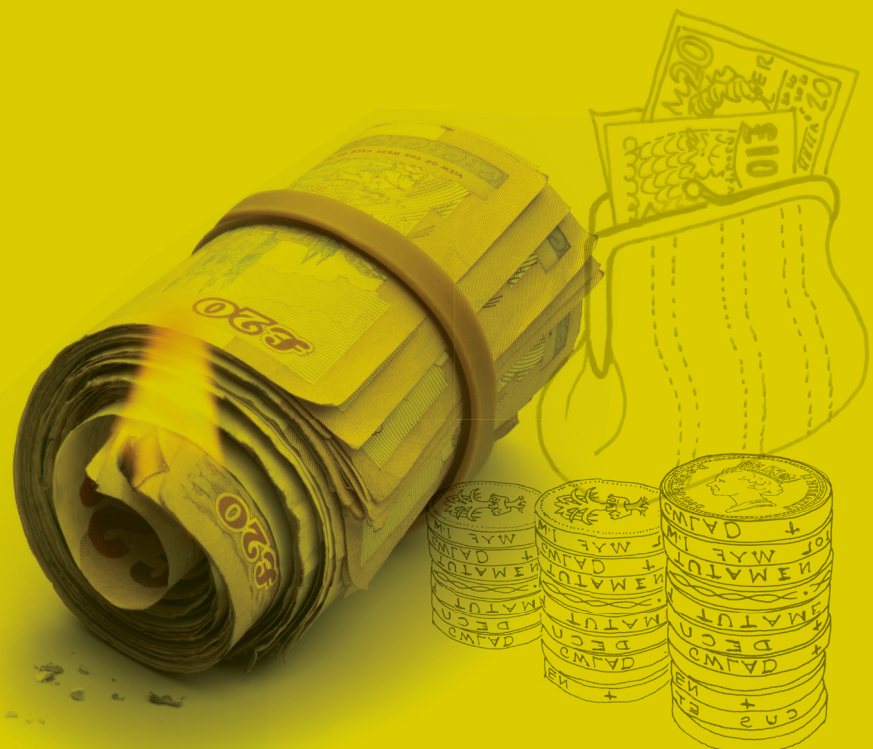


Counter fraud

# The human cost of fraud: A vox populi

By Mark Button, Jim Gee, Chris Lewis, and Jacki Tapley





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# Introduction

This Report allows 11 victims of fraud a voice. They each describe the impact of fraud on their lives - this shows what the real human cost of fraud is.

In 2009 the Centre for Counter Fraud Studies ("the Centre") was commissioned to conduct research on the victims of fraud for the National Fraud Authority and the Association of Chief Police Officers ("ACPO").

The research involved

- A literature review of research on victims and the techniques of the fraudsters
- 30 face-to-face semi-structured interviews involving victims of fraud and 3 relatives of victims (one further interview took place after the research was completed)
- Telephone interviews with around 750 victims
- Two focus groups were held to float and discuss potential ideas for greater support to victims of fraud.

The results of that research were published in three reports towards the end of 2009<sup>1</sup>. The reports contained many findings and included dozens of recommendations for bodies who work with victims of fraud. Many of these are now being implemented by the National Fraud Authority ("NFA") and the newly established Action Fraud, amongst other agencies.

One of the striking myths that still predominates around fraud victims is that fraud is a victimless crime or that it has less impact than some other crimes. This is wrong.

Not only is fraud not a victimless crime, in reality it can and does have a devastating impact on its victims and their families. The Centre therefore decided to publish a vox populi drawn from the above research which simply describes the circumstances

of a representative sample of the victims interviewed and shows in their own words the impact upon them and their families.

The interviewees' feelings are not always perfectly expressed in words but the words are always compelling. They vividly express the real damage that fraud does to the health, finances and lives of those who are victims.

The following sections of this Report allow each victim a voice. There then follows sections which summarise how the victims felt and what the impact was on their health and finances.

Previously, the Centre and MacIntyre Hudson LLP have published several reports about the financial cost of fraud and the real damage that is done to the economic health and stability of public and private sector organisations across the UK. This report focuses on the **human cost of fraud** to the individuals who are targeted.

The clear feeling of these victims is that more can be done – both to prevent fraud occurring and to help the victims and catch the fraudsters after it has taken place. National projects such as the NFA's Action Fraud reporting initiative represent progress, but the reality is that much more is still to be done. This is not just at a national level but in every major organisation and area of our society. The authors of this report hope that, by exposing the real damage that fraud does, we can encourage further progress.

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<sup>1</sup> 'A better deal for fraud victims', 'Support for the victims of fraud' and 'Fraud typologies and victims of fraud' – all researched by the Centre for Counter Fraud Studies and published by the National Fraud Authority 2009. The authors would like to thank Dean Blackburn for his contribution to this research.

# The context

Fraud has a real cost for all of us. This is a financial cost, which costs us extra taxes, adds to the cost of goods and service and makes the public and private sector organisations which we rely on less healthy and financially stable. This cost has been well researched recently in previous Reports which MacIntyre Hudson LLP and the Centre for Counter Fraud Studies have published<sup>2</sup>.

However, there is also a human cost of fraud. As this Report makes crystal clear fraud is not a victimless crime.

When perpetrated against corporate bodies, its' victims are those who are employed, whose employment is less secure by virtue of the reduced financial health of their employer. Victims include those who are customers of goods and services which provided, who either pay more than they should or who receive worse quality provision. In the public sector, victims include those who pay higher than necessary taxes and who get a government and public service which are not as good as what they pay for.

Even worse, though, is the effect of fraud, when directly impacting on individual citizens.

There is no credible overall estimate of the number of individual victims of fraud each year. However, the best estimates for one area alone - identity fraud, a particularly damaging and personalised type of fraud - would indicate that 3.7%<sup>3</sup> of adults are affected, or 1.8 million people, in the UK.

Some figures specific to particular types of fraud indicate the likely scale of a proper estimate based on accurate measurement:

- An email scam alone persuaded 70,000 people a year in England to part with an average £2,858 each, according to figures from the Office of Fair Trading
- A total of 38,000 people in England fall victim to fake prize draws a year
- 10,000 people in England a year fall victim to investment scams
- Fake lotteries draw in 14,000 victims a year
- A "work from home" scam where an advertisement in newspapers asks for a fee up front to help establish you affects 330,000 people in England a year<sup>4</sup>

This Report allows those citizens to speak for themselves and describe that impact - on their health, finances and outlook on life. This impact is insufficiently chronicled in a world where corporate organisations grow ever larger relative to individual citizens.

The authors of this Report have tried to correct the imbalance by simply letting the victims speak for themselves.

<sup>2</sup> *'The Financial Cost of Fraud Report' 2009, 'The Financial Cost of Healthcare Fraud Report' 2010, 'The Financial Cost of UK Public Sector Fraud Report' 2010*

<sup>3</sup> *While there has yet to be a UK-specific exercise to measure the extent of identity fraud, the most recent and most credible study, undertaken by the U.S. Federal Trade Commission, 'The 2006 Identity Theft Survey Report', provided a percentage estimate of 3.7%, with a statistical confidence level of 95%*

<sup>4</sup> *Figures from the National Fraud Authority 2009*

# Victims' voices

## Lorraine

Lorraine was the victim of a bogus holiday fraud. She had seen a holiday on a website – which seemed to have all appropriate accreditations linked – and booked a £1500 holiday for her family. Then one morning while watching breakfast television there was an item about a bogus holiday scam and she suspected it included her holiday. She phoned up the television company who advised her to contact the Metropolitan Police, which she did. After visiting her – and other victims – there was eventually a successful prosecution and promise of return of some of the monies. However, in the meantime they did not get their dream holiday and they had actually taken a loan to pay for it, so were indebted for a holiday they never got. Lorraine describes the impact of the fraud on the family finances:

*Oh it was awful, because we'd got a bank loan out to pay for this holiday and I then thought well what am I doing, because I'm now paying for something that I've not had* (Lorraine, bogus holiday fraud victim)

She was also very angry:

*I know I was really upset, and I mean I was so angry that they could have done something to, not just to me and my kids, but to...they pinpointed families, they knew what resorts to go for to get... to get families to go in for it. And it just made me feel sick, how people could do that to others, you know. I've never said a bad word against anyone, then all of a sudden we'd got this and the effect it had on my kids, just made me... I wanted to punch them. I wanted to be in that court room, good job I didn't go really. Because there was a point where they thought they were going to call me as a witness* (Lorraine, bogus holiday fraud victim)

As well as very upset:

*I mean it did, it knocked me for six didn't it, absolutely knocked me for six. Because I think for days I was just walking around crying... But yes I was just...I am just...the thing is I know it's three years ago and I am still as angry and still sick feeling as I did, as the first day*

*I did it. When we did the TV show, I mean I don't know how many takes we had to do that, because I got very emotional again.* (Lorraine, bogus holiday fraud victim)

Lorraine had also agreed to go on television to publicise the risks, but this had led to a degree of embarrassment.

*If we walked into Tesco's to go shopping we would go at nine or ten o'clock at night, because it was quieter, because if went out during the day all I saw was people looking at us. People were constantly looking at us, come up to us and saying 'I'm sorry to hear about it' and bits and pieces, and Happy Birthday, and 'it's a shame', and even old people wasn't it* (Lorraine, bogus holiday fraud victim).

## Peter

This merry-go-round of referral to different agencies can become even more complex when small businesses are involved. The research found several small businesses expressing the view that agencies such as the police thought it was their responsibility to investigate fraud. Peter ran a small business and had hired an accountant who subsequently defrauded him out of £80,000. Peter had to visit the police four times before they showed any interest. This eventually led to an investigation, but the evidence was not enough to interest the

Crown Prosecution Service. This led him to contact his MP who then contacted the police. In the second investigation, forensic accountants were brought in. Their report could still not interest the CPS and at the time of writing Peter is still trying to pursue this case. Peter described how he had to secure the interest of the police:

*I went there (the police station) four times before I got anybody to talk to me... had to shout in the... in the reception till this duty officer came out and was looking to see what the... (Peter, small business victim of fraud).*

The stress had also had an impact on his physical health:

*But if you want to see class A psoriasis which I didn't have before..... and if there is, um, any relationship as they say there is between stress and psoriasis (Peter, small business victim).*

## David

David was a gentleman who worked in the city aged in his 60s. While on holiday in Paris during the Christmas period he was telephoned by his bank to ask if a few days earlier he had withdrawn £9,500 from one of his current accounts. He had not and the branch where this had occurred had not been a place he had ever visited. The bank informed him that the person who had withdrawn this money had used his 'passport'. David eventually got his money back from the bank but there were a number of issues which still worried him and the fraud also had an impact upon him.

David was very concerned at the checks the bank had applied on releasing the cash:

*I mean when they got round six days later to wondering whether they'd done the right thing, they'd telephoned, they have my mobile telephone number, they telephone me. I was... I'd just got off my boat which is moored in the centre of Paris, onto the pontoon and the telephone rang and I answered it and there we were. So they were able... they could have contacted me anywhere in the world, just like that! So why couldn't the girl have rung me up, right at that very moment, before counting at nine thousand five hundred quid in cash and say 'oh I just want to check' you know? And I could have said 'it's not me dear, don't give it to him!' And you know... So there's a lack of common sense, there's a lack of training, there's a... (David, identity fraud victim)*

He was also concerned at how tardy his bank was in alerting him to potential protections to prevent further fraud as well as what could potentially happen when a fraudster has a copy of a passport:

*(Experience of CIFAS) Absolutely positive, very good. I rang up immediately, told them the situation, they sent me the form, I filled it in, I gave them some information which nobody, nobody else could possibly know about um, and then what happens*

*two weeks later? #### bank ring me up: 'we think it may be a good idea if we registered some information with a firm called CIFAS'. T\*\*\*\*\* [laughter] (David, identity fraud victim).*

*Erm, you know, erm in the case of my passport, nobody has been able to tell me erm you know, what sort of things might be happening to it. I mean what do I need to be looking... This is one of the things; this could well happen again in some other format. I mean, yes we've talked about the dusky lady saying she's Mrs #### in two years time. What else could happen? I mean, I, because I've made it my job to look into quite a lot of this, I know that these things are sold on at different prices and after they've been used for something meaty like a cash fraud etc, they may go on to something else. I don't know what else they might be used for. But I don't like the idea erm, that there's somebody out there wandering round saying his name is David #### and doing things which I might not approve of (David, identity fraud victim)*

The fraud had driven him to distraction and led to loss of sleep:

*Oh, it's driven me to distraction. I've certainly lost... If I'm honest with you, although I seem a reasonably confident individual, I've lost a hell of a lot of sleep over it. I would like forty, fifty nights I've woken up at half past three in the morning worrying about the bloody thing, and knowing very well that when I properly awake the next morning I will deal with it with a letter or something (David, identity fraud victim).*

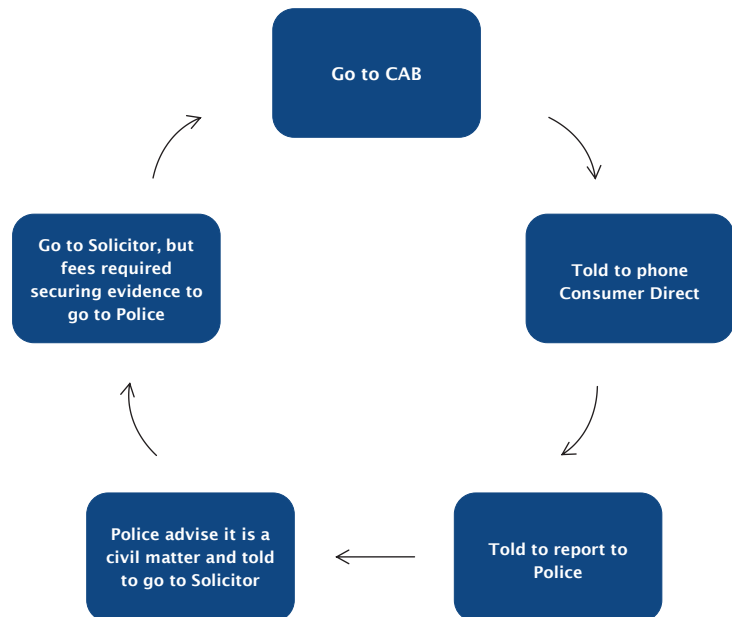
He was also concerned that there could be further damage to his reputation:

*And it drives you mad. Do you know one of the worst things about it is? What you worried about Mr ####, you've got your money back! In other words, you're not a victim. We the bank, are the victim. ####! It's not like that! I mean somebody out there is pretending to me. I'm sorry, that upsets*

*me, you know! If I was some... if I was drinking paraffin under an arch at a bank station, I wouldn't give a toss about that. But actually I've worked hard to build up my reputation, to build up my business, to... I've worked hard with the reputation of the firms I run here, the charity that I run here and I'm very bothered that there's some #### out there who is running around, pretending to me (David, identity fraud victim).*

## Doreen

Doreen was a care assistant in her 50s, married to an Englishman, originally from the Philippines. Through her colleagues at work and fellow ex-patriots she had heard of scheme called 'Circles of Success'. She was eventually invited to a meeting at a house in an exclusive neighbourhood which entailed lots of very good food. At this meeting where she had been subjected to a hard sell she was convinced to part with her ISA of £3000. The 'Circles of Success' was really a pyramid scheme. She realised several weeks later and then tried to do something. She was sent on a merry-go-round of different agencies, as the diagram on the right shows.



*"The 'Circles of Success' was really a pyramid scheme. She realised several weeks later and then tried to do something. She was sent on a merry-go-round of different agencies."*

She first went to the Citizens Advice Bureau. They suggested she contact Consumer Direct, who when she did, suggested she contact the police. They told her it was a civil matter and advised her to go to a solicitor. She did, but they advised the costs of their fees would warrant pursuit of the fraudsters as not economic.

Doreen had not told her husband and she was worried he would find out:

*Some of them also my friends, also their husbands, they didn't tell their husbands! [laughs] Because it will be a marital problem, you know, you know the consequences you do think there is always the consequences, you're always just thinking, not now, maybe one day but not now... Yeah, yeah, yeah, I have to be careful, be careful because, you know the reason why people get split, one of the reason is money... (Doreen, pyramid fraud victim).*

She was also concerned that some harm might come to her if she pursued the fraudsters too much:

*I can't tell anyone because they might report me to these people, oh, she went to there, she went to there, you know, and, err, I kept quiet, it's only between me and my friend who knows this, nothing else, I can't say it to anyone because I don't want to be, you know, I don't know what will they do to me, because I blow the whistle already (Doreen, pyramid scam victim).*

She was even targeted by the fraudsters' solicitors to try and shut her up:

*...what they did to us is they took us to the solicitor because they said we were harassing them and I had a letter from the solicitor that I was, erm, accused of harassment and if you do this again to this person, you know, you know the consequences, they said. (Doreen, pyramid scam victim).*

## Mike and Steve

Mike and Steve were businessmen who purchased a manufacturing company. A few days after purchasing a company with contracts with a large confectionery company, they realised there was endemic corruption and fraud. In the first instance they contacted their solicitors and began their own investigations. After a period of time they had what they thought was enough evidence to interest the police. However, after meeting them they were referred to the Serious Fraud Office (SFO). Initially they were also disinterested in the case but eventually decided to take it on. Meanwhile the victims were still largely investigating the case themselves, with some outside professional help. The case eventually reached court – after a dispute where the SFO stopped them from going down the civil route – where guilty verdicts were secured. However, it didn't stop there as the indictment had been wrongly phrased which meant they would not secure compensation (something they had been promised). This led to further legal action to secure monies, which is still ongoing. Their losses amounted to at least £8 million.

They had a poor experience initially with the SFO:

*But the, the police engaged...you know, approached the SFO and they were lethargic, incompetent, poorly led, um, so incredibly slow. And, and when you're talking about a, a fraud crime and assets*

*are being shifted around all over the place you need to be moving quickly. You've got to be doing something. There's, there's no...the SFO have no...don't recognise the victim, er, the victim is meaningless. I tried to speak to them and say look, come on guys, what's going on after a few months of lethargy. Who are you talking to me, they said. This is one of the barristers, the, um, er, case managers. ...Who are you talking to me, how dare you come through to me. [Laughs]. So we started writing letters to Wardle and, um, the attorney general and... (Steve, multiple fraud victim).*

There was a substantial financial impact upon them as a result of the fraud:

*Yeah. In, in terms of, um, the way it occurred, I mean we found within the first month we couldn't pay ourselves. Just wasn't enough money in the company to actually pay ourselves. Yeah. In the end I had to sort of, um, er...I'd made a, a directors' fund for the company, I had to sacrifice that basically to, to pay us, and that was my pension fund. So my pension went on that. So...but as a result we've managed to live for three years until we've managed to get the company back into a tiny profit and we managed to pay ourselves from that point on. We just did it by the skin of our teeth (Mike, multiple fraud victim).*

On both the victims the crime had also taken its toll:

*Er, yeah, I would say with me, yes. I've been mentally to the brink a couple of times. Yeah. So...I've always thought I'm pretty strong but, you know, um, er, it's when you have to carry the baggage of your own family, that's, that's difficult (Mike, multiple fraud victim)*

*Yeah. It's, it's when your son says to you...11 year old son says to you, um, don't worry dad, I'll buy mum's Christmas present this year. I mean, er... [breaks off] (Steve, multiple fraud victim).*

*“they were lethargic, incompetent, poorly led... and when you're talking about a fraud crime and assets are being shifted around all over the place you need to be moving quickly... the SFO... don't recognise the victim”*

## Harold

Harold is a man in his 50s living on his own in London who is semi-retired. In 1999 he received a credit card bill with an item for \$202.20 which was nothing to do with him. Three months later another unauthorised transaction appeared on his bill. Harold asked for his card to be changed, which it was. Three years later the police 'burst' into his house at 5am to arrest him on suspicion of downloading child pornography. His house was searched and his computer seized. Harold lived in an affluent suburb of London and his neighbours soon found out what had happened. Six months later his computer was returned and his bail cancelled. In the meantime, however, serious damage had been done to Harold's reputation.

As a former teacher he was concerned should he ever have to try and seek employment again:

*No, but I think, um, I used to be a teacher, um, in a secondary school, and I've worked with children a lot in my life, um, through the 1970s and I'm not thinking of going back to that, but if ever I, if it were the case that I wanted to go back to that, um, this would loom large on me as a great cloud of anxiety about whether the potential employers knew about it and what their reaction would be if they find out. Now as I say it's academic because I'm not planning to do anything of the sort. But it would be a worry to me (Harold, identity fraud victim)*

The stress culminated in some physical health concerns.

*Yes, um, I, um I have started suffering from a rather mild, um, skin problem called urticaria in which, um, certainly in 2003, which was just when this had gone on for six months, um, **I just went all red, red rash, right down the front of my body and down my legs, itchy rash, it's called urticaria.** And, um, I was given some medicine for it, pills and it knocked it out. There've been a few reoccurrences, not*

*so severe as that first onslaught, but it's never happened before and, um, I think it's a symptom of the awful level of anxiety that I now live on (Harold, identity fraud victim).*

The fraud has ultimately led to serious damage to his reputation and altered his life:

*Um, and it's certainly altered my life and personality irrevocably, because I'm no longer the completely open frank person, naïve person that I was lucky enough to be for the first, er, 55 years of my life, I'm quite a different person now. I'm much more cagey as witnessed by my insistence on being anonymous...(Harold, identity fraud victim).*

He speculated how for many others it could have culminated in suicide:

*Um, and the lady I referred to earlier who is a counsellor, a sex therapist, um, to say something in her favour, when I quoted that statistic to her, she said 'yes, it's terrible' and I said 'well I suppose they would be people who, um, [pause], did actually have reason, um, to be, to feel that their life had no more meaning, in other words they presumably were people who did download this stuff wouldn't they be'. And she said 'not at all'. I said 'wait a minute what, why would they have committed suicide', 'oh' she said 'because they may be people who, um, are less articulate and educated than you, who feel absolutely powerless to control their situation. There's nothing they can do. They've got no means at their disposal, er, they could be as innocent as you are, but just reached desperation. 'They could be' she said 'they could be'. That's a thought isn't it? (Harold, identity fraud victim)*

He illustrated how the fraud had damaged his reputation.

*And then another person in the street who said, um, 'on well, there are those who talk about no smoke without fire'.*

*You know these sort of comments add up and someone else, more recently who I had regarded as a friend, but I've - I won't see him again, um, although I've known him for 25 years, um, he made a flippant comment about 'well there must have been something', um, I rang him up about that later and gave him a thorough, not a talking to, but a very mildly expressed explanation and said 'look you don't seem to understand, these are the facts' and I told him what had happened and he said I was being flippant. I was just being flippant (Harold, identity fraud victim).*

*I mean like a woman for example whose husband was an old friend of mine and they had three children, I know them all, I met them in Clapham at a private view in a house, and I noticed certain caginess and as I went up to greet them all I noticed the mother moving her children away from me like that. I didn't - I didn't really sort of want to believe consciously that I was believing my own eyes. I just thought well she's being sort of funny or something (Harold, identity fraud victim).*

### Christine

Christine was a pensioner in her 70s with a husband who was terminally ill with Alzheimers. Her husband had received correspondence suggesting he could secure £500,000 if certain fees were paid. After the first fee was paid by Christine was sucked into a succession of further payments which culminated in the loss of their £108,000 of life savings. When she went to the solicitor to re-mortgage the house she was told it was a scam and told to inform the police, who investigated and eventually arrested three Nigerians, one of which was convicted, one fled the country and the other was deported. To date she has received none of the monies back, although a £48,000 confiscation order was made against the convicted fraudster to be paid to her. Speaking on why she fell for it:

*Um, the idea was...you see, my husband wasn't well. He's now been diagnosed with Alzheimer's disease, and I felt that I could care for him, you know, very easily if I had lots of money [laughs] (Christine, Nigerian scam victim).*

Christine and her husband lost their life savings. They were lucky they did not lose their house and at least they still had their pensions. However, Christine felt great shame and was not even able to tell her husband (although his mental state was such it would be difficult for him to comprehend). As she stated:

*No, I haven't. I was so ashamed I suppose... of the fact that I'd done it, that I didn't want anyone to know. And so I have in fact told one friend, that's all... ..and I was so ashamed of the fact that I'd been so stupid (Christine, Nigerian scam victim).*

*"To date she has received none of the monies back, although a £48,000 confiscation order was made against the convicted fraudster to be paid to her."*

### Lisa (Daughter of Chronic Victim)

Lisa was a middle aged woman who discovered her father was responding to foreign lottery letters. He was receiving letters which told him he had won a prize, but had to pay a release fee. She estimated he had lost at least £20,000 so far. When she was shown a letter from her father she realised it straight away:

*I've got this letter, and he showed me the letter and immediately I saw the letter, scam, you know, it was just obvious it was a scam. But I couldn't persuade him at the time that it was a scam and that, you know... that he wouldn't be seeing this money, he just wouldn't accept it from me at all (Lisa, daughter of chronic scam victim).*

She investigated the scam further contacting a range of bodies and secured a DVD from the Office of Fair Trading. She showed this to him and this led to serious problems with their relationship:

*So I had that DVD from the Office of Fair Trading, which I think is very, very powerful*

*and fitted his circumstances exactly, um, although he's lost more money than people in there, and, um, I played... you know, I played him that with my brother here and he still wouldn't... I thought, well, you know, this'll get through to him because it's not just me, it's a very powerful DVD, and even that didn't get through to him. We ended up having an argument and he stormed out the place and we really haven't spoken since, we did have a little bit of a, er... a telephone conversation when he... because when he was down here he promised he wouldn't send any more money, but he was still waiting for this money to arrive, the couriers were coming...(Lisa, daughter of scam victim).*

Lisa was also concerned at the impact upon her mother, as she had increasingly been drawn in to help her father engage in the scam:

*... and has asked him, begged him, pleaded with him not to send any money, but he's just... he's even driven her to cashpoints to make her withdraw money because he couldn't get enough out in a day to get cash*

*from the bank. She's just turned into a complete nervous wreck, she's sort of, you know, old, nervous issues, I've alerted their GP and the... he's has a community mental health nurse visiting them. I wondered whether my dad was... had got some form of dementia because I couldn't understand how he could be... have the suspicions that this is not right, investigate it, have the... be... have the suspicions verified, if you like...(Lisa, daughter of scam victim).*

Even though the financial loss as not directly affecting her, it had an impact:

*But I just felt dreadful because I knew that they were losing their life savings and I'd done everything that I could possibly think of to stop it and I couldn't stop it, there was nothing that I could do, nobody could get through to him at all. (Lisa, daughter of scam victim).*

## Hilda

Hilda was an 83 year old woman who received a letter telling her she had won a lottery prize of £500,000. However, to secure the prize she had to make various payments to release the money. In total she lost £6,500, but could have lost more. Her building society contacted her and said that the cheques she was sending to secure a lottery prize were likely to be a scam and that she should contact the police. There was a limited investigation which did not result in any prosecution. In this case the victim was asked and consented to go on television to warn others of this scam, which also had an impact upon her. She was very philosophical about the impact upon her:

*I wasn't too worried about the money because to me it was just the Tessa and the ISA that I'd been using, and it was the timing that the rights of the rest of the family what they could expect later. I didn't think that I'd robbed them of*

*anything, although probably some of them might have thought so, but they've never said anything. When they rang me up and I knew that they knew about it, I told them there was nothing to worry about. I wasn't bothered, so why should they be? That was my attitude towards it I'm afraid (Hilda, lottery fraud victim).*

However, it did impact upon the relationship with one of her daughters:

*Yes, so I didn't tell them. But one daughter still lives in Darlington, who doesn't speak to me anymore for some reason, I don't know why. But she'd seen the news and she told them in Kent, so I didn't have to tell them, she went and told them. She would enjoy doing that I think. I didn't actually tell anybody except Peter, because Peter was taking me to the building society. (Hilda, lottery fraud victim)*

Hilda had agreed to go on the television to warn other pensioners, and this had led to a degree of embarrassment:

*I was embarrassed by it, especially when as I say it was before I was troubled with the cancer, and I was doing my shopping in a large superstore. And people were stopping me and saying 'Oh what an idiot you've been.' How on earth did you make such a fool of yourself? And I just had to tell them it was very easy (Hilda, lottery fraud victim).*

## Val

Val had invested £120,000 (her husband's inheritance) in an investment which promised a rate of return of 10 per cent, in what seemed a secure investment. Relatives also invested and a solicitor oversaw it (who subsequently turned out to be in on the scam). The 'investment' was overseen by a gentleman who was chauffeur driven in a Rolls Royce. Val realised something was wrong, when after a few weeks their 'income' payments stopped. She tried to contact the firm to no avail. After some research on the internet she eventually contacted the Metropolitan police. After eventually been visited she was interviewed by them. The culprits were caught, prosecuted and convicted

in what amounted to a £15 million scam. Val felt very stupid because of the fraud:

*I think we both felt at the time that oh what a waste, you know, we've thrown all that money away and plus the fact that you know, **you kind of think to yourself well how stupid could I be**, to pour it into something like this and then not really you know, kind of think to yourself well, what an idiot. Why did I do that? (Val, pyramid investment victim).*

Worst, however, was when it reached trial and the words of the judge:

*The worst thing for us was when they did the actual court case, the judge said that we were all wealthy arrogant people that wanted to get on the bandwagon of hedge*

*fund investment.... He did. He just said that we were wealthy arrogant people that had erm... which was annoying 'cause we weren't. We were just normal people, obviously if my husband hadn't been involved we would never have got involved in it. We probably would've gone straight to the building society, paid off the mortgage and said, end of. Instead, we thought well could invest it, make a bit more from it, do something more for the children, that type of thing (Val, pyramid fraud victim).*

## Bernard

Bernard, who lost over £300,000, had founded and ran a small niche manufacturing company turning over around £1m per annum and employing 11 staff. After discussing the potential of the company with an acquaintance who was also a company director. Bernard and I decided that there was potential to grow the company to the next level and make £5m turnover. To achieve this, however, it would be necessary to employ a Chief Executive. The company employed a new CEO, but unfortunately without an open competitive process or after undertaking appropriate background checks. Over the next year through incompetence, corruption and fraud she destroyed Bernard's company and brought him and his wife to the verge of bankruptcy and their near loss of their house. They managed to save their situation by offering only design and consultancy services, rather than the actual manufacturing. He also subsequently discovered the Chief Executive had previous experience of destroying companies. He tried to get the police to help, but because of the size of the problem and the technicalities of it they couldn't help:

*Well a very good friend of ours, ##### is, um, the senior officer here and I don't know whether he...you know, I said can you help us. He said well, um, I'll put it through the correct things and all that. And I don't think he bent the rules but he certainly...I don't know how, but somehow he was willing to, um, get somebody to come in on CID and the two of them came round. They were very helpful. Um, but it...they, they said, you know, you know, of course anything like this...um, but under a million quid....* (Bernard, small business fraud victim).

*Mm. And they said trouble is we can only work on hard evidence. We're not trained to do accountancy work. You know, you...we can look through the bank statements but if the cheques and the bank statements...I mean all the stuff [inaudible 1:19:16] we'd just about pick up and that's about it. You know, there's nothing subtle there. See we're not really equipped to do this, we... you know, we're up against some pretty evil people.* (Bernard, small business fraud victim).

As he describes how a client from his company saved him with an order for the new design and consultancy venture when they were on the verge of bankruptcy:

*We were nine days from, um, from bankruptcy which she ...pencilled in the 30th of September and 23rd we got a call from I...our very good friend... from Japan, and he needed some convincing cos he heard this bad news things that... from them and he...well I said I tell you ... you and I have dealt with each other face to face for years, this is what really happened, this is what...he said well I'm... from what you're telling, fair enough. He said it didn't sound good the way I heard it from everyone else. And then several...what about ####? I said well I assume she's...our book keeper's betrayed us. What about her? And then he, um, he was brilliant and he, um, he produced a sale, and then from that one sale we then got through one month and we got one more, one more. And we went for 24 weeks or 26 without a single penny of income. First six months from April to September, two weeks ago* (Bernard, small business fraud victim).

The fall out from the collapse of the company led to some angry creditors targeting Bernard and his family:

*Things that matter, things like relationships, health...what you mustn't do is let it sour your...you know, the way you bring your children up and grand children up, the way you treat people. You mustn't lose your integrity or sink to their level and slash their tyres when they...I mean we had one guy who drove round the front lawn and chewed up the lawn when we were trying to sell the house. Another wrote c\*\*\* in big letters an hour before someone from the Middle East flew in to buy...look at the house so I had to go out the back taking green paint and paint it. So if you look at our ...lovely 19th century stonework and there's one big yellow stripe across it covering up the word c\*\*\* [laughs], cos he believed it, you know. And afterwards he said I'm sorry I did that, I let myself down, and I didn't...Sarah sort of... (Bernard, small business fraud victim).*

Bernard described the impact of the fraud on his life:

*our lawyer, considers that she's done this several times before. The whole way the documentation, the finesse, the extra elegant trills... Very elegant. Why doesn't she put her energy into being effective and make profit for people? That's what makes me so sick. No, she's got greed going all over her, and I don't know, what do you say? I mean it's all gone. It's all gone. I mean your, your health...it's like divorce. 15 months...absolute shit. If my, my... if, if...I tell you, if...without my wife I'd have gone under. She just kept on pulling through* (Bernard, small business fraud victim).

# On how they felt

"I was really upset"

"I was so angry"

"It just made me feel sick"

"I wanted to punch them"

"It knocked me for six didn't it, absolutely knocked me for six"

"For days I was just walking around crying"

"It's three years ago and I am still as angry"

"It's driven me to distraction"

"I've lost a hell of a lot of sleep over it"

"It drives you mad"

"I've been mentally to the brink a couple of times".

"it's when your son says to you...11 year old son says to you, um, don't worry dad, I'll buy mum's Christmas present this year. I mean, er..."

"I'm no longer the completely open frank person, naïve person that I was lucky enough to be for the first, er, 55 years of my life, I'm quite a different person now"

"I was so ashamed of the fact that I'd been so stupid"

"You kind of think to yourself well how stupid could I be"

"Without my wife I'd have gone under"

# On how fraud affected their finances

“Oh it was awful, because we’d got a bank loan out to pay for this holiday and I then thought well what am I doing, because I’m now paying for something that I’ve not had”

She was convinced to part with her ISA of £3000.

Their losses amounted to at least £8 million.

He hired an accountant who subsequently defrauded him out of £80,000.

The loss of their £108,000 of life savings.

In total she lost £6,500, but could have lost more.

She estimated he had lost at least £20,000 so far.

Val had invested £120,000 (her husband’s inheritance) .

# Conclusion

Fraud is a pernicious problem. It affects us at many different levels. At a society-wide level it corrupts human interaction and undermines good behaviour; at an organisational level it undermines the financial health and stability of companies and public sector agencies which we rely on to enjoy a proper quality of life; and at a personal level it causes real damage to the health and wealth of those who are its victims. Thus its costs are social, financial and personal.

This Report is one of a series of Reports looking at these costs, and, in this case focusing on the human damage which fraud does. It allows eleven victims to use their own words to describe its impact on them. The personal testimony is very powerful, so powerful in fact that the Report contains minimal commentary.

The authors of this Report hope that by exposing the human cost of fraud, there will be greater attention focused on countering fraud and on reducing all its costs. The victims themselves know that this is what is needed.

# About the Report authors

## Jim Gee is Director of Counter Fraud Services at MacIntyre Hudson LLP and Chair of the Centre for Counter Fraud Studies

Jim Gee is one of the leading counter fraud specialists in the UK. His accomplishments include leading the team which cleaned up London Borough of Lambeth in the mid to late 1990s; advising Right Honourable Frank Field M.P. during his periods as Chair of the House of Commons Social Security Select Committee and Minister for Welfare Reform; and being Director-General of the European Healthcare Fraud and Corruption Network between 2004 and 2006.

He was also a senior advisor to the Attorney-General concerning the Government's Fraud Review which has started to professionalise this country's approach to fraud. Gee's work in the NHS reduced fraud-related losses by up to 60 per cent, delivering financial benefits to the tune of more than £800 million and achieving a 12:1 return on the costs of the work.

## Mark Button is a Reader at University of Portsmouth and Director of the Centre for Counter Fraud Studies

Mark Button is a Reader in Criminology and Associate Head Curriculum at the Institute of Criminal Justice Studies, University of Portsmouth. He has also recently founded the Centre for Counter Fraud Studies of which he is Director.

He has written extensively on counter fraud and private policing issues, publishing many articles, chapters and completing four books with one forthcoming: *Private Security* (published by Perpetuity Press and co-authored with the Rt. Hon. Bruce George MP), *Private Policing* (published by Willan), *Security Officers and Policing* (Published by Ashgate), *Doing Security* (Published by Palgrave), and *Understanding Fraud: Issues in White Collar Crime* (to be published by Palgrave in early 2010 and co-authored). He is also a Director of the Security Institute, and Chairs its Academic Board, and a member of the editorial advisory board of 'Security Journal'.

Mark founded the BSc (Hons) in Risk and Security Management, the BSc (Hons) in Counter Fraud and Criminal Justice Studies and the MSc in Counter Fraud and Counter Corruption Studies at Portsmouth University and is Head of Secretariat of the Counter Fraud Professional Accreditation Board (CFPAB). Before joining the University of Portsmouth he worked as a Research Assistant to the Rt. Hon. Bruce George MP specialising in policing, security and home affairs issues.

He completed his undergraduate studies at the University of Exeter, his Masters at the University of Warwick and his Doctorate at the London School of Economics. Mark is currently working on a research project funded by the National Fraud Strategic Authority and ACPO looking at victims of fraud.

## Dr Jacki Tapley, Principal Lecturer at University of Portsmouth

Dr Jacki Tapley is a former probation officer who has developed a research and teaching profile in victimology. From 1998 to 2003, with the co-operation of Dorset police and the Trials Issues Group, she undertook a qualitative longitudinal study focusing on victims of violent crime and their experiences of the criminal justice system, which formed the basis of her PhD thesis. The research recommended that victims be provided with one point of contact and this study informed the report of the Audit Commission (2004), and the subsequent introduction of Witness Care Units. Since this time, Jacki has worked closely with the Dorset Criminal Justice Board as a member of their consultative committee. Jacki is also a member of the Victims and Witnesses Issues Group, a sub-committee of the DCJB and has undertaken a number of evaluation studies focusing on the criminal justice response to victims of crime.

## Chris Lewis, Associate Senior Research Fellow at University of Portsmouth

Chris Lewis was Assistant Director of Research at the Home Office 1986-2003, and has been a consultant on Justice Statistics for the World Bank since 2004, as well as being active in research at ICJS since 2003. His research clients at ICJS have included the Home Office, CPS, NAO, EU Commission, Hampshire Police, MOJ, UN, Kainos, Hampshire Young Persons Special Assessment Service (HYPSAS), Surrey Police and the NFA. He has worked on topics such as Gun and Knife Crime; Equality & Diversity assessments; Crime and Justice Statistics; Sentencing; Compensation for violent crime; Covert operations; and Offender programmes. Techniques used include analysis of databases; focus groups; interviews with offenders and practitioners; modelling; comparative studies; policy and process evaluation.

#### About MacIntyre Hudson LLP

Established in 1880, MacIntyre Hudson is a growing and successful mid tier UK independent accountancy firm working with entrepreneurial businesses, groups and multinationals with operations in the UK.

The firm provides a comprehensive range of services and specialist advice, including audit and assurance, tax planning and compliance for both corporate and individual clients, payroll and VAT, corporate recovery, business strategy, counter fraud services and outsourcing. Other parts of the MacIntyre Hudson Group provide specialist advice on corporate finance and professional training.

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#### The Centre for Counter Fraud Studies

The University of Portsmouth's Centre for Counter Fraud Studies (CCFS) was founded in June 2009 and is one of the specialist research centres in the University's Institute of Criminal Justice Studies. It was founded to establish better understanding of fraud and how to combat it through rigorous research. The Institute of Criminal Justice Studies is home to researchers from a wide cross-section of disciplines and provides a clear focus for research, knowledge transfer and educational provision to the counter fraud community. The Centre for Counter Fraud Studies makes its independent research findings available to support those working in counter fraud by providing the latest and best information on the effectiveness of counter fraud strategies.

[www.port.ac.uk/departments/academic/icjs/CentreforCounterFraudStudies/](http://www.port.ac.uk/departments/academic/icjs/CentreforCounterFraudStudies/)

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