

Identifying fraudsters scoring and profiling

By Matthew Eaton*

There is a significant connection between consumers' high credit scores and the propensity for identity fraud victimisation. Recent analysis conducted by Experian in the USA, identified that the occurrence rate of identity fraud rises dramatically as credit scores increase.

For the purposes of the study, identity fraud was defined as any event in which a third party used the identity of another consumer for financial gain or service procurement.

The study analysed approximately 800,000 records originating from 2007–2008. These records consisted of self-reported frauds supplied by institutions within the telecommunications, demand deposit account/retail banking, bank card and retail card sectors. In segmenting identity fraud occurrence rates by credit score ranges, Experian found that approximately 48 percent of all identity fraud detected was found within the highest credit scoring 20 percent of the sample population. Furthermore, the top

credit scoring 10 percent experienced nearly 30 percent of detected identity fraud.

In part, the findings may be a simple reflection of the current state of lending criteria in general. Credit scores give organisations an indication of delinquency and default risk. A higher credit score means the applicant is less likely to default and, consequently, is more desirable to a credit grantor. Therefore, just as in cases of legitimate activity, an application for credit is more likely to be approved when the applicant has a high credit score rather than a low credit score. In essence, those with lower credit scores may be relatively safe from identity fraud simply because their scores are likely to be a barrier to entry in opening a credit-based account such as a credit card or a loan.

Similar studies in the UK of the 'Victims of Fraud' have gone a step further and developed a set of profiles for the highest risk groups of individuals. The analysis reveals that the typical



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identity fraud victim is aged between 30 and 50, with this age group representing 55% of all identity fraud victims. Another noticeable observation from the study is statistics showing that in 2008, fraudsters shifted their focus towards targeting victims living in rented accommodation, due to the vulnerability of their personal details where communal mail is delivered through one letterbox. While wealth and status can single out certain types for being targeted, those renting – either privately or from local authorities – are at high risk of becoming victims of identity fraud particularly in the UK.

A specialist consumer classification system, Financial Strategy Segments (FSS), was used for the UK report. It identifies consumers and classifies them according to their financial behaviour, through FSS, Experian has been able to

identify those consumer groups that are statistically more likely to become victims of identity fraud. The table on page 24 shows the ten most at risk groups of identity theft.

The high level of identity fraud identified within London and the surrounding towns during the UK study was attributed to the high numbers of organised criminals operating in these areas. The increased likelihood for residents of these areas to use high class restaurants, clubs and other venues is thought to provide an opportunity for fraudsters to target these locations to obtain information.

Identity fraud poses a significant risk to organisations, especially with the current emphasis on bad debt and delinquency levels, which is where a lot of unidentified fraud cases end up.

This can cause wasted resource within the collections areas, who should be concentrating on recovering funds from genuine customers.

There are a number of steps that organisations can take in order to counter the threat of identity fraud. These include:

- Review fraud processes and procedures. Are they adequate to counter the identity fraud threat? This not only includes the automated processes, but also the manual elements including investigative procedures and area structure;
- Ensure front line staff receive adequate training and are able to spot identity fraud at application stage. This training should include genuine case studies, and the wider business implications of fraud. Training should also be reviewed and updated ➤



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Type	Description	Risk Index
Looking to the Future	Young singles often in shared rented accommodation earning reasonable wages and optimistic for the future	223
Limited Livelihoods	Singles in their 30s in mostly council rented flats. Unemployment is a problem but debts are usually controlled	184
Up & Coming Elite	High-flying graduates privately renting in good areas while they pay off student debts and save for a mortgage deposit	168
Corporate Top Dogs	Company directors and business owners. Very wealthy individuals at the pinnacle of successful careers	167
Cream of the Crop	Highest income earners in premium price city flats and residences	154
Fully Committed Funds	Heads of families with considerable incomes but with a very large mortgage leaving little spare to save	152
Smart Money	Professionals, company directors and owner managers with high incomes but still accumulating assets	135
Opportunities and Overdrafts	Young, cohabiting couples and friends currently relying on overdrafts but with future potential	132
Professional Solos	Successful professionals or managers who are mostly living alone	120
Asset-rich Achievers	Professionals who have had successful careers and are now approaching retirement. Likely to be in a senior management position with the salary to match	120

Source: Experian

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regularly in order to keep abreast of new developments and threats;

- Assign scores and prioritisation to workflow in order to spot identity fraud and ensure that the cases most likely to be fraudulent are worked first;
- Use of bureau data to identify fraudulent behaviour, this can include number of searches within a specific time period, and time at address v no trace on voters roll or active CAIS.

The specialist Fraud Consultancy Team within Experian Decision Analytics is able to assist organisations with all aspects of their fraud operations. Services provided include:

- Business reviews – work with organisations to ensure the fraud area is working effectively, and provide reports and advice against operational best practice;
- Training – work with organisations to deliver tailored training packages to front line staff to counter relevant fraud threats;
- Rule reviews – perform analysis on fraud cases, and review rules within

data matching systems in order to ensure that the systems are working at their optimum level;

- Solution design – review how all the systems interact and recommend enhancements and additions where required.

Experian's fraud systems which specifically target identity fraud include Authenticate Plus, Hunter, Detect, and the Hunter/Detect amalgamation. All of these systems can effectively counter the threat of identity fraud.

CreditExpert, Experian's online credit monitoring and identity fraud protection service has produced a list of top tips for preventing identity fraud including:

- Regularly monitor your credit report – In 2008, 63 percent of victims of identity fraud discovered they had become a victim by noticing fraudulent activity on their credit report
- Watch out for your mail – Fraudsters often obtain documents by stealing or redirecting mail
- Destroy documents showing your

personal details before throwing them away – Many consumers are continuing to discard sensitive information making them vulnerable to fraudsters.

- Keep your information up to date – Make sure banks and other organisations such as your mobile phone providers are informed of any changes of address. This prevents any document that includes your vital details falling in to the wrong hands
- Forward your mail if you move house – At least six months forward mail is considered best practice to reduce identity theft risks.
- Be careful who you give your information to – On the Internet and in emails look out for phishing attacks where fraudsters will try to get you to disclose personal details or logon and password information. ■

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