



Home Office

BUILDING A SAFE, JUST
AND TOLERANT SOCIETY

Fraud and technology crimes

Findings from the 2003/04 British Crime Survey, the 2004 Offending, Crime and Justice Survey and administrative sources

Debbie Wilson
Alison Patterson
Gemma Powell
Rachelle Hembury

Home Office Online Report 09/06

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Acknowledgements

We would like to thank Alison Walker, David Matz, John Flatley, Sian Nicholas, Krista Jansson, Jon Simmons and other colleagues for their valuable comments on the draft report.

We would also like to offer our thanks to members of the public who participated in the Home Office surveys.

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Executive summary

This report presents the latest findings of the 2003/04 British Crime Survey (BCS) and the 2004 Offending, Crime and Justice Survey (OCJS), on fraud and technology crime. The results provide alternative measures to police and administrative data on these crimes as they cover incidents that may not have been reported to the authorities. In addition, it provides more detailed information about fraud from data available from non-police sources and updates the information on fraud contained within the Crime in England and Wales 2001/2002: Supplementary Volume (Flood-Page and Taylor, 2003).

Key findings from the 2003/04 British Crime Survey and the 2004 Offending, Crime and Justice Survey

Fraud

- Victims reported the same level of credit and debit card fraud in BCS 2003/04 as in 2002/03 and the same overall level of card fraud worry; however, the level of worry for those who had used their cards to buy goods over the Internet had declined slightly from 55 per cent in 2002/03 to 52 per cent in 2003/04.
- The percentage of card users who had been an actual victim of credit or debit card fraud¹ was low and stable between the 2002/03 and 2003/04 BCS (4% and 3% respectively, the difference not statistically significant).
- From the 2004 OCJS, one per cent of 12- to 25-year-olds reported using someone else's card or card details without the owner's permission in the last 12 months. The level of card fraud by offenders aged 18 to 25 years remained broadly stable (2% in 2003 and 1% in 2004, not a statistically significant change).
- The 2004 OCJS found that among eligible 18- to 25-year-olds², claiming falsified work expenses and committing insurance fraud was relatively common, by 16 per cent and 10 per cent respectively. Benefit fraud and income tax evasion were less common (each at 2%).

Technology crimes

- Based on BCS 2003/04, just over a quarter (27%) of BCS households where the respondent used the Internet at home reported that their home computer had been affected by a computer virus in the last 12 months. This is a significant increase since 2002/03 (18%). However, only two per cent said they thought someone had accessed or hacked into files on their home computer and the level has remained stable since the 2002/03 BCS (also 2%).
- Levels of sending computer viruses and computer hacking remained stable between the 2003 and 2004 OCJS, at one per cent of all 10- to 25-year-olds.
- Illegal downloading of software, music or films was the most common offence committed among 10- to 25-year-olds; around a quarter of Internet users in this age group reported having done so in the previous year.

¹ The definition of card fraud used in the BCS was having a credit or debit card(s) or card details used to buy things or withdraw cash without the owner's permission.

² See Box 2.2 in chapter 2 for eligibility criteria.

- The majority of fraud and technology offenders had not committed any 'core' offences³ in the last 12 months. Around a quarter of fraud and technology offenders had committed either a serious⁴ or frequent⁵ offence (or both) in the last 12 months.
- Fraud offenders (aged 18 to 25 years) were more likely than the average (for those aged 18 to 25 years) to have committed a 'core' offence and to be frequent and serious offenders. Technology offenders (aged 10 to 25 years) were more likely than the average to have committed a 'core' offence, and more likely to be a frequent and/or a serious offender.

Key findings from administrative sources on fraud:

- HM Customs and Excise estimates a reduction in revenue losses from between £6.5 billion and £7.4 billion in 2001/02 to between £4.8 billion and £5.4 billion in 2003/4.
- APACS figures for annual plastic card fraud losses on UK-issued cards show an overall upward trend over the past decade with losses increasing from £83.3 million in 1995 to £504.8 million in 2004. More recently, the introduction of chip and PIN appears to be resulting in a fall in total card losses and this downward trend is expected to continue.
- Reports from the NHS counter-fraud service indicate that overall patient fraud has reduced by more than half (54%) from £170.6 million in 1998-9 to £87.2 million in 2003/4.
- Improvements to protective measures to reduce fraud and improvements to fraud measurement systems have enabled the DWP to produce an estimate, of overall losses of £0.9 billion for 2004/5 compared with £1.4 billion for 2003/4.
- The proportion of fraud defendants found guilty at magistrates' courts has increased from 73 per cent in 2002 and in 2003 to 77 per cent in 2004, whilst the number proceeded against fell slightly.
- The volume of major fraud cases (each of value over £100,000) reaching court and resulting in conviction has shown an upward trend during 2002 to 2004 (36 cases in the first six months of 2002 and 96 cases in the last half of 2004).

³ The 'core' criminal offences covered by the survey include robbery (commercial and personal), assault (with and without injury), burglary (domestic and non-domestic), criminal damage (to vehicles and other), thefts of and from vehicles, other miscellaneous thefts (from shop, school/college, work) and selling drugs (Class A and other).

⁴ Serious offenders are defined as those who have committed one or more of the following offences in the last 12 months: theft of a vehicle, burglary, robbery, theft from the person, assault resulting in injury and selling Class A drugs.

⁵ Frequent offenders are defined as having committed six or more 'core' offences in the last 12 months.

1. Introduction

Police recorded crime statistics of fraud and forgery offences fell by 12 per cent from 2003/04 to 278,902 in 2004/05; however, annual statistics on fraud recorded by the police do not provide a reliable indication of the actual level and trends. Many offences are unreported to the police by the victims because they remain unnoticed by account/card-holders or because offences are reported direct to banks or plastic card merchants who subsequently fail to notify the police. This situation is being considered as part of a cross-government review of fraud commenced in October 2005 to consider the scale and costs of fraud, both direct and indirect, to the country. The scope of the review includes examination of fraud data collection systems across different organisations to identify the most appropriate statistical information to help contribute to the Government's response to fraud and their role in dealing with it (for more information refer to http://www.lslo.gov.uk/fraud_review.htm).

Technology offences are similar as they are often hidden from public scrutiny or they are not seen as crimes that warrant reporting to the authorities e.g. sending computer viruses.

This report provides alternative measures to police and administrative data as they cover incidents that may not have been reported to the authorities. The report presents the latest findings from two Home Office surveys: the British Crime Survey and the Offending, Crime and Justice Survey, on fraud and technology crime. In addition, it provides more detailed information about fraud from data available from administrative sources and updates the information on fraud contained within the Crime in England and Wales 2001/2002: Supplementary Volume (Flood-Page and Taylor, 2003)⁶.

Structure of report

The report is split into two further chapters, the first updating the findings from the two Home Office surveys:

- The British Crime Survey
- The Offending, Crime and Justice Survey.

The second chapter presents findings from administrative sources on the extent and trends of fraud in the public and private sector.

Home Office surveys

The 2002/03 British Crime Survey (BCS) and 2003 Offending, Crime and Justice Survey (OCJS) were the first nationally representative self-report surveys (covering private households only) to cover fraud and technology crimes, providing information on the extent of these activities from the victims and offenders point of view respectively (Wilson, 2005). The results presented in this section are from the 2003/04 BCS and 2004 OCJS and comparisons are made with previous results where applicable. The types of fraud and technology offences covered by the BCS and OCJS are listed in Box 1.1. Unless otherwise stated the BCS results relate to individuals aged 16 and over, while the OCJS results cover individuals aged from 10 to 25 (some questions are only to those aged 18 to 25)⁷. Box 1.2 provides further details on the design of the surveys.

⁶ For updated figures from police recorded crimes on fraud refer to Nicholas *et al*, 2005.

⁷ For offending by those aged 10 to 65 years please refer to Wilson, 2005.

Box 1.1: Offences covered in the BCS and OCJS

Fraud offences	Technology offences
Credit and debit card fraud (credit or bank card(s) or card details used to buy things or withdraw cash without the owner’s permission) ⁸ Benefit fraud* Income tax fraud* Insurance fraud*	Internet fraud* Computer virus Computer hacking Receipt/sent harassing emails Visiting offensive websites* Copyright theft*

Notes: * indicates offences covered by OCJS only.

All statistically significant differences are at the five per cent level unless otherwise stated. All analysis excludes don’t know/refusals unless otherwise stated. As with all surveys the results are subject to sampling error and are indicative of ‘true’ population figures rather than exact.

Box 1.2: Methodology of the two surveys

British Crime Survey

The BCS is a national victimisation survey for England and Wales, covering adults aged 16 and over living in private households. The 2002/03 BCS interviewed 36,479 people aged 16 and over between April 2002 and March 2003, while the 2003/04 BCS interviewed 42,285 people between April 2003 and March 2004. The response rates were 74 per cent. Interviews are conducted face-to-face by BMRB Social Research. The 2002/03 and 2003/04 surveys included questions to measure the extent of fraud and technology victimisation in the 12 months prior to interview.

Offending, Crime and Justice Survey

The OCJS is the first nationally representative longitudinal self-report offending survey in England and Wales (jointly undertaken by BMRB Social Research and National Centre for Social Research). The 2003 OCJS interviewed 10,079 people aged 10 to 65 living in private households in England and Wales (response rate was 74%). The 2004 OCJS only covered young people. It included 3,363 panel respondents (those aged 10 to 25 when interviewed in 2003 and who agreed to a follow-up interview in 2004) and 1,842 new respondents aged from 10 to 25. The response rate for the panel sample was 82 per cent; for the fresh sample it was 73 per cent. Comparisons between the 2003 and 2004 OCJS are based on comparable age groups and 2004 estimates are restricted to ‘fresh’ sample only to remove any potential ‘panel’ effects.

Further information on the surveys can be found at: <http://www.homeoffice.gov.uk/rds/surveys1.html>.

Administrative sources on fraud

The information presented draws together data collected by administrative sources to describe the trends, extent and type of fraud occurring in both the public and private sector. Some data are based on estimations of the overall level of a particular type of fraud; others are based on figures for cases where fraud has been detected.

⁸ This type of offence may cover some aspects of identity fraud but the two surveys did not explicitly ask respondents if they had been a victim of, or had committed identity fraud.

2. 2003/04 British Crime Survey and the 2004 Offending, Crime and Justice Survey

This chapter presents the latest results from the 2003/04 British Crime Survey (BCS) and 2004 Offending, Crime and Justice Survey (OCJS) on fraud and technology crimes. The previous annual surveys (2002/03 BCS and 2003 OCJS) were the first nationally representative self-report surveys (covering private households only) to cover fraud and technology crimes. They provided information on the extent of these activities from the victims and offenders point of view respectively (Wilson, 2005). This chapter also compares the latest results with previous data.

Fraud

In 2004/05, 278,902 fraud and forgery offences were recorded by the police, a decrease of 12 per cent from the previous year (317,947 fraud and forgery offences recorded) (Nicholas *et al.*, 2005). However, many crimes of this kind are not reported to the police because either victims are not aware of the incident, or if they are aware, they are more likely to report it to their bank or card-holder company. According to the Association of Payment Clearing Services (APACS) recent figures have shown that total card fraud was £219.4million for the period January to June 2005, significantly (13%) lower than in the same time period in 2004. The main reason for this is due to the introduction of chip and pin technology where card-holders have to use their pin number instead of their signature. However, Internet, phone and mail-order fraud was the only type of fraud to have increased in the same time period (APACS, 2005).

The two Home Office surveys provide additional information about fraud offences as they cover incidents either not covered by police statistics or not reported to APACS.

The types of fraud offences covered by the BCS and OCJS are split into three categories and are listed in Box 2.1. Unless otherwise stated the BCS results relate to individuals aged 16 and over, while the OCJS results relate to individuals aged from 10 to 25 years old, however, fraud questions are only asked of those aged 12 to 25 or those aged 18 to 25.

Box 2.1: Fraud offences covered in the BCS and OCJS

Fraud against individuals: credit and debit card fraud¹

Fraud against public money*: benefit fraud, income tax fraud

Fraud against businesses*: insurance fraud, falsified work expenses

Notes:

1: Credit and debit card fraud is defined as: credit or bank card(s) or card details used to buy things or withdraw cash without the owner's permission.

2. * indicates offences covered by OCJS only.

Fraud against individuals

Credit and debit card use

According to the 2003/04 BCS, 80 per cent of adults had used a credit or debit card in the 12 months prior to interview. The most common methods of use were for paying for items in shops or garages (91% of card users) and least for purchasing goods over the Internet (36% of users) and mail order (27% of users).

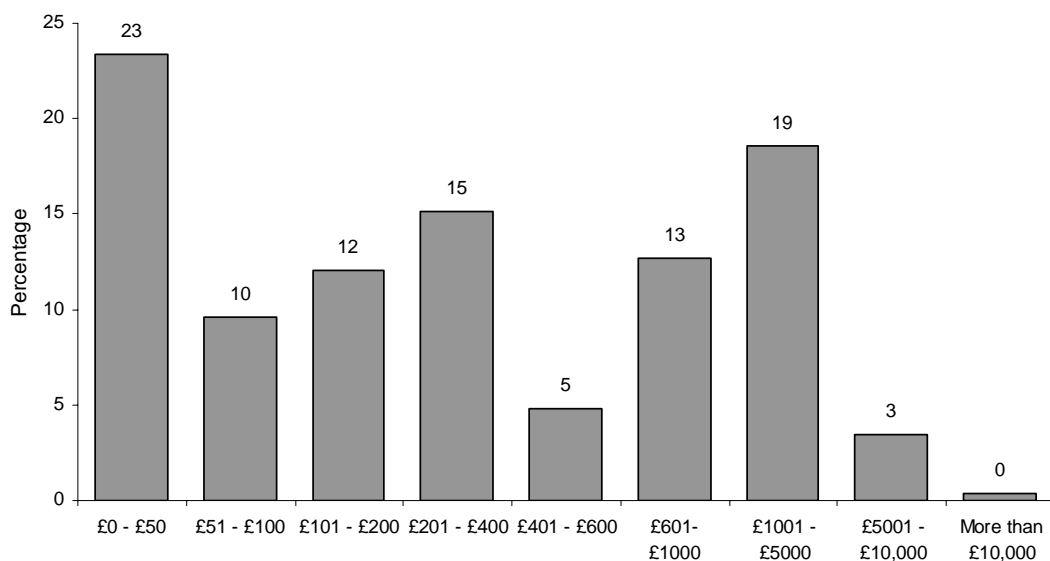
Extent of worry about credit card fraud

From BCS, around a half (49%) of individuals who had used a credit or debit card in the last 12 months were worried (including fairly or very worried) about being a victim of card fraud i.e. someone misusing their card or their card details in order to buy items or withdraw cash without their permission. Fifteen per cent of individuals were very worried about being a victim of credit card fraud; this is similar to levels of worry for car crime and violent crime (15% and 16% respectively) but slightly higher than burglary (13%). Individuals were slightly more likely to be worried about card fraud when they were using their cards to buy goods over the Internet or over the phone (in both cases 52% were very or fairly worried about this). Overall the level of worry was stable compared to 2002/03 (48%), however the level of worry for those who had used their cards to buy goods over the Internet had declined slightly from 55 per cent in 2002/03 to 52 per cent in 2003/04.

Extent of victimisation

The percentage of card users who had been an actual victim of credit or debit card fraud was low and stable between the 2002/03 and 2003/04 BCS (4% and 3% respectively, the difference not statistically significant). It is not possible to calculate an exact average of the amount stolen in these incidents as the question asks respondents to choose their response from a set of defined ranges (e.g. between £0 to £50, £51 to £100, etc.). The most frequent response given was a loss of between £0 and £50 (23% of incidents), Figure 2.1. However, the median amount stolen was between £201 and £400 i.e. around half of incidents resulted in lower losses than this, and around half of incidents resulted in higher losses than this.

Figure 2.1: Amount stolen in incidents of credit or debit card fraud (2003/04 BCS)



Both the 2002/03 and 2003/04 BCS indicated that the following types of card users were more likely to be victims than others⁹ (figures given for 2003/04): males (4%); those aged 16 to 29 years (4%); those with higher levels of household income (5%) and from higher social classes (5%); Blacks (4%); Asians (7%). These differences are more likely to reflect different levels of activity and card use amongst these groups, rather than any innate differences in risks of victimisation.

Based on the 2003/04 BCS, a fifth (20%) of the card fraud was a direct result of the card(s) being physically stolen or lost from individuals, for example from a bag or wallet. The BCS only asks if the card fraud was as a result of the card(s) being physically stolen or lost and does not identify other reasons for a person being a victim of card fraud. However, according to APACS (2005) there is also “card-not-present fraud” (this includes fraud conducted over the Internet, by telephone, fax or mail order) and mail-non-receipt (a card is stolen in the course of delivery of the card, e.g. from a communal mailbox).

From BCS, overall, three-quarters of people who had been victims of card fraud reported the incident to their credit card company or bank; 25 per cent reported their experience to the police. Only three per cent reported the card fraud to an Internet service provider, a website administrator/owner or an anti-virus or Internet security company.

Offending

Based on the 2004 OCJS, one per cent of those aged from 12 to 25 years reported using someone else’s card or card details without the owner’s permission in the last 12 months. Levels were similar for males and females and across the age range. Using the comparable age group (aged 18 to 25) the level of card fraud remained stable (2% in 2003 OCJS and 1% in 2004 OCJS, not a significant difference).

Fraud against business and public money

The 2004 OCJS found that among eligible 18- to 25-year-olds (see Box 2.2 for eligibility criteria), claiming falsified work expenses and committing insurance fraud was relatively common, by 16 per cent and 10 per cent of individuals respectively. Benefit fraud and income tax evasion were less common (each at 2%). Males were more likely than females to report falsifying work expenses; however, females were more likely to report insurance fraud (15% than males (5%). There were no differences between males and females for reported levels of tax evasion (2%) and benefit fraud (1%). The proportion of young people committing these offences was unchanged from 2003 OCJS.

The 2004 OCJS also specifically asked respondents whether they had made a false insurance claim for a mobile phone in the last 12 months. Less than one per cent of all 10- to 25-year-olds reported this, with no differences between males and females or across age groups.

Further information on fraud committed against businesses is provided by the Home Office’s Commercial Victimisation Survey (http://www.homeoffice.gov.uk/rds/crime_commercial.html).

Box 2.2: Eligibility criteria for fraud offences on OCJS

- Benefit fraud: based on those who only claimed for any benefits.
- Income tax evasion: question asked respondents to self-classify whether they were eligible.
- Work expenses: based only on those in employment who said they had been in a position to claim for expenses.
- Insurance fraud: based only on those who had made an insurance claim in the last 12 months.

⁹ It should be noted that the factors identified are not necessarily causally related to victimisation: they simply indicate which types of people are more likely to be classified as victims in the survey.

Technology

The technology offences covered in the BCS and OCJS are listed in Box 2.3.

Box 2.3: Technology offences covered in the BCS and OCJS

Internet fraud*
Computer virus
Computer hacking
Receipt/sent harassing emails
Visiting offensive websites*
Illegally downloading music, software, films*

Notes: * indicates offences covered by OCJS only

Internet use

The 2003/04 BCS found that 51 per cent of adults aged 16 years or above had personally used the Internet to either send emails or access Internet websites (either at home or outside the home, including at work). Levels of personal Internet access in the 2003/04 BCS have risen slightly since the 2002/03 BCS (from 46% to 51%). However, the OCJS figures were stable between the 2003 and 2004 surveys for those aged 10 to 25, at around 91 per cent.

Further information on the use of the Internet is provided by the Office for National Statistics Omnibus Survey ([Internet Access: Households and Individuals](#)¹⁰). The 2003/04 Omnibus Survey found that 58 per cent of people living in England and Wales had used the Internet in the 12 months prior to interview; this is in line with the findings from the 2003/04 BCS.

Buying goods/services over the Internet

Over half (54%) of adults in the 2003/04 BCS who had used the Internet, said they had used a payment card in order to buy goods or services over the Internet. This is a significant increase from 49 per cent in the 2002/03.

Among Internet users who had not bought goods or services over the Internet the most common reason given for not doing so was concern about security (72%); or worry about entering personal details online (37%). Preferring to see the actual product before purchasing (22%) was another common concern.

Those who did shop online were asked what precautions they took to secure their details on the Internet. The vast majority in the 2003/04 BCS (97%) said they took some measures; this was the same as in the 2002/03 BCS. The most popular precaution was to look for a secure site to buy from (73% mentioned this). Over a half said they only used well-known sites or companies (53% and 56% respectively).

Internet fraud

The BCS did not provide information on experience of Internet fraud. However, figures from the OCJS found that among 12- to 25-year-olds, of the one per cent who reported using someone else's card details, only a small minority had obtained the details over the Internet (0.1% of all those aged 12 to 25 years old) and similarly a small minority reported buying goods/services over the Internet using someone else's card details without the card owner's permission (0.1% of 12- to 25-year-olds).

¹⁰ <http://www.statistics.gov.uk/>.

Computer viruses

Based on BCS 2003/04, just over a quarter (27%) of individuals who used the Internet at home reported that their home computer had been affected by a computer virus¹¹ in the last 12 months, significantly higher than for 2002/03 BCS (18%). Nine per cent of those who used the Internet reported that a computer virus had damaged the computer and 18 per cent reported the computer had been infected with a computer virus but had not actually been damaged.

Of those individuals who had experienced a computer virus, whether it damaged the computer or not, nearly four in ten (37%) said they had reported this to someone. Of those who had reported the virus to somebody, nine per cent said they had reported it to an Internet service provider, six per cent to either a website administrator or a systems administrator and only one per cent to the police.

According to the 2004 OCJS, one per cent of those aged 10 to 25 years who had used the Internet reported having sent a computer virus¹² in the last 12 months. Males were more likely than females to report this activity (2% versus 1%) and 10- to 17-year-olds were more likely than 18- to 25-year-olds (2% and 1% respectively). The percentage of young people reporting sending a virus was stable between the 2003 and 2004 OCJS.

It should be noted that due to the nature of these offences one offender can impact on multiple victims.

Computer hacking

In two per cent of the 2003/04 BCS households which had used the Internet at home, someone had accessed or hacked into files on their home computer in the last 12 months. Victims were less likely to report these incidents than computer virus incidents, with 13 per cent reporting the incident to someone. Of those who reported being a victim of hacking, 33 per cent reported this to a website administrator and 27 per cent to an Internet service provider.

From the 2004 OCJS, one per cent of those aged 10 to 25 years who had used the Internet in the last 12 months reported using a computer to access another's computer's files without permission. Males (2%) were significantly more likely to report this than females (1%) and 10- to 17-year-olds were more likely than those aged 18 to 25 to report this offence. Between 2003 and 2004 these levels of computer hacking remained the same.

Offensive material

The 2003/04 BCS asked adults who had used the Internet at home whether they were worried about their household unwittingly accessing or receiving offensive, pornographic or threatening material over the Internet and whether or not they had actually done so.

One-third (34%) of home Internet users said they were worried about their household accessing or receiving offensive, pornographic or threatening material over the Internet on their home computer (11% very worried and 23% fairly worried). Women were slightly more likely to be worried than men (36% versus 33%). People in households with children were particularly likely to be worried (45% those in households with children; 27% those in other

¹¹ The BCS does not include a definition of computer virus; it is therefore up to the respondent's interpretation of a computer virus.

¹² The OCJS defined a computer virus as computer programs, which are created to deliberately stop people's computers or files working properly.

households). Worry was also higher amongst Asian groups (46%) and those between 25 and 65 years of age (38%).

Based on BCS 2003/04, one quarter (25%) of people who used the Internet at home had unwittingly accessed or received offensive or upsetting unsolicited material via the Internet in the 12 months prior to interview, significantly higher than in 2002/03 BCS (21%). The percentage of males and females who reported receiving offensive material was the same at 25 per cent. Those aged 25 to 44 years using the Internet at home were significantly more likely to report receiving this type of material than those aged 16 to 24 years, as were Whites (compared with BMEs) and individuals with qualifications (compared with those without).

Just under a fifth (18%) of Internet users who had reported receiving offensive or upsetting unsolicited material via the Internet reported it to someone, the most common being an Internet service provider (8%) followed by a website administrator (7%). Only two per cent reported receiving offensive messages to the police.

Based on the 2004 OCJS three per cent of 10- to 25-year-olds reported that they had visited a website on how to commit crime; one per cent of 18- to 25-year-olds said they had visited a racist website (this question not asked to those aged under 18). Similar to other technology activities, males were more likely than females to report to having visited these websites and the levels were stable between 2003 and 2004.

Harassment

From BCS, 12 per cent of individuals who used the Internet said they had personally received a message by email that they considered offensive or constituted harassment. Of those who had received an offensive email, nearly a third (31%) reported the incident to someone. Of those who reported the incident, one in seven (15%) reported it to a systems administrator (15%) and a further 13 per cent reported it to a website administrator.

Older individuals (40- to 65-year-olds) were more likely to be victims of email harassment than any other age group (13% compared to 10% for 16- to 39-year-olds). However, among mobile phone users, younger people (16- to 25-year-olds) were more likely (10%) than older people (aged 26 and above 8%) to be victims of mobile phone harassment.

Based on 2003/04 BCS, nine per cent of individuals who had used a mobile phone reported having received a voice or text message that they considered to be offensive or a form of harassment in the last 12 months (5% text only, 4% voice only and 1% both). Men and women were equally likely to report being victims of these types of harassment.

According to the 2004 OCJS, only one per cent of 10- to 25-year-olds who used the Internet said that they had sent an email message in order to harass, scare or threaten. This compares with five per cent of mobile phone users in the same age group who said they had sent a voice or text message to someone in order to harass, scare or threaten them in some way. Younger people (aged 10 to 15) were more likely than young adults (aged 16 to 25) to report that they had sent harassing emails. The opposite was found for mobile phone harassment where young adults were more likely than children to report to this. Levels of reporting of both email and mobile phone harassment were broadly stable between the 2003 and 2004 survey.

Illegal downloading

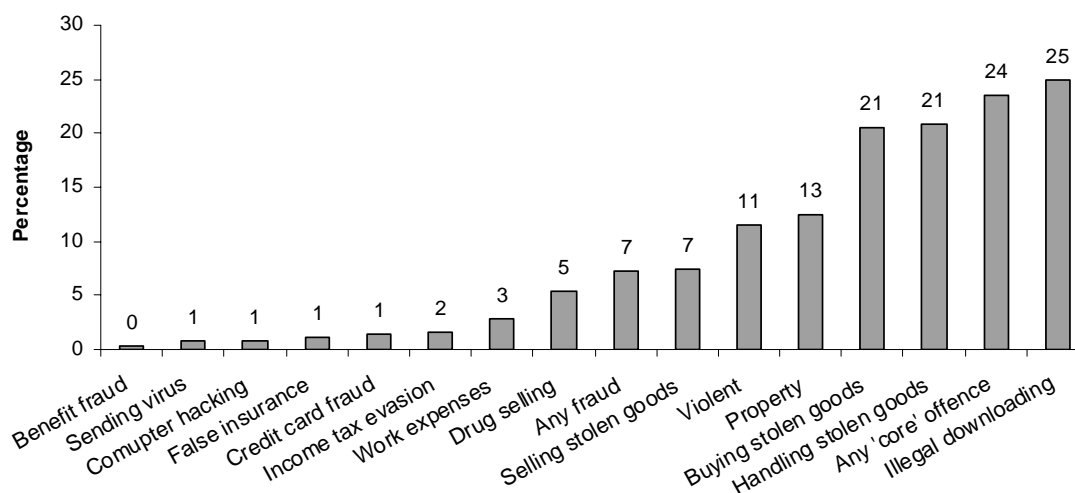
Around a quarter (26%) of 10- to 25-year-old Internet users in the 2004 OCJS reported that they had illegally downloaded software, music or films in the last 12 months. Just under two thirds (63%) of those who committed illegal downloading had done so on three or more occasions. Male Internet users were more likely to report having illegally downloaded software, music or films, (33%) compared with females (19%). Young adult Internet users were more likely than children to report this activity (31% versus 20%). Similar to other

technology offences, the levels of offending reported in 2004 was broadly the same as in the 2003 OCJS.

Links with other forms of offending

The 2004 OCJS covers a wide range of other offences in addition to fraud and technology offences. Out of all the offences identified by the survey¹³ the most common offence committed by 18- to 25-year-olds was illegal downloading at 25 per cent (Figure 2.2), which is well over twice the rate of violent offending for this age group¹⁴. When examining the wider age group, 10- to 25-year-olds, illegal downloading was still the most common offence committed in the last 12 months.

Figure 2.2: Prevalence of offences in the last 12 months among all 18- to 25-year-olds (2004 OCJS)



Notes:

1. Violent includes: robbery, assault with and without injury.
2. Property includes: burglary, vehicle-related theft, criminal damage and other thefts.
3. Any 'core' offences include: violent offences, property offences and drug selling.

It is also possible to examine the offence profile of fraud and technology offenders i.e. the proportions who are serious¹⁵ or frequent¹⁶ offenders. The results are similar for fraud and technology offenders for which the majority (61% and 59% respectively) have not committed any core offence. For both fraud offenders and technology offenders, around a quarter of offenders had committed either a serious or frequent offence (or both) in the last 12 months (Table 2.1). When comparing the overall average for all individuals of the same age, fraud offenders (aged 18 to 25 years) were more likely to have committed a 'core' offence and to be frequent and serious offenders. Technology offenders (aged 10 to 25 years) were more likely to have committed a 'core' offence and to be frequent and/or serious offenders.

¹³ The 'core' criminal offences covered by the survey include robbery (commercial and personal), assault (with and without injury), burglary (domestic and non-domestic), criminal damage (to vehicles and other), thefts of and from vehicles, other miscellaneous thefts (from shop, person, school/college, work) and selling drugs (class A and other).

¹⁴ For more information on young people and crime refer to Budd *et al.*, 2005.

¹⁵ Serious offender is defined as having committed one or more of the following in the last 12 months: theft of a vehicle, burglary, robbery, theft from the person, assault resulting in injury and selling Class A drugs.

¹⁶ Frequent offender is defined as having committed six or more 'core' offences in the last 12 months (not including technology or fraud offences).

Table 2.1: Profile of fraud and technology offenders against the average (2004 OCJS)

	Fraud offenders (aged 18 to 25)	All 18- to 25- year- olds	Technology offenders	All 10- to 25- year- olds
Frequent and serious offender	11	4*	10	5*
Serious offence, but not frequent	9	5	9	6*
Frequent offender, but not serious	6	3	5	3*
Offended but neither frequent nor serious	14	9	16	9*
Not offended	61	78*	59	77*
<i>Unweighted base</i>	132	1,833	1,106	4,653

Notes:

1. Source: 2004 Offending, Crime and Justice Survey.
2. Fraud offences only covered those aged 18 to 25; technology offences covered those aged 10 to 25.
3. Technology offence includes hacking, virus sending and copyright theft.
4. * indicates a significant difference against the overall average and fraud offenders (aged 18 to 25) and against the overall average and technology offenders (aged 10 to 25).

3. Administrative sources on fraud

This chapter provides more detailed information about fraud, using data available from administrative sources and updates the information on fraud contained within the Home Office Statistical Bulletin: Crime in England and Wales 2001/2002: Supplementary Volume. The information presented draws together data collected by non-police sources to describe the trends, extent and type of fraud occurring in both the public and private sector. Some data are based on estimations of the overall level of a particular type of fraud; others are based on figures for cases where fraud has been detected.

There is a concern regarding the quality of existing estimates of fraud, as there is no consistent method of categorising the different types of fraud with different organisations adopting their own method of classification. Moreover, making comparisons between different organisations' data can be problematic. Therefore the Home Office takes no responsibility for the accuracy of the data or estimates provided by other organisations.

Fraud is likely to be particularly affected by the level of resources applied to its investigation, both in encouraging the reporting and recording of crimes and in revealing the fuller extent and seriousness of individual cases.

Public sector fraud

Benefits fraud

The Department for Work and Pensions (DWP) began a continuous rolling measurement of Income Support (IS) and Jobseeker's Allowance (JSA) in 1997 in recognition of their particular vulnerability to fraud loss. Continuous measurement of Housing Benefit (HB) commenced in 2002. Such improvements to the measurement system have enabled the DWP to provide more accurate estimates of the total fraud loss in the benefit system. Published estimates of overall fraud loss in 2001 stood at approximately £2 billion. DWP (2005) estimate that total annual loss from fraud in 2004/05 stands at £0.9 billion (0.8% of spend), compared with £1.4 billion in 2003/04 (1.4%) (Table 3.1).

Table 3.1: Overall estimates of fraud in 2004/05 (DWP)

Benefit type	Period (latest available figures)	Fraud 2004/05 (£ million)
Income Support/Jobseeker's Allowance/ Pension		
Credit/Minimum Income Guarantee	2003/04	380
Housing Benefit/Council Tax Benefit	2003/04	270
Disability Living Allowance	2004/05	40
Retirement Pension	1995	30
Carer's Allowance	1996	40
Incapacity Benefit	2000/01	10
Instrument of payment fraud ²	2004/05	40
Total measured fraud		810
Interdependencies³		100
ESTIMATED TOTAL LOSS FROM FRAUD 2004/05		910

Notes:

1. Source: Department for Work and Pensions (2005).
2. For example theft and forgery of giro cheques and benefit order books.
3. Overpayments due to knock-on effects between loss of DLA component entitlement and premiums on income-related benefits.
4. Individual estimates have been adjusted in line with 2004/05 expenditure and may differ from published values.

Government Department employee fraud

The value of employee fraud reported by central government bodies for 2004/05 was £3,907,000 (HM Treasury) (2004). The data provide an indication of the scale and nature of fraud perpetrated by staff in government departments. The data for the various fraud categories can fluctuate dramatically from year to year as a result of large-scale fraud; for example, the value of income-related fraud accounted for 5.2 per cent of the total value of employee fraud in 2002/03 compared to 51.4 per cent in 2003/04 (Table 3.2). This increase related to one income-related fraud case in 2003-04 with a value of £2 million, emphasising the impact that a single incident can have.

Table 3.2: Fraud by Departmental Staff 2002-03 to 2003-04 (HM Treasury)

Type of Fraud	2002-03				2003-04			
	Cases		Value		Cases		Value	
	No.	%	£	%	No.	%	£	%
Travel & Subsistence and allowances	76	8.5	87,500	2.0	48	7.6	28,500	2.0
Pay-related fraud	21	2.3	83,200	2.0	32	5.0	254,800	6.5
Theft of assets and information	286	31.9	486,800	11.2	44	7.0	456,200	11.7
Exploiting assets and information	139	15.5	2,711,300	62.4	86	13.6	64,800	1.7
Procurement fraud	13	1.5	84,200	2.0	33	5.2	324,700	8.3
Personnel management-related fraud	64	7.1	28,600	0.7	161	25.6	5,500	0.1
Fraud related to payments	163	18.2	539,700	12.4	160	25.4	757,500	19.4
Income-related fraud	46	5.1	225,700	5.2	17	2.7	2,009,400	51.4
Other	24	2.7	1,000	0.0	49	7.8	5,600	0.0
Not known at time of reporting	66	7.4	94,700	2.0				
Totals	898		4,342,700		630		3,907,000	

Notes:

1. Source: HM Treasury (2004)

National Health Service (NHS) fraud

Patient fraud (e.g. patients declaring they have a lower wage or salary in order to receive free or discounted healthcare, people creating multiple identities in order to receive numerous prescriptions for free) represents a large proportion of the overall figure for NHS fraud. Reports from the NHS Counter Fraud and Security Management Service (NHS CFSMS)¹⁷ show that overall losses in patient fraud have been cut by 49 per cent from £171 million to £87 million since the NHS Counter Fraud Service (NHS CFS) became operational in 1999 (Table 3.3). Between 1998-1999 and 2003-2004 the NHS has seen a:

- 60 per cent reduction in losses to pharmaceutical patient fraud
- 25 per cent reduction in losses to dental patient fraud
- 23 per cent reduction in losses to optical patient fraud.

¹⁷ The Counter Fraud and Security Management Service was established 1st January 2003, to tackle fraud and corruption throughout the NHS.

Table 3.3: Patient fraud losses 1998-2004

	1998-1999 (£ million)	2003-2004 (£ million)
Reduced losses to pharmaceutical patient fraud	117.0	47.0
Reduced losses to dental patient fraud	40.3	30.0
Reduced losses to optical patient fraud	13.3	10.2
Total reduction in losses to patient fraud	170.6	87.2

Notes:

1. Source: National Health Service Counter Fraud Service (2004)

Customs and Excise fraud

Improvements in the methodology for calculating estimates of the level of HM Customs and Excise (HMCE) fraud have enabled the routine publication of data. These estimates are believed to be the best possible based on all the information available; however, it is difficult to establish a 'real' level of the value and volume of this type of fraud. Table 3.4 contains the latest data on different types of HMCE fraud and estimates the total value of HMCE fraud for 2003/04 was between £4.8 and £5.4 billion, a fall from 2002/03 which was in turn lower than 2001/02 (HM Customs and Excise) (2005).

Table 3.4: Estimates of fraud- and smuggling-related revenue loss (HMCE)

Type of fraud/smuggling	2001-02	2002-03	2003-04
Tobacco - Hand Rolling Tobacco and cigarettes	£3.1 bn	£2.6 bn	£2.9 bn
Oils – Illicit diesel	£0.7 bn	£0.65 bn	£0.7 bn
Alcohol - Spirit fraud combined with cross-channel passenger smuggling for beer and wine	£0.7 bn	£0.6 bn	£0.6 bn
VAT missing trader intra-community	£1.73 bn - £2.53 bn	£1.54 bn - £2.34 bn	£1.06 bn - £1.73 bn
Total estimated revenue loss	£6.5 - £7.4 bn	£5.4 - £6.2 bn	£4.8 - £5.4 bn

Notes:

1. Source: HMCE (2004) and HMCE (2005)

Private sector fraud

The Association of Payment Clearing Services (APACS) collates information on certain types of payment fraud. APACS defines payment fraud as including fraud on all types of payment, including cash; plastic card; automated credit transfers; direct debits; cheques and emerging payment methods such as e-banking.

Plastic and non-plastic card fraud

APACS data (2005) indicates that overall plastic card fraud losses have increased from £83.3 million in 1995 to £504.8 in 2004 (Table 3.5). In 2004, over 50 per cent of plastic card fraud on UK-issued cards was committed via face-to-face transactions in a shop in the UK (£218.8m).

Table 3.5: Annual plastic card fraud losses (£ millions) on UK-issued cards 1995-2004 (APACS)

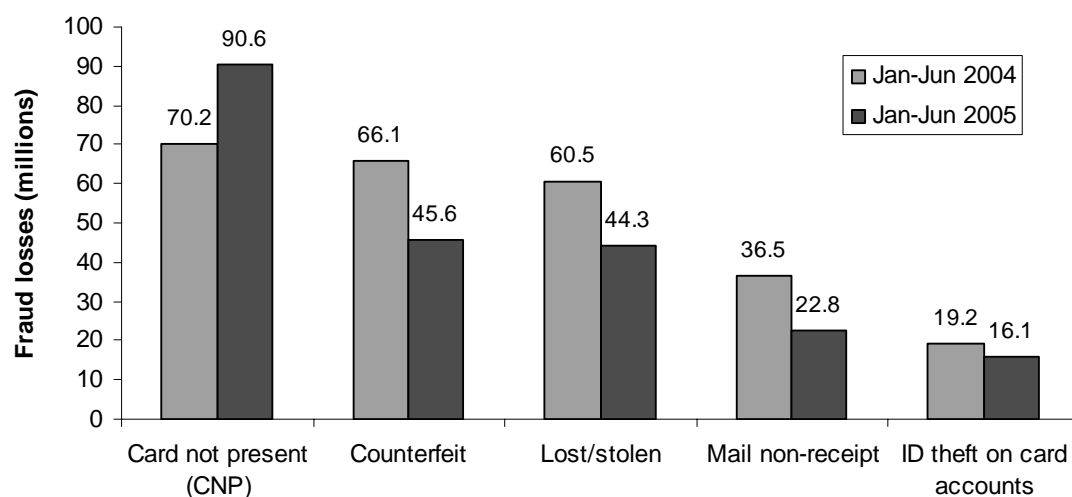
Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Type of fraud										
Card-not-present (CNP)	4.6	6.5	10.0	13.6	29.3	72.9	95.7	110.1	122.1	150.8
Counterfeit	7.7	13.3	20.3	26.8	50.3	107.1	160.4	148.5	110.6	129.7
Lost/Stolen	60.1	60.0	66.2	65.8	79.7	101.9	114.0	108.3	112.4	114.4
Mail non-receipt	9.1	10.0	12.5	12.0	14.6	17.7	26.8	37.1	45.1	72.9
Identity theft	1.8	7.2	13.1	16.8	14.4	17.4	14.6	20.6	30.2	36.9
UK total	62.1	71.6	92.8	100.1	134.1	213.4	273.0	294.4	316.3	412.3
Fraud abroad	21.2	25.4	29.2	34.9	54.2	103.5	138.4	130.2	104.1	92.5
Total	83.3	97.1	122.0	135.0	188.4	317.0	411.5	424.6	420.4	504.8

Notes:

1. Source: APACS (2005)

Card fraud was expected to reach £800 million by the end of 2005; however, total card losses decreased by 13 per cent in the six months to the end of June 2005 (from £252.6m to £219.4m) compared with the same period in 2004. This is mainly thought to be the result of the impact of Chip and PIN. This downward trend is expected to continue following the introduction of the compulsory use of PIN by cardholders on 14 February 2006. Internet, phone and mail order card-not-present (CNP) fraud, however, increased by 29 per cent from £70.2m (January to June 2005) compared with the same period in 2004 (Figure 3.1).

Figure 3.1: Plastic card fraud losses on UK-issued cards (APACS)



Notes:

1. Source: APACS (2005)

Non-plastic-related fraud losses totalled £107.6 million in 2004 representing an increase of 11 per cent over the previous year with losses from cheque fraud accounting for £46.2 million of this figure. The area that showed the greatest increase in attempted fraud was cheque fraud:

attempts increased by 20 per cent, to £665 million, although 93 per cent of this was prevented, resulting in an actual loss of £46.2 million, an increase of 2.7 per cent over 2003.

Insurance fraud

Published industry data related to insurance fraud is limited; however, the Association of British Insurers has been leading work on tackling fraud in the general insurance industry, including initiatives over data sharing. For example, the Insurance Fraud Bureau, scheduled to be up and running in early 2006, will be using shared insurance data and should provide improved data in relation to insurance fraud. In 2004, commercial insurance fraud was estimated to be over £0.5 billion in 2004 by Norwich Union while the Association of British Insurers (ABI) estimated that fraudulent insurance claims on motor and household policies total in excess of £1 billion in 2004 (Norwich Union 2005).

Prosecutions for fraud offences

As indicated above, significant resources are targeted at investigating and reducing fraud. In many cases this work will lead to offenders being prosecuted, sentenced and/or convicted. Table 3.6 shows the number of proceedings for indictable fraud offences and the number of offenders found guilty in England and Wales from 2002 to 2004. The difference between the number of proceedings and those found guilty indicates a general level of attrition. Across all offences the number of defendants found guilty for indictable fraud offences increased from around 73 per cent in 2003 to around 77 per cent in 2004 (Home Office 2005).

Table 3.6: Number of defendants proceeded against at magistrates' courts and found guilty at all courts for indictable fraud offences, England and Wales, 2002-2004 (Home Office)

Fraud offence		2002	2003	2004
False accounting	Proceeded against	879	808	861
	Found guilty	745	645	732
Obtaining property by deception	Proceeded against	12,770	11,497	9,824
	Found guilty	9,354	8,457	7,519
Conspiracy to defraud	Proceeded against	986	1,018	967
	Found guilty	412	449	521
Obtaining services by deception	Proceeded against	1,103	1,019	928
	Found guilty	832	800	751
Making off without payment	Proceeded against	1,897	2,532	2,263
	Found guilty	1,298	1,809	1,685
Dishonest representation for obtaining benefit etc.	Proceeded against	2,260	2,078	2,855
	Found guilty	1,993	1,838	2,455
Other Offences	Proceeded against	1,379	1,610	1,494
	Found guilty	940	1,032	1,125
Total Offences				
		Proceeded against	21,274	20,562
		Found guilty	15,574	15,030
			19,192	14,788

Notes:

1. Source: Home Office (2005)

Sentencing

Table 3.7 shows the trends in sentencing of offenders convicted of indictable fraud offences in England and Wales from 1999 to 2004. Community sentences are the most common sentences and have accounted for over 40 per cent of all persons sentenced each year from 1999 to 2004.

Table 3.7: Number of indictable fraud offenders by sentence, England and Wales 1999-2004 (Home Office)

	1999	2000	2001	2002	2003	2004
Absolute/conditional discharge	3,619	3,375	3,029	2,898	3,244	3,008
Fine	3,512	3,223	2,930	2,686	2,952	2,728
Community sentence	8,300	8,036	7,710	8,176	7,347	7,428
Fully suspended sentence	426	453	403	303	313	376
Immediate custody	4,034	3,726	3,826	3,754	3,887	4,160
Otherwise dealt with	312	342	309	282	310	323
Total Sentenced	20,203	19,155	18,207	18,126	18,053	18,023

Notes:

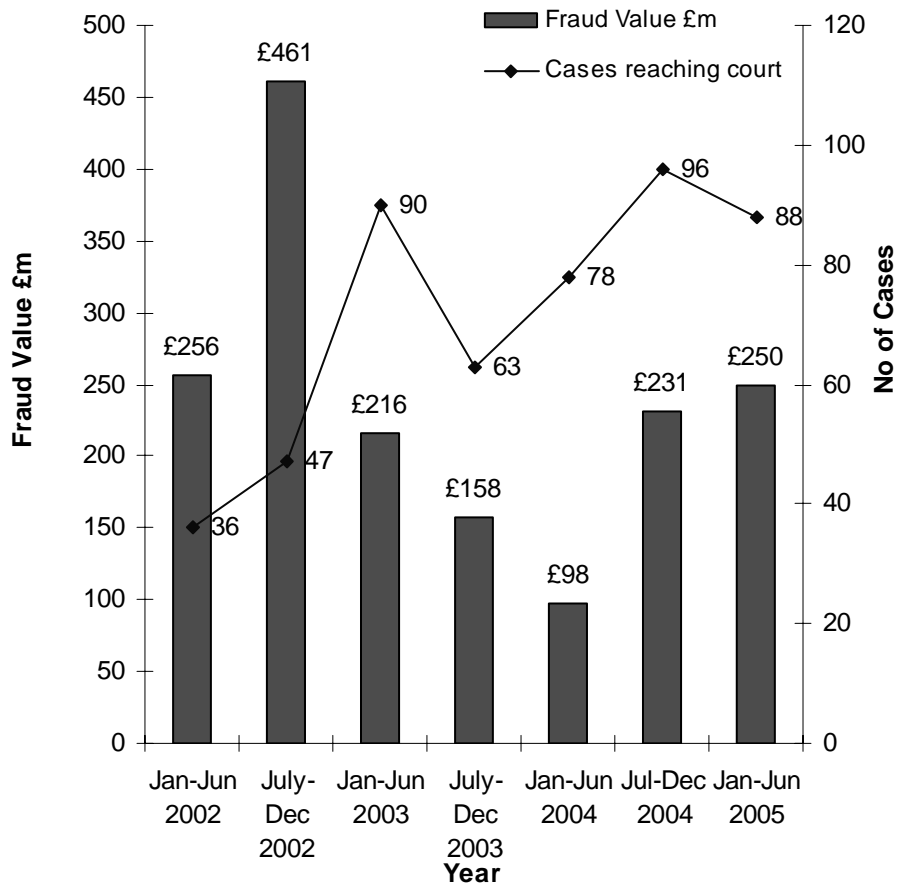
1. Source: Home Office (2005)

Convictions in high-value cases

Data on the volume of major fraud cases (each of a value over £100,000) that reach the Crown Court in the UK and result in a conviction are collected by KPMG LLP¹⁸. Figure 3.2 shows the number and value of such cases recorded in the KPMG fraud barometer. The high figure for the value of frauds in the first half of 2002 was the result of a small number of high value cases particularly in the financial sector and the public sector, specifically Customs and Excise.

¹⁸ KPMG LLP, the UK member firm of KPMG International, a Swiss cooperative.

Figure 3.2: UK Fraud half-year comparison (KPMG)



Notes:
1. Source: KPMG

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Produced by the Research Development and Statistics Directorate, Home Office

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ISBN 1 84473 900 7

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