

New Estimate of Cost of Identity Fraud to the UK Economy

The table below publishes the new estimate for the cost of identity fraud to the UK Economy - £1.2 billion or around £25 for every adult in Britain.

This new estimate is based on a methodology, developed and agreed by the Identity Fraud Steering Committee members and advised by Home Office economists.

The Identity Fraud Steering Committee (IFSC) was set up by the Home Office in 2003 to work with public and private sector organisations to identify and implement cost effective measures to counter identity fraud. The IFSC comprised the following organisations:

- APACS – the UK payments association;
- Association of Chief Police Officers;
- British Bankers' Association;
- CIFAS, The UK's Fraud Prevention Service;
- Department for Work and Pensions;
- Driver and Vehicle Licensing Agency;
- Finance and Leasing Association;
- Financial Services Authority;
- HM Revenue and Customs;
- Identity and Passport Service;
- Ministry of Justice; and
- Serious Organised Crime Agency.

The IFSC members remain committed to improving awareness, prevention and enforcement to counter identity fraud.

How does this estimate differ from those published earlier?

The first estimate of the cost of identity fraud came from the Cabinet Office report 'Identity Fraud: A Study' in 2002: £1.3 billion.

In February 2006 an updated figure of £1.7 billion, was published, with a breakdown between organisations, following work by the IFSC.

The Government made it clear that the £1.7 billion estimate was a one-off update and future costs exercises would be based on a new more robust methodology that was being devised by the IFSC.

The new methodology devised by the IFSC does not just examine the financial loss to an organisation, but also costs incurred to set systems in place to identify, prevent, deter and prosecute cases of identity fraud.

These are relevant costs as in most cases, these costs would not be incurred if identity fraud was not an issue and it is very likely that if organisations did

not incur these costs, the financial losses to the UK economy would be higher as a result.

The 2002 and 2006 returns were based on the original Cabinet Office methodology and both estimates included the same figures for money laundering, £395m, and VAT 'carousel' fraud, £215m.

These figures have been excluded from the most recent cost estimate exercise as IFSC members feel they do not have a direct link to incidences of identity fraud. In addition figures previously attributed to APACS have included all types of credit card fraud, and for this assessment the APACS figure reflects costs associated with account takeover and application fraud only.

What does this estimate mean?

The updated estimate for the cost of identity fraud has been produced through liaison and discussions with the outlined private and public sector organisations. It represents a best estimate of the scale of the problem at this time which captures available information. Typical of works of this nature, the estimate is likely to be conservative and actual cost may well be higher.

We know from the experience of individuals, the police, and organisations like CIFAS www.cifas.org.uk and APACS www.apacs.org.uk that identity related crime and the overall impact of fraud are a growing concern.

This is the reason that Government has invested £29m in establishing a National Fraud Strategic Authority and Strategy, a Lead Force on Fraud, and a National Fraud Reporting Centre housed within the Lead Force (City of London Police).

The National Fraud Strategic Authority was launched on 1st October 2008.

Estimated Cost of Identity Fraud: 1 April 2006 – 31 March 2007

Organisation / Industry / Sector	Cost of Identity Fraud	Notes
APACS - the UK payments association	£201.2m	<p>Figures include the actual losses associated with Card ID theft, namely account takeover and third party application fraud. It also includes an estimate of the costs associated with the prevention, detection and investigation of identity related crime as specified in the methodology adopted by the Home Office for this exercise. As the banks' fraud prevention and detection systems, the investigation processes and the supporting resource do not solely focus in isolation on identity fraud related crime, these figures can only be regarded as indicative.</p> <p><u>NOTE:</u> There is potential for overlap with figures reported by CIFAS. APACS and CIFAS have liaised to guard against double counting.</p>
Association of British Insurers	£31m	The cost of internal fraud through re-opening closed claims, dormant accounts and paying claims for personal gain. Also includes account takeover of life policies and cashing joint life policies (estranged spouses).
Audit Commission	£36m	Represents losses from public sector occupational pension schemes due to, for example, next of kin continuing to claim pension payments following the death of a relative.
British Cheque Cashers Association	£0.4m	Estimated direct financial loss and cost of prevention, detection, reporting in relation to cashing of cheques by someone other than the payee.

CIFAS - The UK's Fraud Prevention Service	£23.5m	<p>CIFAS member organisations share information about identified frauds (e.g. application fraud, first party and identity fraud) in the fight to prevent further fraud. Figures relate to costs associated with preventing fraud and actual losses through identity fraud. Typical losses reported by CIFAS members include purchases using credit cards obtained by using false identities and the value of an asset (e.g. a vehicle) purchased from a dealer using finance in a false or stolen identity.</p> <p><u>NOTE:</u> There is potential for overlap with figures reported by APACS. CIFAS and APACS have liaised to guard against double counting.</p>
Criminal Justice System	£50m	Criminal Justice System costs are an estimate of the total police investigation, prosecution, court and disposal costs for cases of identity fraud.
Driver and Vehicle Licensing Agency	£5.3m	Cost of detecting and investigating applications for driving licences using false identities.
Department for Innovation, Universities and Skills (Student Loans)	£8.4m	Costs relate to setting up systems to investigate fraudulent claims and early estimate of identified losses from student loans obtained using false identities.
Driving Standards Agency	£1.7m	Cost of detecting and investigating identity fraud in the driving test process.
Home Office	£284.4m	Home Office costs relate to the work of its agencies in safeguarding and validating the identities of its customers, as well as costs around deterrence, prevention and investigation of identity fraud.

		<p>The majority of the costs (£227.8m) relate to the operating costs for Identity and Passport Service in carrying out identity checks, investigating suspected identity fraud cases, implementing systems and processes to detect and prevent fraudulent applications of passports, including costs relating to the introduction of face to face interviews for all adult first time applicants for a UK passport.</p> <p>Other costs relate to the work of the Border and Immigration Agency (now UK Border Agency) around operating a dedicated National Document Fraud Unit, deterrence, prevention and investigation of illegal working. Costs have also been included for UK Visas work on prevention of identity fraud.</p>
HM Revenue and Customs	£47.2m	Cost of prevention, detection, investigation and direct financial loss due to ID tax credit fraud.
Ministry of Justice	£35.8m	Cost relates to unpaid fines due to no trace of identity or address. This can be due to a number of reasons such as false or inaccurate information being provided and offenders not attending court to verify their details.
Telecommunications UK Fraud Forum	£485m	Estimated cost of obtaining goods and services such as mobile phones, premium rate services, long distance telephone calls through fraudulent applications using false identity details.
Total	£1,209m	