

Broker Channel Fraud Spikes in 2016 by Online Security

Credit application fraud increased by 25 per cent over the second half of the 2016 financial year, a new report from Veda has found.

Use of stolen identities in fraud events rose by 80 per cent in the year to June 2016, with 57 per cent of credit application fraud now occurring online, according to Veda's 2016 Cybercrime and Fraud Report.

Released last week, the report shows that the volume of reported fraudulent activities climbed by a third.

The data identified the emergence of a surprising upward trend in fraud occurrence in bank branches, which rose 13 per cent in 2016.

"Growth in fraud through the broker channel is also an ongoing concern," the report said. "[Broker channel fraud](#) makes up 15 per cent of all credit application fraud and has grown a significant 25 per cent in H2 FY16."

Veda's Fraud Focus Group gathers representatives from Australia's big banks, credit unions, card companies, international [financial](#) institutions, telecommunication companies, remittance companies, law enforcement officials and anti-fraud experts to discuss strategies to combat cybercrime and fraud.

Veda's 2016 Cybercrime and Fraud Report extracts data from Veda's Shared Fraud Database to offer an understanding of cybercrime and fraud in 2016 and beyond, and propose ways for businesses and consumers to keep one step ahead.

Imelda Newton, Veda general manager, fraud and identity solutions, said the latest insights from the Veda shared fraud database reveal that growth in fraud shows no signs of slowing in 2016.

"Reports of fraudulent online credit applications have gained steady momentum in the past year, making up 57 per cent of all fraudulent applications in the six months to June 2016," Ms Newton said. "This is up from 50 per cent in the same period in 2015, and 45 per cent in 2014," she said.

“This trend is likely to continue into the future, as individuals and businesses become more reliant on the internet for their banking, shopping and other financial interactions.”

Another continuing trend is the growth of identity takeover, according to Ms Newton – the fastest growing type of fraud – where a genuine identity is stolen from an individual and misused for financial gain.

“This type of fraud goes hand-in-hand with data breaches, which are often a result of online hacking and vicious malware,” she added.

Insights from this year’s data identified the emergence of a surprising upward trend in fraud occurrence in bank branches.

“It is surprising, given the amount of cameras, witnesses and security controls, that perpetrators can inflict damage within these trusted environments,” Ms Newton said.

“This rise in branch fraud may be a result of banks and other financial institutions continuing to use manual methods when verifying identities. One of the downsides to these manual processes is the subjectivity of manual identity verifications. By using electronic verification the subjectivity is removed and a common standard set of rules can be applied.

“As online credit providers toughen up rules and technology for the verification of identity, the traditional branches need to adopt the same processes.”