



FraudTrack 2024

Helping you navigate uncertain waters

Charting the course of the rise in UK fraud

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Our annual FraudTrack report analyses data from all reported UK fraud cases with monetary value of £50,000 and over. In this year's report, which captures data from 1 December 2022 to 30 November 2023, we highlight the key findings from 2023, touching on the key trends, most significant fraud cases, regional and sector trends and closing with our predictions for 2024.



Introduction



Kaley Crossthwaite
Partner, Forensic Accounting and
Valuation Services

UK fraud leapt alarmingly in terms of value and volume in 2023. Yet this headline finding from the BDO FraudTrack analysis, which covers reported cases over £50,000 from 1 December 2022 to 30 November 2023, needs to be put in context.

While the volume reported, £2.3bn, was the second-largest annual amount in the last decade and represented a 104% increase on 2022, more than half of it derived from just two long-running cases.

These were the £585m settlement of a bribery case at gambling conglomerate Entain and a tax evasion case surrounding motor sport magnate Bernie Ecclestone which culminated in him making a £650m payment to the authorities.

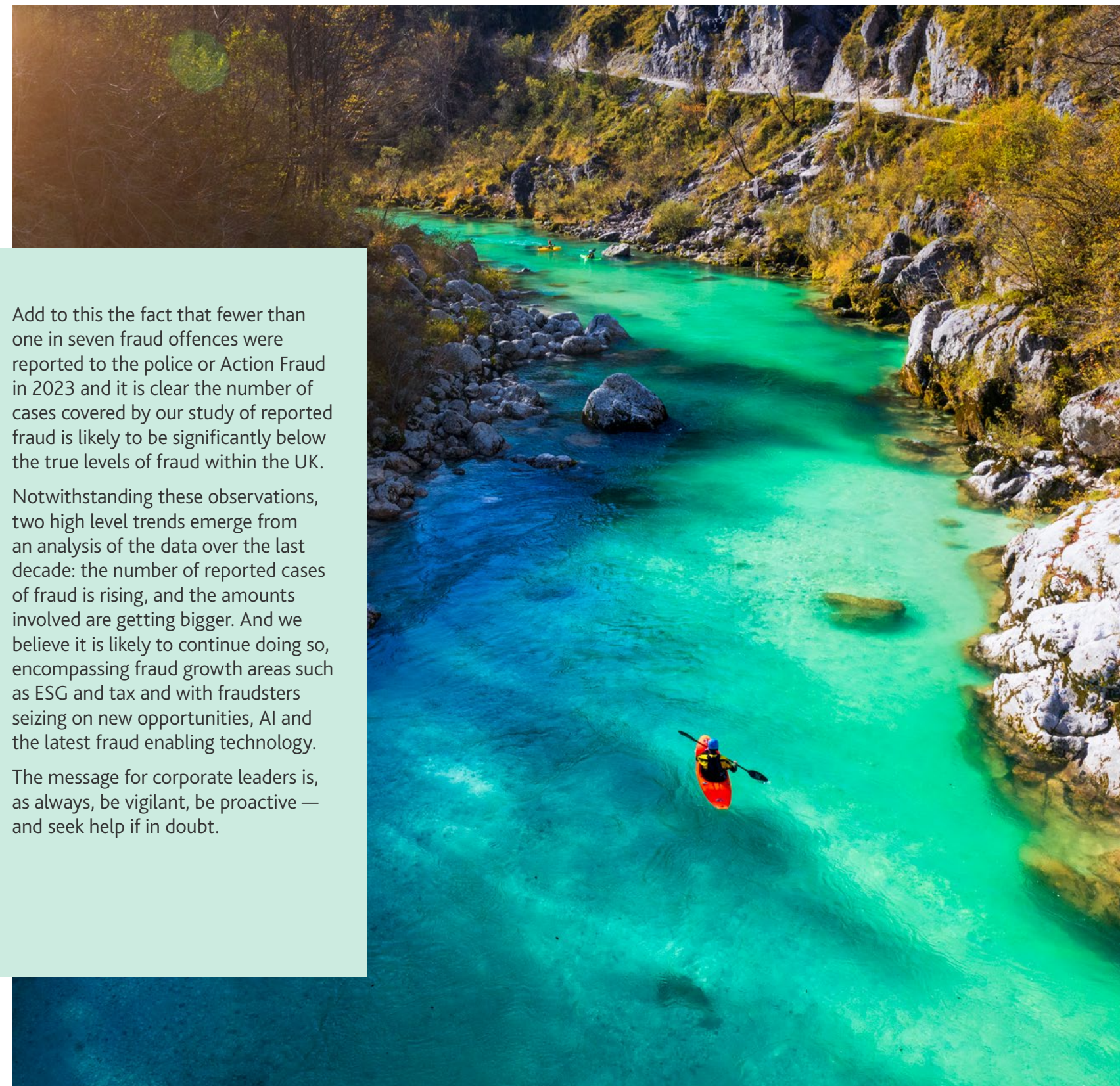
Even with these two exceptional items, 2023's £2.3bn remained far below the £10bn spike we saw in 2021 which was skewed by the massive level of fraud linked to the government support schemes during the COVID-19 pandemic.

Similarly, whilst the number of reported cases was also up, by 18% this year to a three-year high, it remains significantly below pre-pandemic levels. Again however, this should be viewed in context, since 2023 was impacted by a record backlog of court cases – to more than 65,000 – because of pandemic-related court closures followed by a barristers' strike in 2022.

Add to this the fact that fewer than one in seven fraud offences were reported to the police or Action Fraud in 2023 and it is clear the number of cases covered by our study of reported fraud is likely to be significantly below the true levels of fraud within the UK.

Notwithstanding these observations, two high level trends emerge from an analysis of the data over the last decade: the number of reported cases of fraud is rising, and the amounts involved are getting bigger. And we believe it is likely to continue doing so, encompassing fraud growth areas such as ESG and tax and with fraudsters seizing on new opportunities, AI and the latest fraud enabling technology.

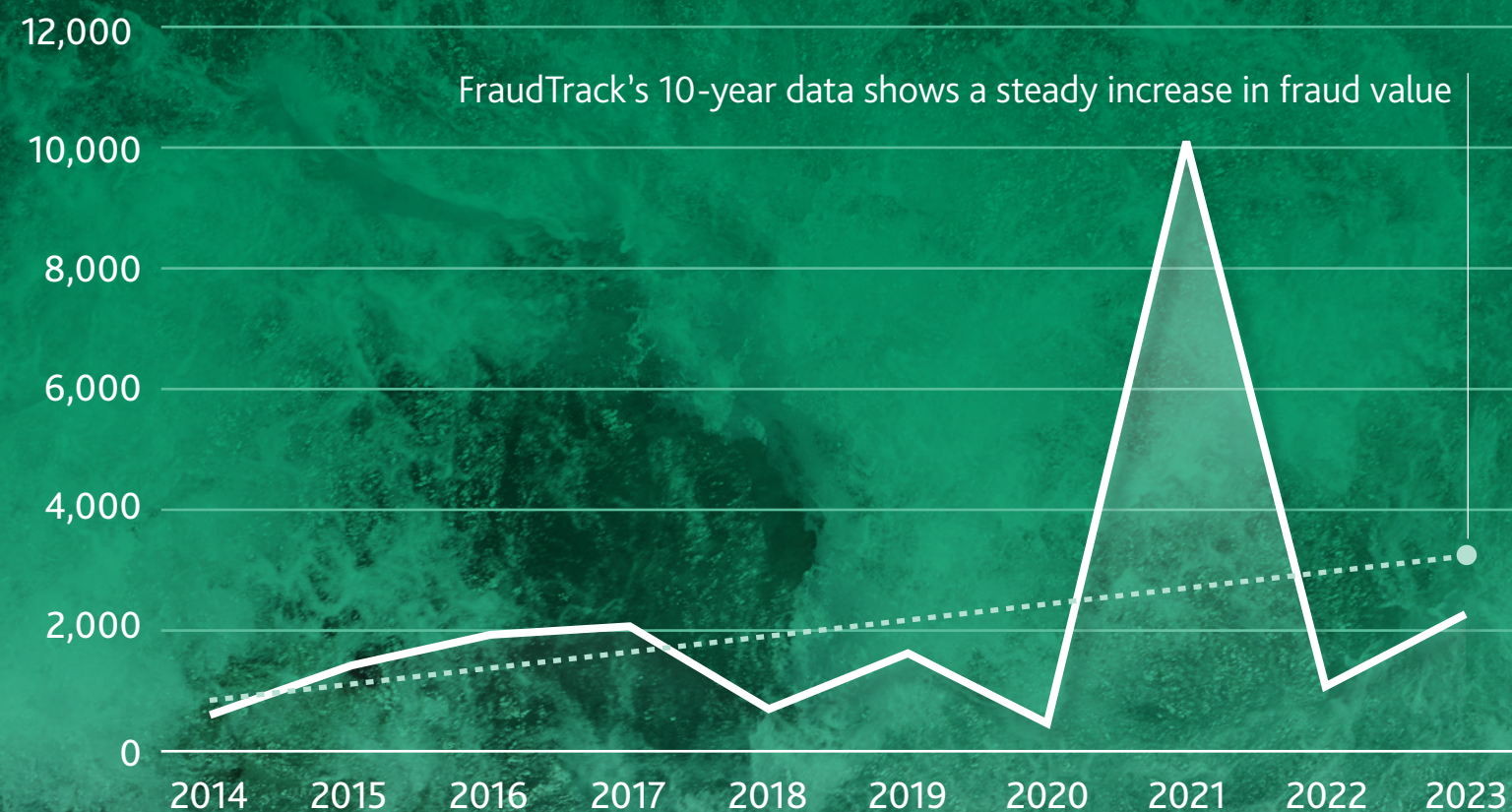
The message for corporate leaders is, as always, be vigilant, be proactive — and seek help if in doubt.



Fraud values double and continues to increase

Exploring key trends in fraud

Figure 1: Total reported fraud values (£m) over past 10-years, 2014 to 2023



Total reported UK fraud value is £2.3 billion this year, which represents the second largest annual fraud value recorded since BDO started analysing fraud data 21 years ago and a 104% increase on last year.

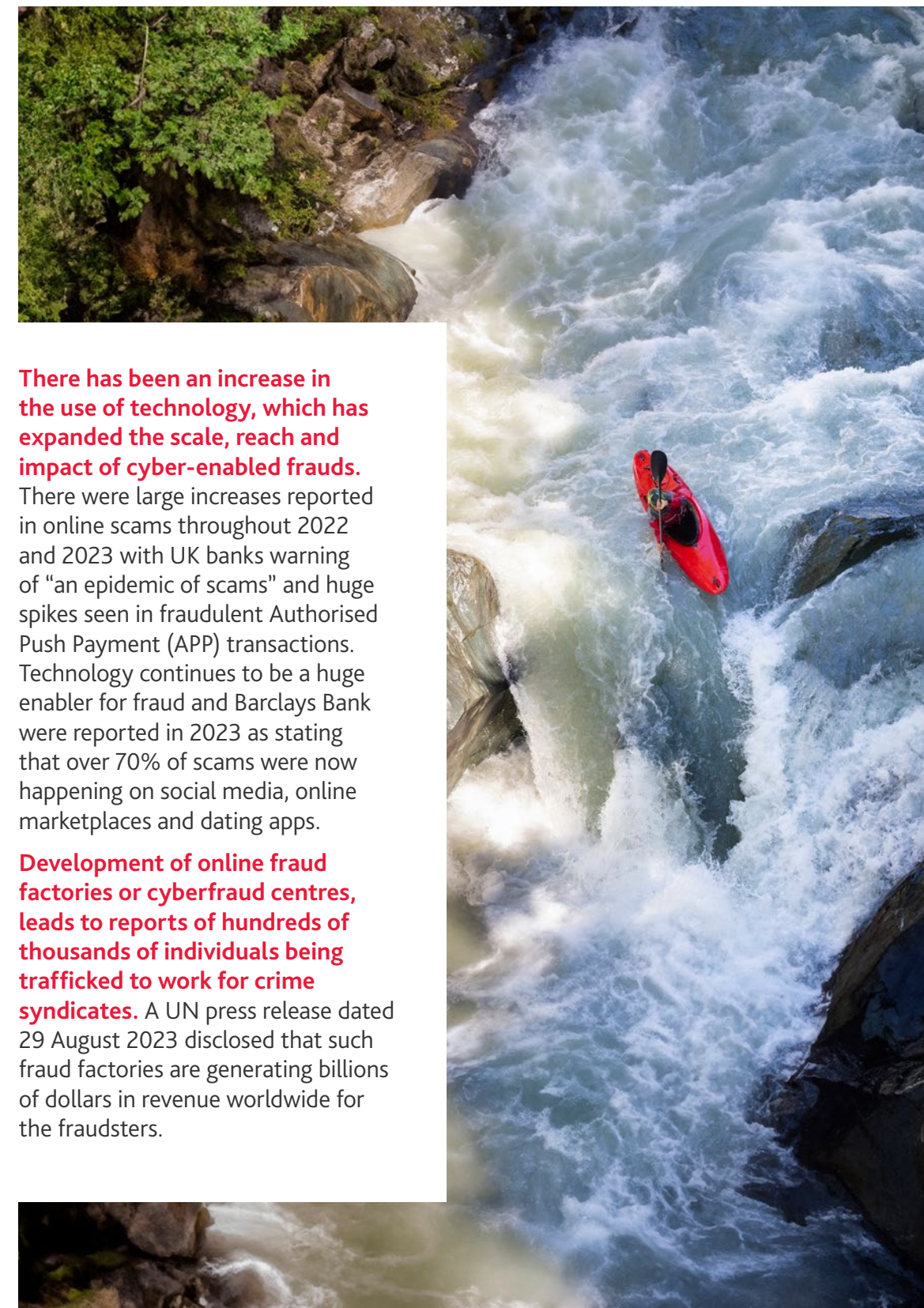
A range of other influencing factors have contributed to the overall increase in fraud, as perpetrators developed new opportunities and reacted to a number of socio-economic and geo-political factors.

The UK cost-of-living crisis and global supply chain issues present throughout the majority of 2022 and 2023. Factors including rising energy bills, inflation and global supply chain cost increases, significantly elevated the financial pressure on large numbers of individuals and businesses alike and may have provided extra incentive for perpetrators to rationalise committing frauds.

There has been an increase in the use of technology, which has expanded the scale, reach and impact of cyber-enabled frauds.

There were large increases reported in online scams throughout 2022 and 2023 with UK banks warning of “an epidemic of scams” and huge spikes seen in fraudulent Authorised Push Payment (APP) transactions. Technology continues to be a huge enabler for fraud and Barclays Bank were reported in 2023 as stating that over 70% of scams were now happening on social media, online marketplaces and dating apps.

Development of online fraud factories or cyberfraud centres, leads to reports of hundreds of thousands of individuals being trafficked to work for crime syndicates. A UN press release dated 29 August 2023 disclosed that such fraud factories are generating billions of dollars in revenue worldwide for the fraudsters.



A year of high value cases

Exploring key trends in fraud

The culmination of several long running, high profile fraud cases significantly impacted the reported high value cases (£50m and over) in 2023.

- ▶ The number of high value frauds increased by 60% in 2023. Half of these high value frauds were over £200m each, which in aggregate represented almost 70% of the reported fraud value in the year. The total value of high value cases increased by over 160% compared to the previous year
- ▶ Figure 2 highlights the increasing trend in high value cases since 2018. The dip in the number of high value cases in 2020 would have been significantly influenced by the reduction of court cases heard that year due to the pandemic

- ▶ Some of the most notable high value cases that contributed to this year's findings were:
 - The Bribery Act investigation into the gambling company Entain Plc, in what could be described as something of a landmark Deferred Prosecution Agreement (DPA). Entain Plc agreed in 2023 to pay a financial penalty plus disgorgement of profits totalling £585m for failing to prevent bribery at its former Turkish subsidiary. The DPA between Entain Plc and the Crown Prosecution Services (CPS) followed an investigation by HMRC that had commenced in 2019. This was the first DPA that the CPS had entered since the mechanism was introduced in 2014, with all previous DPAs having been negotiated and agreed by the SFO. The penalty in this matter represented the second biggest agreed by British courts since the introduction of DPAs, only behind the €991m settlement by Airbus in 2020

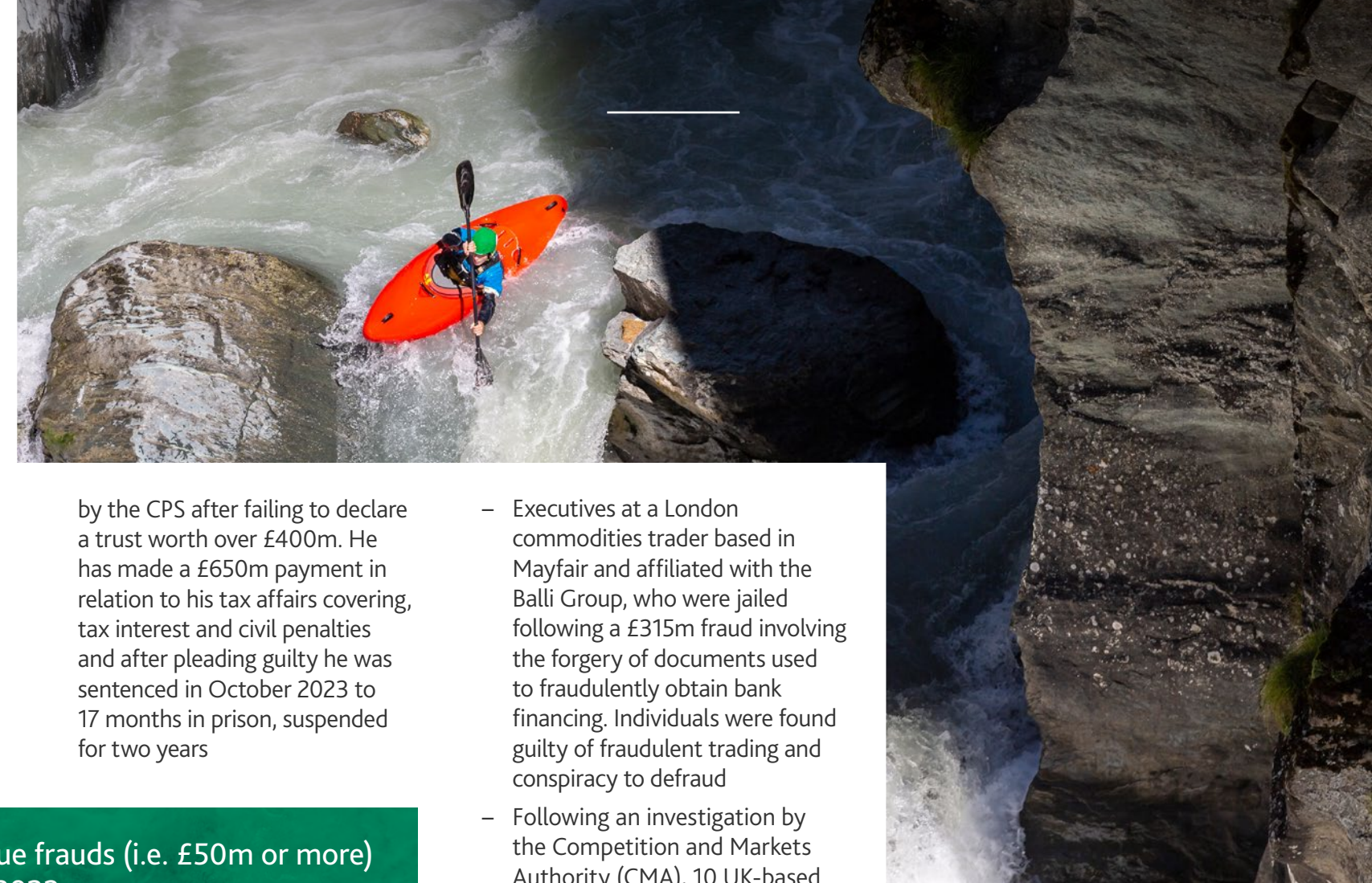
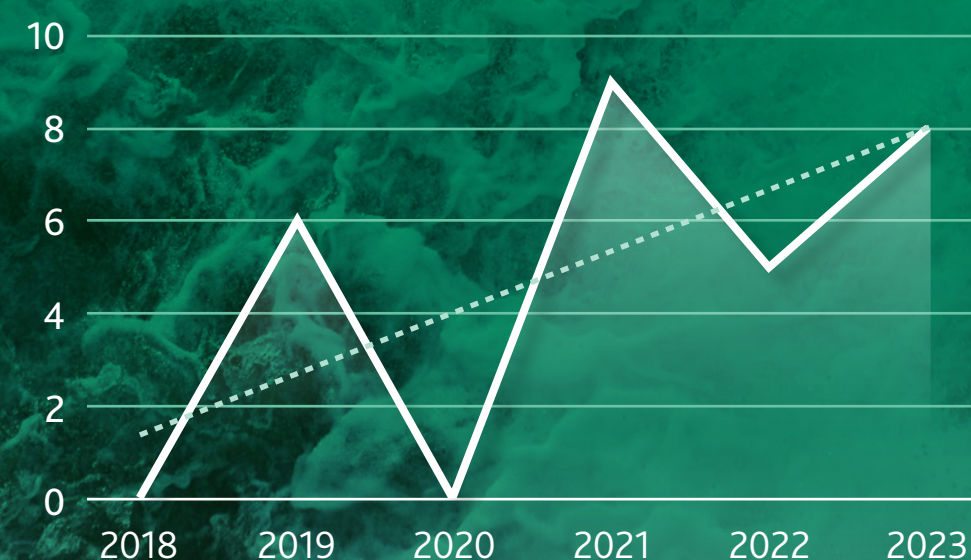
- A protracted tax investigation case which culminated this year with Bernie Ecclestone, the former F1 motor racing boss, admitting to a charge of fraud by false representation. Ecclestone had been the subject of a complex, worldwide investigation by HMRC and was subsequently prosecuted

by the CPS after failing to declare a trust worth over £400m. He has made a £650m payment in relation to his tax affairs covering, tax interest and civil penalties and after pleading guilty he was sentenced in October 2023 to 17 months in prison, suspended for two years

- Executives at a London commodities trader based in Mayfair and affiliated with the Balli Group, who were jailed following a £315m fraud involving the forgery of documents used to fraudulently obtain bank financing. Individuals were found guilty of fraudulent trading and conspiracy to defraud
- Following an investigation by the Competition and Markets Authority (CMA), 10 UK-based construction firms were fined a total of £60m for colluding on prices through illegal cartel agreements. This bid rigging activity occurred when the firms submitted bids in competitive tenders for demolition and asbestos removal contracts worth more than £150m. More than one of the firms had agreed to submit bids that were deliberately priced to lose the tender. Such 'cover bidding' can result in customers paying higher prices or receiving lower quality services

- The mastermind behind an international designer clothing scam and one of the UK's largest-ever carousel tax frauds was convicted of fraud worth more than £150m. The individual from Preston, Lancashire traded counterfeit clothing and was found to have made fraudulent VAT repayment claims which were uncovered after a joint investigation involving HMRC and Lancashire Police over more than ten years.

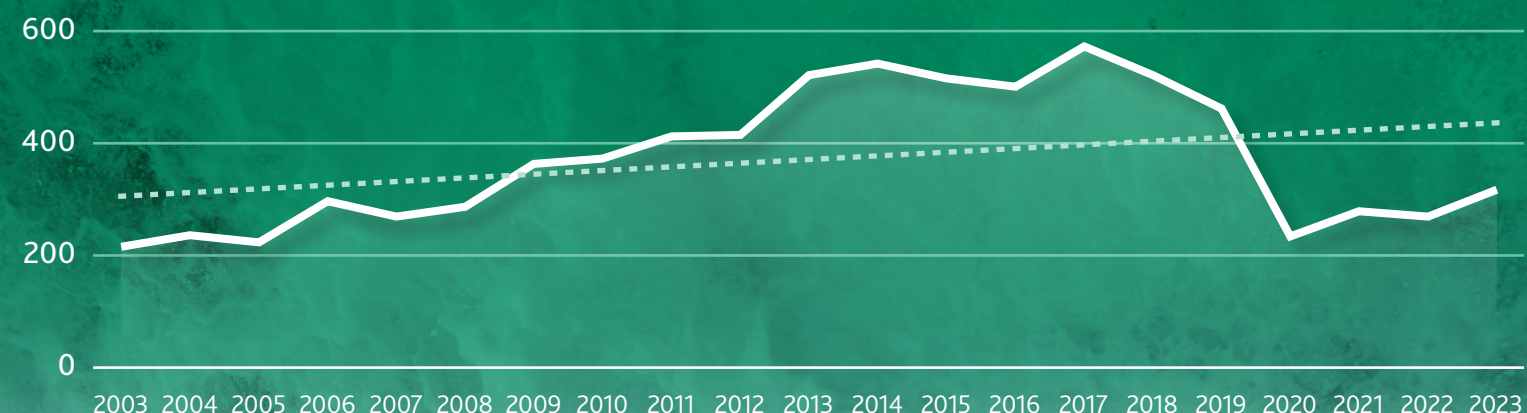
Figure 2: Number of high value frauds (i.e. £50m or more) for FraudTrack years 2018 to 2023



Number of reported fraud cases at three-year high, raising concerns over an increased post-pandemic backlog

Exploring key trends in fraud

Figure 3: 20-year upward trend in reported fraud cases



In addition to the increase in the total value of reported fraud, 2023 has also seen an increase in the number of fraud cases.

The number of reported fraud cases has increased by 18% compared to the previous year and now sits at a three year high.


▶ Despite this increase, as is displayed in Figure 3, the total number of reported fraud cases is still significantly lower than pre-pandemic levels. A number of factors are influencing this lag, but two core issues are thought to be:

- i) an ongoing reluctance among victims to report fraud; and
- ii) the impact of levels of sky rocketing UK court backlogs.

▶ Estimates from the Crime Survey for England and Wales for the year ending 30 June 2023 suggest that fewer than one in seven fraud offences were reported to the police or Action Fraud. This clear reticence among some to report fraud may stem from a number of drivers, ranging from concerns around publicity, reputational damage and share price, to a lack of faith that the authorities would take action

▶ The backlog of cases in the UK Criminal Court has significantly increased this year due to the twin effects of COVID-enforced court closures and the 2022 barristers' strike

▶ [UK Court statistics released by the Institute for Government in 2023](#) reveal that between March 2020 and June 2023 the Crown Court backlog grew by some 58% from 41,000 cases to a record high of over 65,000 cases. These headline figures are made even worse by the case mix within the backlog which is now much more complex than at the start of the pandemic. The struggles to hold jury trials during the pandemic has led to the composition of the backlog shifting to include a much higher proportion of cases requiring jury trials. Criminal cases are also taking longer to be processed and by June 2023 there were over six times as many cases taking more than a year than there were in March 2020.

 Sadly, I'm not surprised by this increase in reported fraud numbers, it is consistent with the significant surge of frauds our forensic investigations team have seen on the ground this year, including a cybercrime pandemic and a wide array of financial statement misstatement frauds.

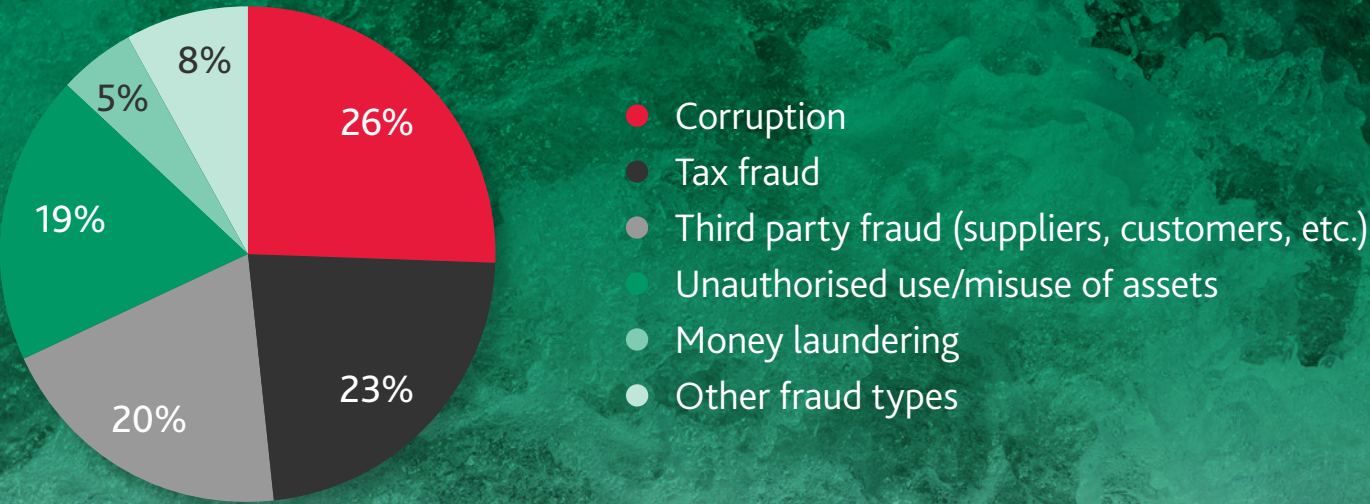
Caryn Deeley
Head of Forensic Accounting
and Valuation Services



Trends by fraud type

Exploring key trends in fraud

Figure 4: Fraud types by value, 2023



The most common fraud types reported in the year were corruption, tax fraud, third party fraud, unauthorised use/misuse of assets, and money laundering.

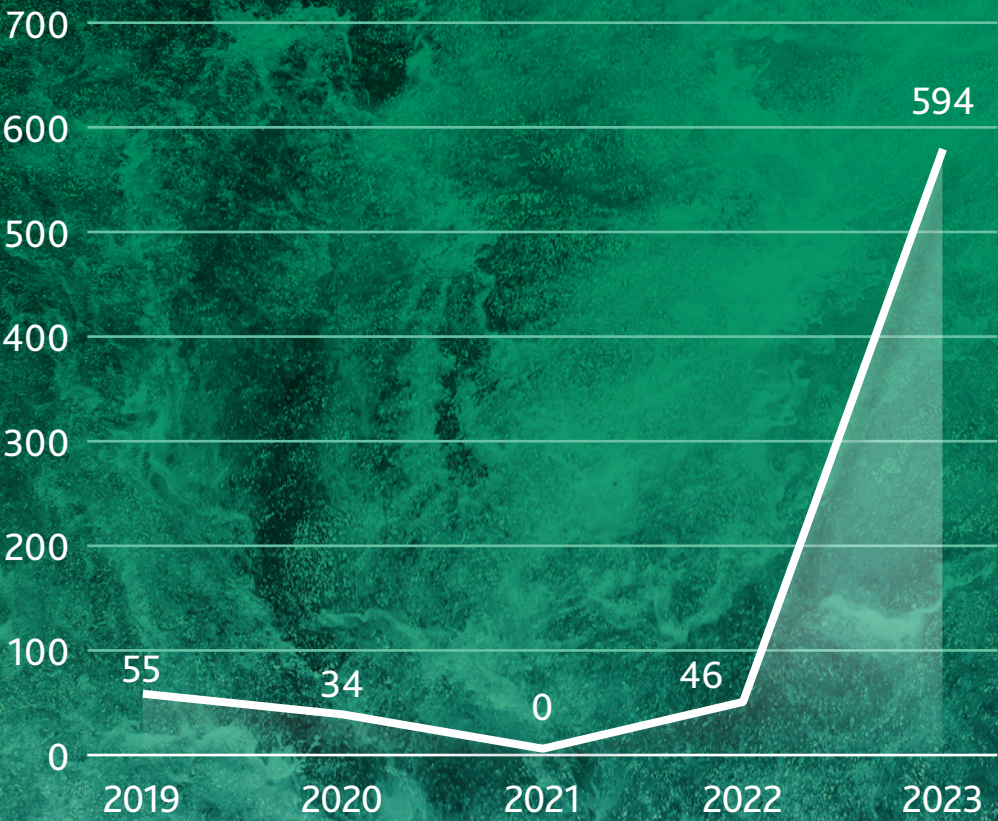
In aggregate these top five fraud types made up 92% of the total reported fraud value (£2.3bn) and 73% of the total number of frauds reported in 2023.



Corruption tops the charts

▶ Corruption represented the top fraud type by value this year (£594m or 26%), replacing money laundering which was top in 2022. This top ranking was largely a result of the significant DPA agreed in the Entain Plc Bribery Act investigation. This prevalence in corruption is consistent with the Association of Certified Fraud Examiners “A Report to the Nations”¹ which found that corruption was the most common scheme in every global region.

Figure 5: Value of reported frauds classified as corruption (£m)



¹ Occupational Fraud 2022: A Report to the Nations is based on the results of the ACFE 2021 Global Fraud Survey.

Trends by fraud type (cont.)

Exploring key trends in fraud

Surge in tax fraud

- ▶ Tax Frauds made up 23% of the UK frauds by value in 2023, ranking the second largest fraud type by value
- ▶ The total value of reported tax fraud in 2023 was £515m, an increase of 228% on last year's total of £157m. A significant proportion of this increase related to the Bernie Ecclestone fraud by misrepresentation case. This matter had commenced as a civil tax investigation by HMRC in 2012 but became a criminal case bought by the CPS after Mr Ecclestone failed to correct any mistakes in his tax when offered the chance to do so under the Contractual Disclosures Facility. The case had been set to go to trial in November 2023, until Mr Ecclestone changed his plea to guilty. A HMRC spokesman reacted to the case by stating:



"This conviction demonstrates no-one is above the law and HMRC will work tirelessly to ensure the tax system is fair to all and pays for our vital public services."

- ▶ Other reported tax fraud in the year ranged from a £50,000 VAT tax evasion matter in Oldbury in the North East to a £100m tax carousel fraud in Preston in the North West committed at a counterfeit designer clothing business.

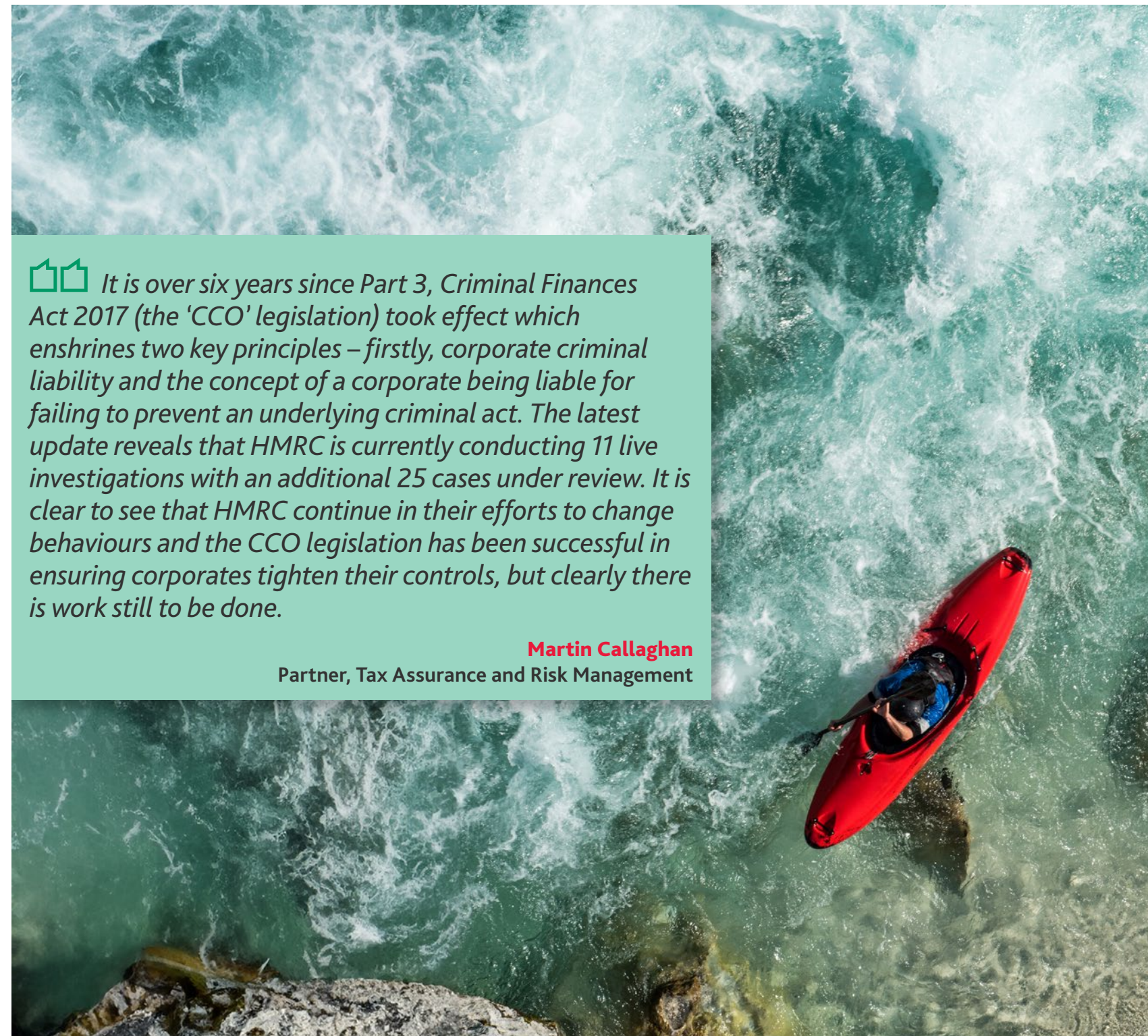
- ▶ For some years now HMRC has been sharing details on government websites of tax fraud by publishing details of deliberate "tax defaulters". Unfortunately, this year's reported rise in tax fraud appears to show that the prospect of appearing on this public listing does not appear to be a strong enough deterrent for many. A different mechanism used by HMRC which does appear to be bearing fruit is the Whistleblowing hotline. Press reports in November 2023, after a freedom of information request on HMRC, revealed that fraud-related whistleblower reports have increased by 47% over the year to a five year high. It appears highly likely that this surge in reports will translate into more tax enquiries and prosecutions and so we expect to see tax fraud remaining one of the core fraud typologies in 2024.



It is over six years since Part 3, Criminal Finances Act 2017 (the 'CCO' legislation) took effect which enshrines two key principles – firstly, corporate criminal liability and the concept of a corporate being liable for failing to prevent an underlying criminal act. The latest update reveals that HMRC is currently conducting 11 live investigations with an additional 25 cases under review. It is clear to see that HMRC continue in their efforts to change behaviours and the CCO legislation has been successful in ensuring corporates tighten their controls, but clearly there is work still to be done.

Martin Callaghan

Partner, Tax Assurance and Risk Management



Trends by fraud type (cont.)

Exploring key trends in fraud

Cybercrime

- ▶ Other prevalent fraud types this year included Cybercrime with fraudsters relentlessly targeting internet users in both business and consumer settings. One prominent reported case in the year was iSpooof a fraud enabling website that tricked thousands of victims by allowing fraudsters to disguise phone calls so that they appeared to be from trusted organisations. The founder of the site was convicted of running a complex banking scam enabled by the website with losses in the UK exceeding £43m and global losses estimated to be at least £100m
- ▶ TSB Bank were reported in the year as stating that the three largest fraud schemes in the UK were purchase scams, impersonation scams and investment scams - with 80 per cent reportedly taking place through Meta (formerly Facebook) owned companies. Also widely reported this year were the existence of organised crime syndicates that have developed lucrative cybercrime centres targeting online victims with a range of scams
- ▶ Although AI is not a brand-new form of technology, it is picking up momentum around fraud as it blurs the line between what is real and what is fake. Whilst AI enabled technology can provide revolutionary methods to conduct business, it does also unfortunately create a host of new opportunities for AI powered scams. Cybercriminals created their own version of ChatGPT just months after it was launched and several new fraud-related chatbots have been observed on the Dark Web during the year. These tools are marketed for illegal activities and could enhance the fraudster's ability to write malware or phishing emails that successfully lure people into divulging their login credentials or making payments
- ▶ Opportunistic fraudsters have continued to adapt to new opportunities for fraud arising from the launch of new products or from natural disasters and political conflicts in recent years. From fake disaster funds ostensibly for victims of war and natural disaster to fake adverts for ChatGPT, the stream of new fraud schemes has continued throughout the period.

These findings support our analysis of risk multipliers as reported in our [Global Risk Report](#) published in July 2023 which identified that:

"Increased use of rapidly developing AI has made cyber-risks harder to control, often intersecting with other risks. Opportunities for fraud greatly increase with wider access to AI technology."



Fraud trends by industry sector

Exploring key trends in fraud



Arts, Entertainment and Recreation sector tops the chart

Heavily influenced by the high value Entain corruption case (valued at £585m), the Arts, Entertainment and Recreation sector recorded a significant increase on 2022 (22000%) and is ranked as the highest reported fraud sector in the year.

We have observed a wide range of fraudulent schemes within this sector including several fraudsters who seized on opportunities to provide illegal methods of viewing films and television content, preying on consumers' highly publicised discontent over subscription price increases during a time when significant cost of living pressures remained. In May 2023, five men who set up a mechanism to illegally stream Premier League football matches to tens of thousands of people were convicted of conspiracy to defraud and money laundering after generating more than £7m over a five-year period. In another case reported in October 2023, a fraudster pleaded guilty to fraud and making for sale an article infringing copyright amounting to losses of around £2m for distributing illegal recordings of movies.




Following the Arts, Entertainment and Recreation sector and making up the top five ranked sectors are, Public Administration (£530m), Professional, Scientific and Technical Services (£281m), Construction (£155m) and

Non-corporate (individuals) (£95m). These top five sectors make-up 67% of the total fraud value reported in the year as show in Figure 6.

Figure 6: Fraud types by value, 2023



 The increase in fraud in construction could be attributed to various factors, including economic pressures, complex supply chains, and insufficient regulatory oversight. Reported cases include bid rigging, infringement of copyright to illegal streaming services and cryptocurrency scams, the existential threat from third-party frauds continue to create havoc for corporate and individual consumers alike. Addressing third-party fraud in construction requires robust due diligence when selecting contractors and suppliers. Strengthening risk management protocols and enhancing collaboration between stakeholders can also be crucial in combating this trend.

Paul Fenner
Partner, Real Estate & Construction

Regional trends in fraud hot spots

Exploring key trends in fraud

The London & South East region saw an overall increase this year of around 170% in reported fraud value and accounts for 73% of the total monetary value reported in 2023.

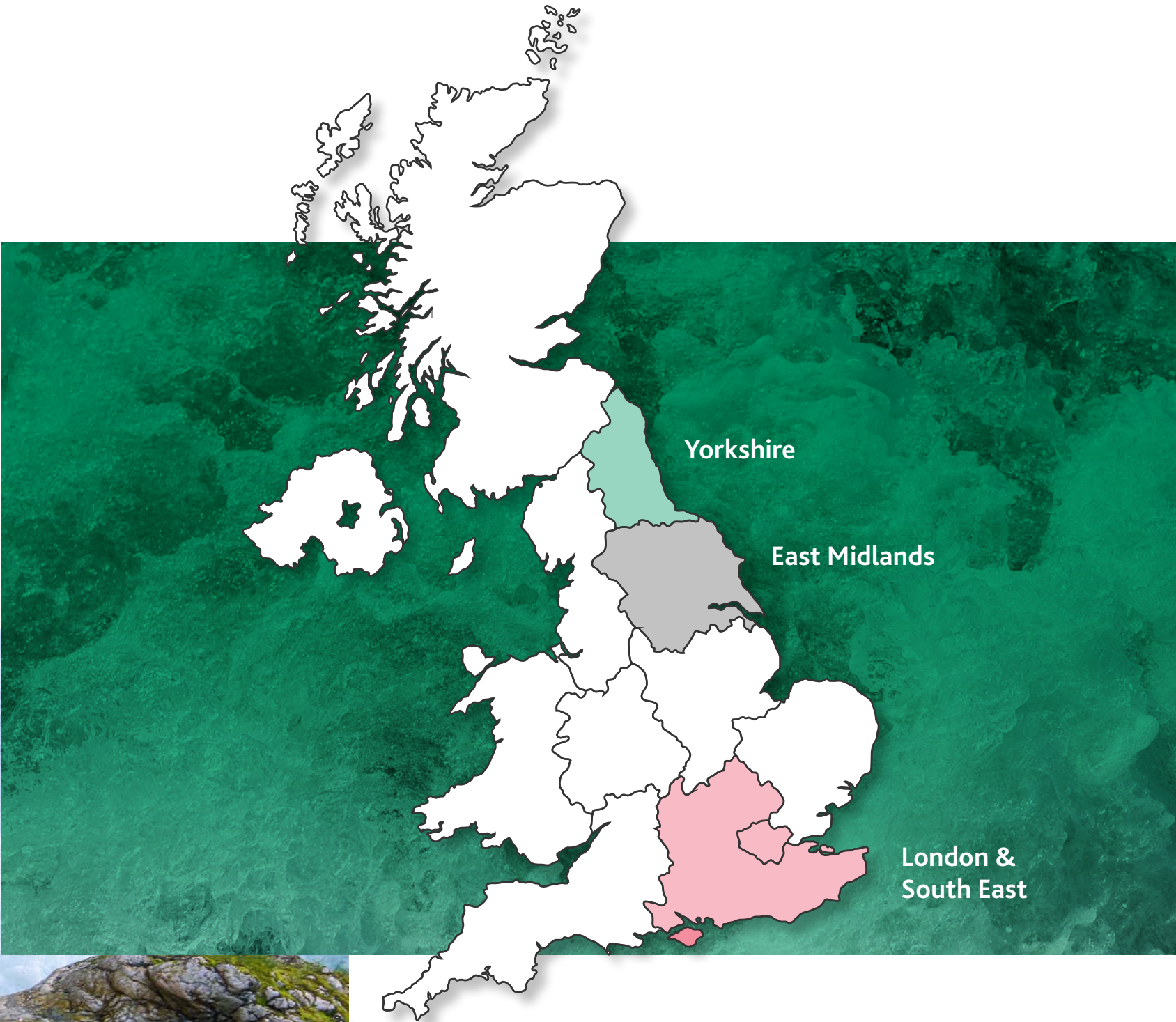
Several large cases contributed a significant proportion of this value including the Entain, Bernie Ecclestone and Balli Group matters but the region also saw a 43% increase in the number of fraud cases reported in the year. For the past five years, the London & South East region has consistently ranked within the top 3 hot spots for frauds within the UK.

The second most prevalent region for UK reported fraud was observed to be the East Midlands region which moved up from 12th to 2nd position in the year (reporting an increase of over 10,000% in fraud value).

Among the matters reported in the year that contributed to this rise were a fraudulent investment scheme operated by a Spalding man, a Nottinghamshire-based home improvements scam and a case brought against a UK car dealer regarding alleged “fraud or fraudulent misrepresentation” in connection with a disputed software contract. It is also notable that the East Midlands region saw a 90% increase in the number of fraud cases when compared to last year.

For the first time over the last five-year period, Yorkshire is ranked as one of the top 5 hot spots for fraud.

Among the notable cases in the region was a Yorkshire based finance boss who was found guilty of fraud in 2023 and sentenced to 7 years imprisonment at Leeds Crown Court. The individual had misled investors in a classic Ponzi scheme and was brought to court by the Insolvency Service on counts of false accounting, fraud forgery, and acting as a director while bankrupt.



Predictions for 2024

Fraud continues to be a hugely troubling global issue, impacting every region and representing a core threat to consumers and businesses of all types across all sectors. The doubling in value of reported UK fraud since our previous FraudTrack report starkly reflects this ongoing struggle, albeit we recognise the true value of fraud will always be masked by the level of undiscovered or unreported fraud as well as the more practical issues such as the delays in fraud matters coming to court due to the ongoing case backlogs.

Looking forward to 2024, some of the themes and fraud trends we expect to see during the year include the following:

ESG fraud likely to rise

Alongside the increasing demand for sustainability and evolving regulatory standards across the ESG landscape, we expect to see further increases in ESG-related financial crime matters being reported in 2024 as more and more greenwashing and carbon credit frauds reach the courts. As ESG considerations become more important to stakeholders, not least the investors, there will be greater demand on companies to incorporate ESG considerations into their reporting to demonstrate their commitment to ethical and environmental practices, which may well lead to some entities crossing the line into potentially fraudulent misrepresentation.

"For many years green claims were seldom substantiated or subject to scrutiny – they weren't taken seriously by the companies making them or their audience. But this is changing. Misrepresentation of sustainability credentials can now have a material impact on a company's balance sheet or valuation. This creates a trap for the unwary, who could find themselves entering into fraudulent territory."

Howard Lungley
Director, Sustainability & ESG Hub




Predictions for 2024 (cont.)

Impacts of legislative changes

The impact of the Economic Crime and Corporate Transparency Act will be keenly observed by many over the coming years. In particular, the amendments made in the Act to the statutory identification doctrine have the potential to transform the prosecution of the larger more complex entities by easing the oft-cited difficulties in proving key individuals exercised the “directing mind and will” of the company. The Act’s new “failure to prevent” fraud offence is also expected to significantly widen the net for catching corporate fraud as organisations may be liable where a specified fraud offence is committed by an ‘associate’ of the organisation, for the organisation’s benefit, and the organisation did not have reasonable fraud prevention procedures in place.

Another point of interest during 2024 will be the impact of the new leadership at the SFO. Among the short-term items expected to be reported this year will be a SFO decision on whether to bring criminal charges against any of the individuals linked to the 2022 Glencore bribery case. Changes to banking regulations coming into force later in 2024 are also expected to have an impact on the fraud landscape with banks now being required to reimburse certain victims of APP frauds.



“The UK’s Payment Systems Regulator (PSR) has announced new changes to the liability for authorised push payment (APP) fraud and this change is expected to have significant impact on beneficiary banks. Going forward, the beneficiary bank will need to ensure adequate measures are in place to prevent APP fraud, rather than simply being able to accept no liability for fraudulent funds they receive. The PSR hopes this change will encourage banks to take a more proactive approach in preventing APP fraud and ultimately lead to a reduction in the number of victims. However, it remains to be seen how effective this liability shift will be in practice.”

Sally Felton
Director, Financial Services Advisory





Predictions for 2024 (cont.)

Continued influence of cyberattacks & opportunistic fraud



Whilst it is hoped the introduction of the Government's Online Fraud Charter will encourage the technology sector to narrow the opportunities for fraudsters to conduct online fraud, it is unfortunately expected that the steady stream of cyber-enabled attacks on both consumers and businesses will continue in 2024. Fraudsters will be looking to exploit any opportunity for fraud whether it be AI and technology driven mechanisms, such as blockchain technology or exploiting current events or newly launched products and cryptocurrencies crossing the line into potentially fraudulent misrepresentation.

"Foreseeing 2024, Cyber threats know no boundaries. We predict an escalation in cyber fraud complexity, with fraudsters exploiting the rise of AI and deepfake tools. There is an intensifying dependency on digital interfaces, particularly with mobile networks, cloud, and financial services. All types of businesses are expected to be a magnet, (including charities) for sophisticated social engineering and evolved ransomware threats. As digital fraud becomes increasingly sophisticated, there is a pressing need for equally sophisticated cyber security strategies to effectively counter these emerging threats."

Vijay Velu
Global Head of Offensive security/DFIR services

We are here to help you navigate and minimise the impact of fraud issues

Does your organisation need help detecting and preventing fraud and financial crime?

We can help you understand the specific risks relevant to your business and develop best practice procedures and solutions to protect you against the threat of economic crime. If you suspect that your business has been a victim of fraud, we can conduct rapid response forensic investigations and advise on crisis management.



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