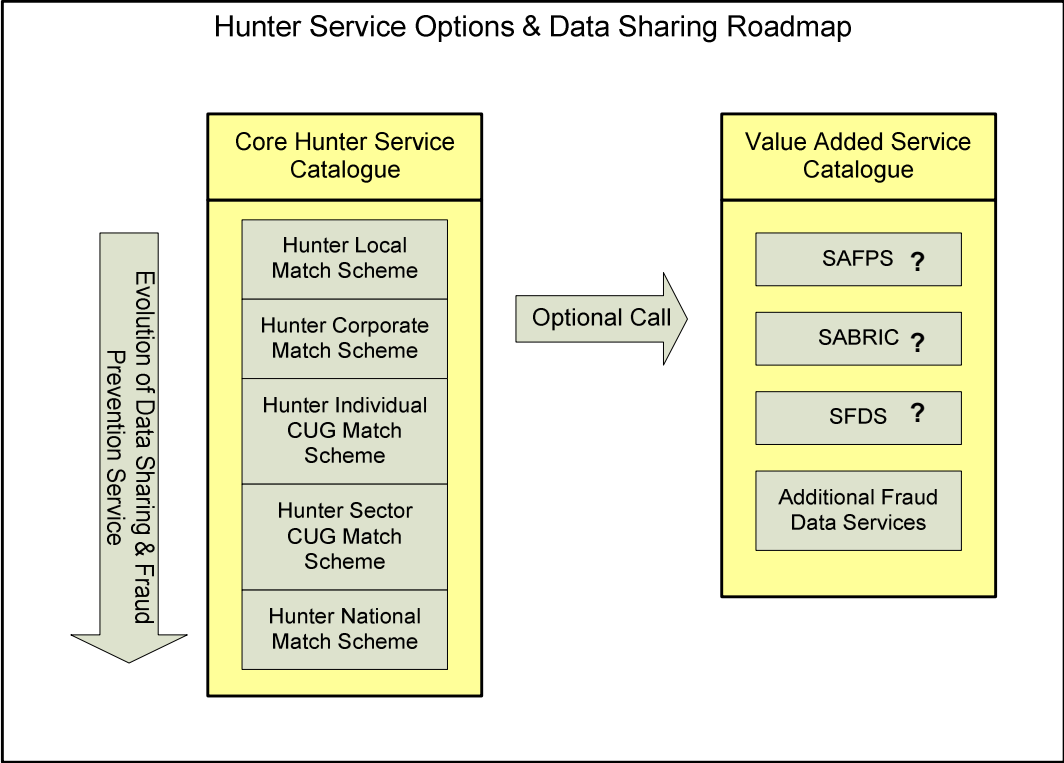
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- Facilitates the sharing of fraud, suspect and non-fraud data across multiple lenders and product ranges
- All consortium level matching is undertaken using agreed consortium standard rules designed to highlight potential fraud
- Participating members will only see other companies data where there is a risk of fraud – no ad-hoc searching of the shared database is allowed
- The level of data that is visible to other companies can be controlled
- A well established market leading system based upon the success of the UK scheme

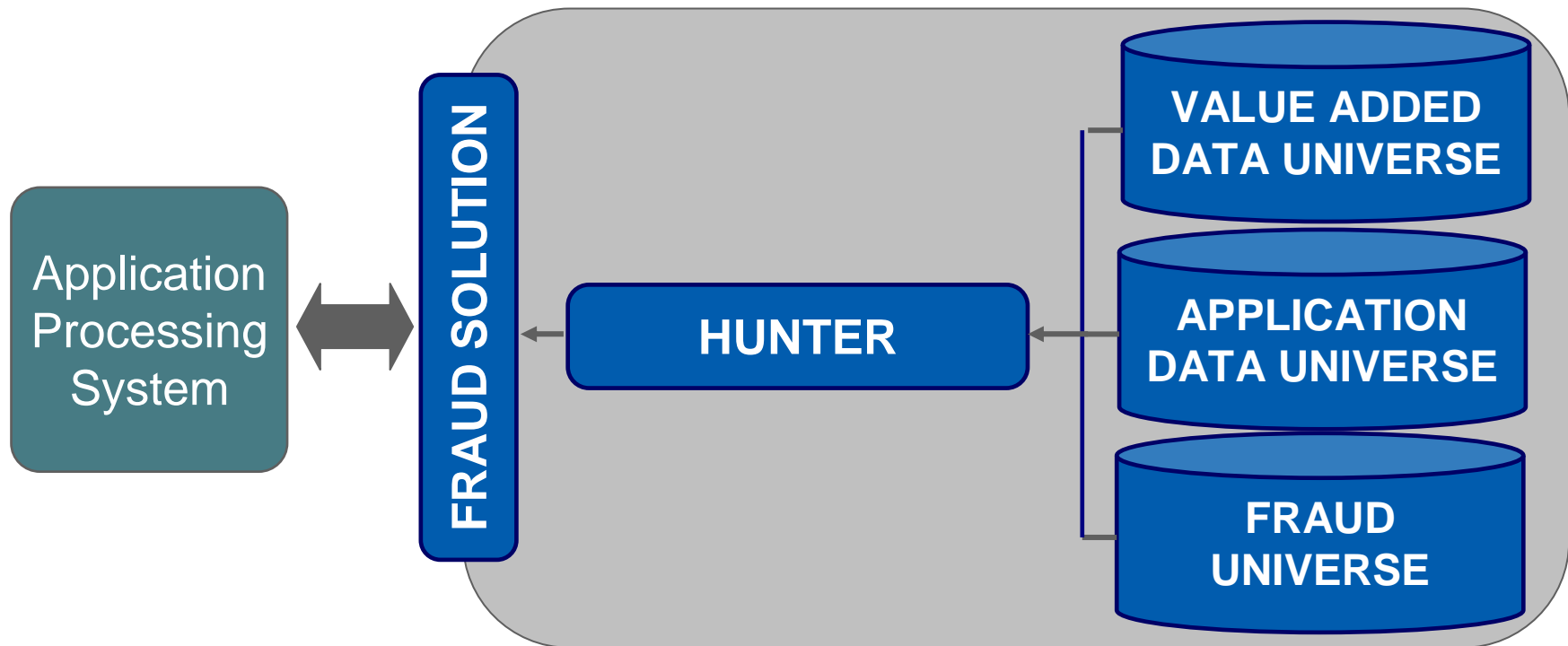
# Hunter Fraud Bureau: customer service options

## Independent Service Provider

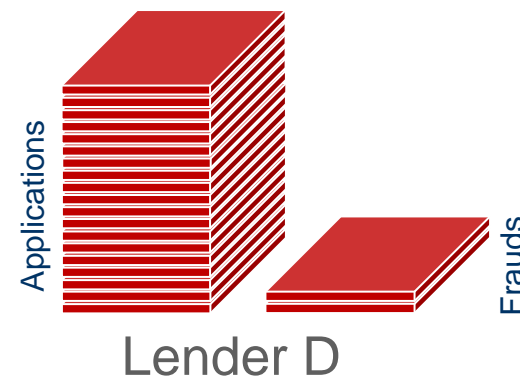
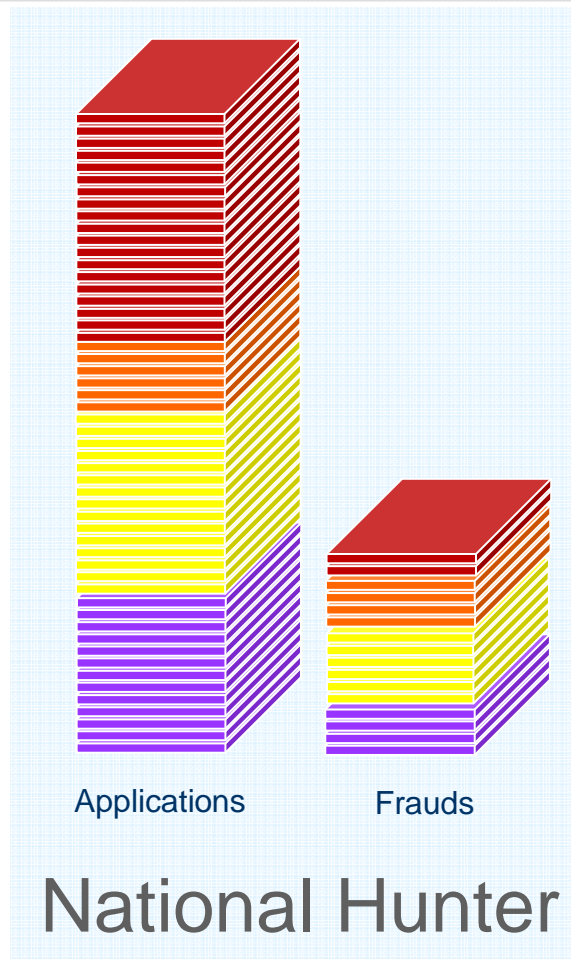
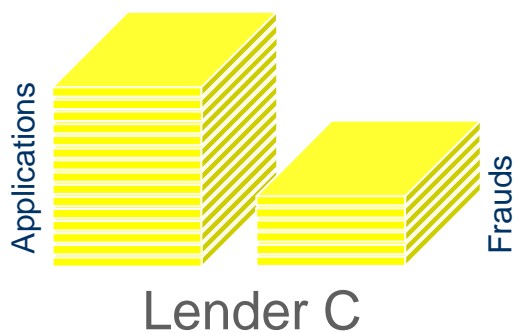
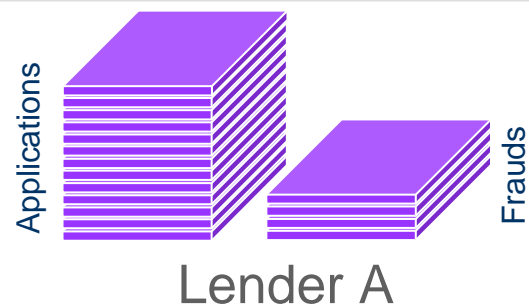
- Core Services
- Optional Service Integration



# As a single solution

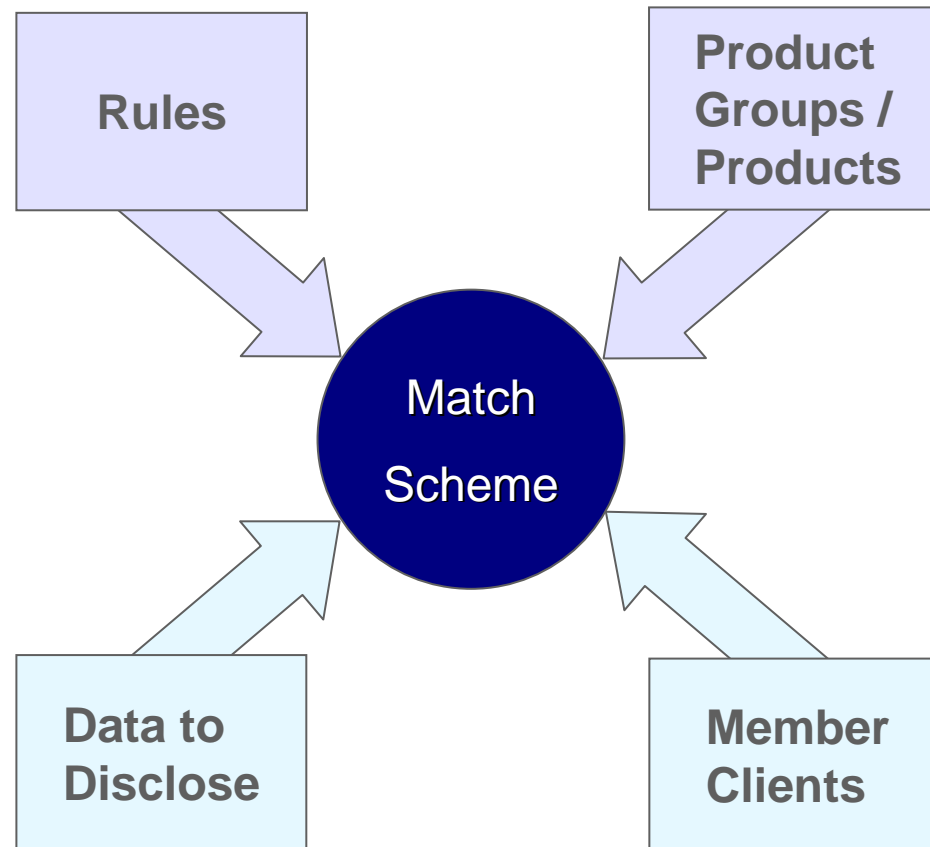


# Growing the data pool

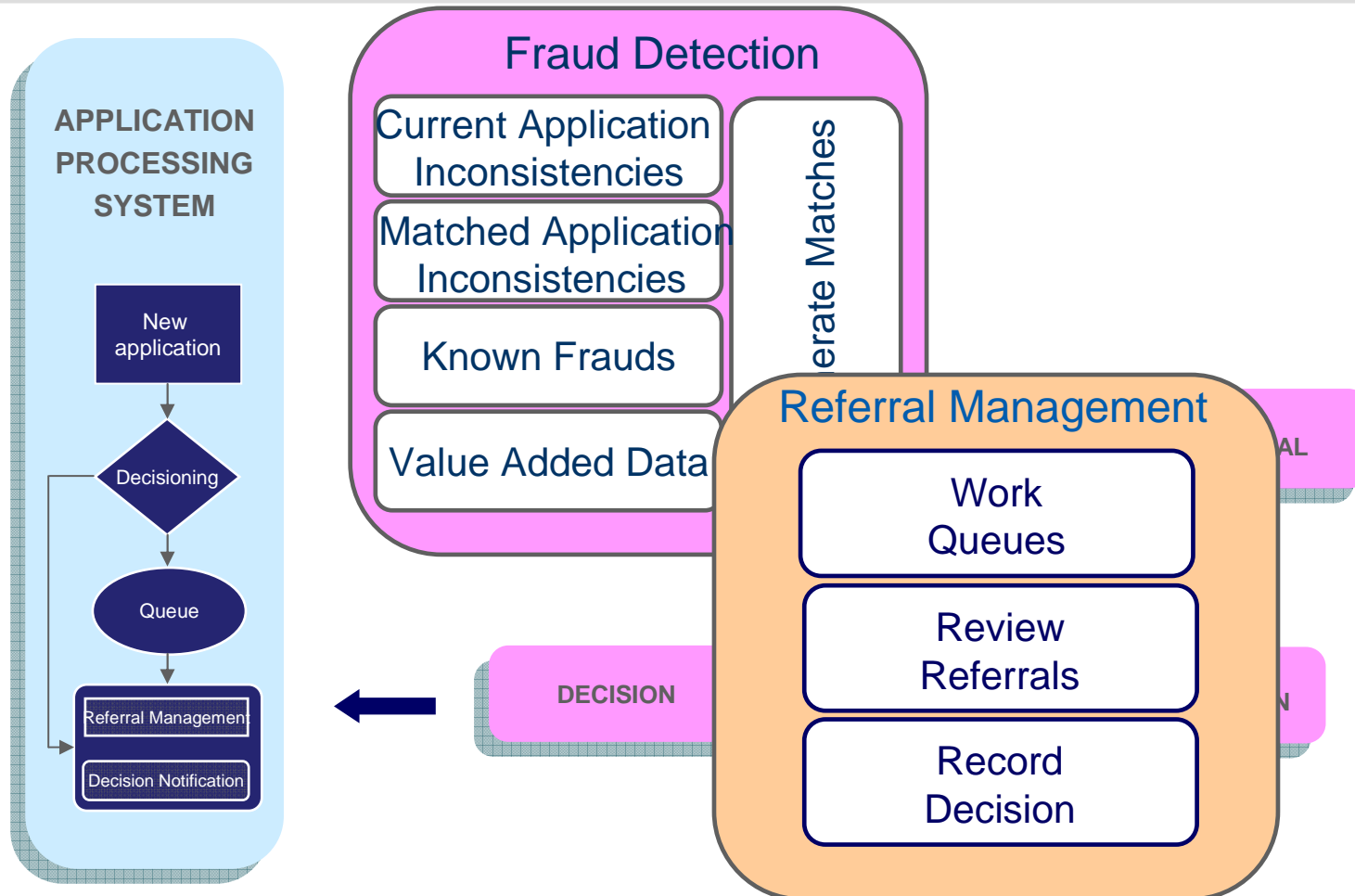


# Match schemes

Match schemes are used to apply relevant rule sets based on subscription level



# The fraud management process



# Fraud consulting

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## Solution consulting

- Applying an independent, rigorous, analysis-driven review of an organisation's fraud situation
- Helping to define the business case and project scope
- Assisting the design of an application fraud prevention solution and strategy for detection, investigation and evolution

## Ongoing consulting

- Analyse and identify the improvements in fraud avoidance, prevention and detection post-implementation
- Identify new fraud trends and developments and enhance the solution to tackle new challenges

# Batch vs. Online processing

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## Batch process

- Can be single batches of one
- No result block returned
- Will not immediately influence customer message
- Best used for products where the facility is not instant (as opposed to the decision – e.g. credit card, mortgage)
- Asynchronous call (i.e. app process can continue in parallel)

## Online process

- Result block returned
- Customer message will be influenced by results (including any false positives)
- Best used for products that provide instant facility (e.g. consumer finance)
- Synchronous call (i.e. app process is held up whilst waiting for results to be returned)

# Hosted vs. Software

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## Hosted

- A must for data sharing
- Reduced implementation time (3-5 months elapsed)
- Can still be online and integrated with clients origination systems
- Reduced need for involvement from client IT
- No need for client ongoing IT support or hardware procurement

## Software

- No support for data sharing: reduced possible ROI
- Increased implementation time for client (5-6 months elapsed)
- Legislation sometimes prevents hosting of client data
- Major project for client IT, including hardware procurement
- Need for client ongoing IT support and hardware procurement

# Hunter Fraud Bureau

## Business benefits

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# Why Share Data for Fraud Prevention?

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- Provides a joint solution to a joint problem
- Maximises the data and intelligence available to all members for fraud prevention
- Creates a closed user group: fraud is displaced to those who are non-members, so encourages everyone to be a member.
- UK analysis shows:
  - ◆ 45% uplift in the value of total fraud savings
  - ◆ 72% uplift in the number of fraud cases found

# Hunter Fraud Bureau

## General operating rules

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# General operating regulations

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- Data Sharing
  - ◆ Share Application Data
  - ◆ Share Fraud/Suspicious Applications (Refer/Inconsistent)
- Adherence to statutory obligations
  - ◆ All members must comply fully with all statutory and regulatory obligations that may apply to them
- New Members to Hunter
  - ◆ All new members must comply with the minimum data requirements which will be tested and vetted by Experian
- Matching Rules
  - ◆ Experian will manage the matching rules but will work in partnership with the members to ensure optimum configuration.

## Minimum Data Requirements (Application Data)

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- Applicants First Name, Surname, and DOB
- Applicant's Current Address
- Applicant's Telephone Number
- Applicant's E-Mail Address
- Applicant's Employer Name
- Applicant Employer Address
- Applicant's Employer Telephone Number
- Vehicle (Auto Finance Only)
- Passport Number or ID Number

## High level definitions of Fraud for national sharing

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- **Fraud** means in relation to any Application Data, where the relevant Member considers the application to which such data relates to be fraudulent. Where Application Data is assigned as Fraud, it shall be set as **Refer** for the purpose of these operating rules
- **Inconsistent** means in relation to any Application Data, where the relevant Member has identified a discrepancy between information making up the Application Data and information obtained by such Member from an alternative source, or which cannot be satisfactorily verified by the Member

## Example Refer (Fraud) definitions

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- Alias with adverse
- Undeclared bankruptcy
- Undeclared mortgage
- False documentation
- Non-existent employer
- False income
- Compromised credit/debit card details
- False bank details
- Corporate identity theft
- Confirmed not known at address
- False time established
- False identity/impersonation

## Example Inconsistency Definitions

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- Unable to validate ID details
- Unable to trace Employer
- Conflicting or unconfirmed employment details
- Conflicting salary details
- Conflicting address history
- Undisclosed credit facilities or applications
- Unrealistic level of applications from same address
- Non-provision of requested documentation

# Feedback from the breakfast meeting on data sharing

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All industry sectors should be allowed to participate

Data submissions and governance processes may be challenging for some industry sectors

Hunter I is paying for itself

Bureau data, SAFPS, Shamwari, etc. should be part of the Hunter solution

Data quality must be aligned before rolling out to all

Access to the data should be self-regulating and managed by the group within the regulatory guidelines

User group code of conduct and independent audit

Expect a lift in detection of 30% and false positive rate not higher than 20%