



**MacIntyre Hudson**

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# Fraud news briefing

(35) February 2010

## 1. 9.2.10 – REWARDS PROPOSED FOR BENEFIT FRAUD INFORMATION

The Guardian reported that people in the UK who inform on benefit cheats could be given a share of the resulting savings to the state under proposals being examined by Labour's manifesto team. No. 10 is said to be attracted to the idea as symbolic of a tough contract on fairness in which Labour offers support for those genuinely in need on the condition that they play by the rules. One Glasgow resident apparently told Jim Murphy, the Scottish Secretary, that he was fed up with going to work at eight in the morning knowing the man in the flat above was not – but would still be keeping him awake at two in the morning.

## 2. 10.2.10 – SHERIFF ATTACKS NHS MANAGERS AFTER SUICIDE OF 'FRAUD' WORKER

The Times reported that a conscientious Scottish hospital employee, who had an unblemished record working for the National health Service, hanged himself after being told that he could be sacked for fraud after he had forged a signature to process a stationary order. Brian Gilfillan, 36, from Kirkcaldy had worked all his adult life as a records officer with NHS Fife when he was reprimanded by his manager, Anne Starkie, for using her name to requisition extra maternity forms. His managers insisted on a disciplinary hearing as they considered his actions to be a 'breach of trust'.

## 3. 12.2.10 – CHIP AND PIN 'FLAWED'

The Daily Telegraph reported that chip and pin credit and debit card readers can be tricked into accepting transactions without a valid personal identification number, researchers have found. Experts at Cambridge University found a flaw in the system that could open the door to fraud on a massive scale. They were able to trick the system into thinking the correct pin number has been entered by exploiting the way the remote card reader talks to the main shop terminal. This effectively would allow fraudsters to use stolen credit cards despite not knowing the pin number.

## 4. 13.2.10 – COURTS CRACK DOWN ON CRASH-FOR-CASH FRAUD

The Independent reported that the courts are getting tough with dangerous drivers who stage accidents to put in dodgy insurance claims. A crash-for-cash ring which targeted innocent drivers in Manchester has been hit with record damages of almost £400,000 after a judge decided to crack down on the practice. He awarded £92,000 exemplary damages against 57 criminals – on top of the £300,000 of damages won by the seven motor insurers which had brought the case.

## 5. 15.2.10 – AGENCY TURNS SPOTLIGHT ON POLICE CORRUPTION



The Guardian reported that the Serious and Organised Crime Agency (SOCA) is assessing the scale of corruption within the British police after concerns were raised by senior internal investigators. Anti-corruption officers are worried that today's police are more vulnerable to being targeted by criminals and abusing their powers than their predecessors in the 1970s and 1980s, when corruption was thought to be at its height.

**6. 17.2.10 – CORRUPTION IS SURGING IN ITALY, SAYS STATE AUDITOR**

Reuters reported that corruption is rising dramatically in Italy and legal sanctions are no longer a sufficient deterrent, Italy's state auditor said on Wednesday, fuelling a mounting debate on the morality of public life. The Rome-based Audit Court, which oversees and controls possible irregularities in public spending, said cases of corruption increased by 229% last year from 2008.

**7. 17.2.10 – WOMAN, 68, PAID PHONE SCAMMERS 32 TIMES IN ONE WEEK**

The South China Morning Post reported that a 68-year old woman paid out HK\$1.28 million to telephone scammers who tricked her out of money 32 times in a week. She was among four elderly victims who paid out sums ranging from HK\$800,000 to HK\$1.39 million to tricksters who played on traditional Chinese concerns for family members to extort cash from them. They convinced them that close relatives were in huge debt and would be killed or injured unless they paid up.

**8. 18.2.10 – GALLO IS VICTIM OF 18 MILLION BOTTLE FRENCH WINE FRAUD**

The Daily Telegraph reported that millions of bottles of E&J Gallo pinot noir wine were found to be not what they seemed after the Californian company fell victim to one of the biggest frauds perpetrated in the industry. A dozen French winemakers and dealers were found guilty of the deception yesterday. The wine was a far cheaper blend of grapes than a single variety pinot noir and had been deliberately mislabelled, earning the fraudsters more than a £6 million profit.

**9. 18.2.10 – MORTGAGE FRAUD REPORTS UP 7.5% U.S. AGENCY SAYS**

Reuters reported that suspicious activity (SARS) reports filed in the third quarter of 2009 showed a 7.5% increase in possible mortgage loan fraud over a year earlier, the Financial Crimes Enforcement Network said. Between July 1 and September 30 2009, 15,697 reports of mortgage loan fraud had been submitted.

**10. 19.2.10 – RUSSIA : POLICE CORRUPTION CITED IN MINISTRY FIRINGS**

The New York Times reported that Russian President Dmitri Medvedev has fired two top Interior Ministry officials and has said that he will eliminate thousands of ministry jobs in an effort to reform a police force widely criticised for corruption and abuse. He said that 15,000 cases of police corruption had been logged last year. He has also dismissed 15 generals, including 10 regional police chiefs and told police officials that he wants the ministry cut in half to about 10,000 employees.

**11. 21.2.10 – €512K IS SEIZED FROM HARRODS DEPOSIT BOX**

The Sunday Times reported that an Irish businessman has lost €512,000 held in a safety deposit box in Harrods, the London department store, after a British court ordered that the money be seized. Patrick Doherty is alleged to have taken part in a sophisticated fraud involving signed agreements for the lease of CCTV systems. Once a lease agreement was signed Doherty's companies are alleged to have invoiced the finance company that paid the money, but then defaulted on the agreements.

**12. 24.2.10 – HONG KONG PAYROLL MANAGER ADMITS MASSIVE FRAUD**

The South China Morning Post reported that a former payroll manager at one of Hong Kong's biggest conglomerates has admitted embezzling more than HK\$12 million by falsifying payments and secretly transferring the money to his and family members bank accounts. Lau Yuen-how, 50, took the money over seven years by making out false vouchers and setting up false automatic payments to himself and his relatives.

**13. 24.2.10 – BOILER ROOM VICTIMS TO RECOVER CASH**

The Independent reported that more than 30 victims of an alleged 'boiler room' share trading scam will recoup lost cash after the Financial Services Authority said it had recovered £270,000. The City regulator said the money should cover the full amount invested by 32 people duped into buying worthless shares – an average of more than £8,400 each.

**14. 24.2.10 – FRAUDSTERS CLAIM BENEFITS FROM ABROAD**

The Daily Telegraph reported that people living in 20 foreign countries have illegally claimed British benefits. The payments were part of more than £1 billion paid out to illegal claimants in 2008-2009. The Department of Work and Pensions said it had identified evidence in 51 cases of benefit payments fraudulently going overseas to countries such as Australia, Italy, India and Pakistan.

**15. 25.2.10 - 'WIDESPREAD FRAUD' IN SMOG-TEST PROGRAM**

The Los Angeles Times reported that nearly a third of older-model cars stopped for roadside smog tests in Southern California failed them, despite having received a passing grade at inspection stations within a year. The results of those surprise inspections of 6,000 models manufactured before 1996 have led law enforcement officials to crack down on unscrupulous stations, step up fines and file more criminal charges.

**16. 26.2.10 – THREE CHARGED IN NORWAY AFTER CO2 TAX FRAUD INVESTIGATION**

Reuters reported that three people have been charged and at least two companies are under investigation in Oslo over allegations of tax fraud relating to carbon emissions trading. Norwegian tax authority officials put the value of the fraud at around 127 million Norwegian crowns (\$21.4 million).

**17. 27.2.10 – CHINESE OLYMPIC GYMNAST GUILTY OF FRAUD – MEDALS COULD BE LOST**

Reuters reported that the six Chinese women gymnasts who won a team bronze at the 2000 Sydney Olympics are likely to be forced to return their medals after one of them was found to have falsified her age. Dong Fangxiao was found to be younger than the minimum age requirement of 16 during the 2000 Games after she registered different ages at Sydney and the Beijing Games eight years later.

**18. 27.2.10 - HUSBAND AND WIFE JAILED FOR £4.6M TAX FRAUD**

The Times reported that a husband and wife have been jailed and ordered to pay £4 million compensation after admitting a £4.6 million tax fraud carried out over 16 years. Patrick and Mary Small put millions of pounds into bank accounts in the Isle of Man, failing to declare tax over a period dating back to 1995. Patrick Small was jailed for three and a half years; Mary Small for two and a half years.

**19. 28.2.10 - AERO INVENTORY TO FACE FRAUD PROBE**

The Sunday Times reported that the Serious Fraud Office (SFO) has begun a formal investigation into the collapse of Aero Inventory, the aircraft components group. The company was worth £140 million when it filed for administration late last year. Aero's shares were suspended last October after

accounting errors were discovered in a Canadian contract. The company reported sales of £440 million in 2008, but ran out of cash last year and was unable to secure an extra £50 million from its banks.