

Opening Remarks

Joshua's excellent presentation highlighted the prevalence of fraud in the UK. As he notes, fraud is the most common crime in the UK, accounting for 41% of all offences. Many of you will have been affected, or will know someone who has been affected by fraud. Indeed, the Fraud Strategy highlights that 1 in 15 adults were a victim of fraud in 2022 and, by 2020, 1 in 5 businesses were a victim of fraud in the past 3 years. It is also important to recognise that fraud causes substantial non-monetary costs, with fraud used to fund organised crime and terrorism.

Accordingly, the creation of the National Fraud Squad is a welcome development. As we have already heard, the National Fraud Squad will consist of 400 new specialist investigators across the NCA, City of London Police and Regional Organised Crime Units. This investment in fraud prevention and detection was sorely needed, with only 1% of police resources dedicated to fraud at present. However, it is questionable whether this is sufficient, with RUSI noting that the creation of the Squad alone will not expand police fraud resources above 1%.

While the creation of the Squad is a positive development, it needs more resources. In addition, its success will depend upon other aspects of fraud legislation and law enforcement. Some existing weaknesses have been addressed by the Fraud Strategy, but others remain.

For instance, the Fraud Strategy notes that the Squad is intended to "take a proactive intelligence-led approach", rather than a reactionary approach to fraud, which has been the focus to date. A proactive approach will provide a more effective response to complex frauds. However, it is also important to address the reporting of fraud, which has been unsatisfactory thus far.

In this respect, it is positive to see that Action Fraud will be reformed and replaced with "a new, state-of-the-art national fraud and cybercrime reporting service." This is because the press and reviews of Action Fraud have widely criticised the organisation. For instance, the Times reported that Action Fraud's staff were trained to mislead victims of fraud that their cases were being investigated, when in fact less than two percent of reports submitted to Action Fraud resulted in an arrest.

However, although there is some reform on the horizon, the reporting of fraud is still not straightforward and is often not mandatory in the UK. The primary statutory obligation for reporting instances of fraud is contained under the Proceeds of Crime Act 2002. It is a criminal offence under the Act to fail to disclose via a Suspicious Activity Report (SAR) knowledge or suspicion that a person is laundering the proceeds of criminal conduct. Successful fraud is defined as money laundering for the purpose of this Act and are reported to the NCA. However, whether there is a legal obligation to report unsuccessful or attempted frauds to the NCA is less clear. Accordingly, the work of the Squad could be assisted by introducing a clear mandatory obligation on the regulated sector to report instances of attempted fraud.

The Squad is intended to focus "on high-end frauds and organised crime." Again, this should be a positive development in combatting complex fraud, as the SFO has faced repeated criticism over its performance to date. Alongside the additional funding announced for the

SFO, the creation of the Squad will ensure that the SFO has support in investigating and addressing complex fraud cases. This will be particularly important following the enactment of the corporate failure to prevent fraud offence and the proposal to review the sentences imposed for fraud.

In this respect, the Strategy notes that it is critically important there is a “whole system response” to fraud and the Squad will be expected to work with the SFO, FCA and other law enforcement bodies. The recognition that collaboration in fraud enforcement is essential is welcome, but must be supported in improvements in information collection and exchange. Alongside the problems inherent in reporting fraud, my research has demonstrated that there are harmful deficiencies in the exchange of information between law enforcement authorities in the UK. There have recently been efforts to reform the exchange of information in the private sector through the Economic Crime and Corporate Transparency Bill and Data Protection and Digital Information (No.2) Bill. However, there needs to be a greater focus on improving the exchange of information between law enforcement authorities.

Accordingly, while the creation of the Squad will have a positive impact on fraud detection and prevention, it needs to be accompanied by reform of fraud legislation and its enforcement.