

# Edeus case study

## Avoiding mortgage fraud losses by £35 million in the first 6 months

### Business Challenge

As a start-up mortgage lender, Edeus knew its business would be at risk from fraudsters.

Dealing with brokers, who understand the lending system, operating in a purely online environment and offering mortgages in the higher risk segments meant that Edeus recognised that it was potentially at a higher risk of fraud. New lenders are also targets for fraudsters 'testing the system' and trying to find weaknesses as new lenders often have aggressive growth targets and less business experience of fraud prevention.

However, Edeus made fraud prevention a priority and wanted to put in place a system before it started operation. It needed a rapid and automated fraud detection system, as it planned to offer instant offers and 24-hour remortgages. Manual processes needed to be minimised and streamlined to meet customer service expectations while reducing fraud losses.

The project timescale was also a challenge, with Edeus needing a fully operational fraud detection system and fraud management team within 6 months of the project starting.

### The solution

Edeus recognised Hunter from Experian Decision Analytics as the market leader and it offered the right combination of technology and flexibility. When combined with the experience and expertise Experian could offer to set up the system and fraud management team, it was a clear choice for the lender. Hunter now sits at the heart of fraud management for Edeus.

### The benefits

- **Detecting £35 million of potential fraud in 6 months** by declining fraudulent applications before they can cause losses while maintaining a stable decline rate
- **Significant return on investment** in the first year of operation
- **Identified fraud rings** including one of 11 intermediaries which have been reported to the Financial Services Authority
- **Immediate impact on fraud** by identifying significant values of fraud in the first months of operation
- **No impact on customer service** as Edeus can offer instant decisions and 24 hour remortgages and maintain effective fraud protection
- **Controlled operational costs** by streamlining manual processes and implementing the intuitive Hunter tools for fraud investigation
- **Established a strong reputation** for Edeus with the fraud controls sending a clear message to potential fraudsters

"I didn't know much about fraud risk but I knew a company that did!" said Chris Preston, Head of Credit Risk for Edeus. "We worked together to determine our exact business requirements to ensure the system was tailored to our exact needs and Experian Decision Analytics provided much needed guidance during every step of setting up the system. They have provided an excellent service from start to finish. It is one thing having a great product on offer, but the benefits can only be optimised when backed up by the right service and the right people. Experian Decision Analytics achieves it all, as proved by the massive benefits we have seen already - £35 million of fraud prevented in just six months.

## The solution

Hunter works by screening every application and checking for inconsistencies in the application data supplied. It compares the information with other information on the form, with previous applications made by the individual and the broker, and against all other applications. It also checks the information against black lists, known fraud and other information from internal and external databases. This enables Edeus to identify where potentially an alias, false details or impersonation is being attempted.

Edeus is part of the UK National Hunter scheme, so that applications are not only checked against previous applications made to the organisation, but also applications made to all the other data sharing organisations. This has been shown to create a significant uplift in fraud detection as the depth and breadth of data being checked is greatly increased.

Applications that have been identified as suspect are passed to the fraud analyst for manual review, who uses the interactive tools to interpret the information and determine whether it is fraudulent. The result of the investigation is passed back to the application system with suspect applications declined, preventing fraud losses before they occur.

Hunter enables Edeus to highlight potentially fraudulent applications while allowing genuine customer applications to be automated for rapid processing and good customer service.

Hunter incorporates a database that is automatically updated with every application and suspect case. Reports provide comprehensive management information, which enables Edeus to continually assess the system performance and maintain best practice. It is also able to measure and demonstrate the impact of the fraud prevention solution on the organisation's profitability.

In addition to the system the support offered by Experian Decision Analytics has been a key feature of the project. Experian supports Edeus on a daily basis and continues to work with the company to continually improve fraud detection accuracy.



## About Edeus

Launched in Q3 2006, Edeus targets the specialist mortgage lending markets (particularly sub-prime, self-cert and buy-to-let) with a wholly business-to-business distribution strategy. It deals with more than 10,000 UK mortgage brokers with 100% of its business conducted online.

In its first full month of trading, Edeus was the 7th largest mortgage lender on the extensive panel of Home of Choice (HOC). HOC is on course to become one of the largest networks devoted to supporting professional mortgage intermediaries and has proved attractive to hundreds of intermediaries. Incredibly, within six weeks of trading, Edeus is the 18th largest lender on the panel year to date. For more information go to [www.edeus.eu](http://www.edeus.eu)