Fraud Trends: Your Questions Answered

H1 2023 | Equifax Canada Market Pulse Fraud Trends

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H1 2023 Fraud Trends FAQ



At our recent H1 2023 Fraud Trends webinar, Equifax Canada's Director of Fraud Consulting **Cherolle Prince,** along with a panel of experts, took a deep dive into the fraud patterns of the first half of 2023. The team reviewed fraud data from such industries as auto, mortgage, credit cards, banking, and telecommunications.

Cherolle invited **Brady Harrison**, Director of Customer Analytics Solution Delivery for Kount, an Equifax Company, as well as Equifax Canada's Business Information Security Officer **Anuk Bhandal** to an in-depth discussion around emerging trends in generative AI, as well as the convergence of cybersecurity and fraud.

Here's a recap of some of the top questions we received.

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Q: What are the top trends in fraud that you see emerging in the first half of this year?
A: The demand for consumer credit has continued to grow amid high interest rates and inflation. At the same time, we saw an uptick in fraud across most sectors including automotive, credit card, and mortgage. While there was some improvement over the last quarter, most sectors experienced fraud rate increases year over year. Here are some key fraud trends that we've observed in the first half of 2023:

- In the **automotive** sector, fraudulent applications have risen by 28 per cent in the past year. Identity fraud has emerged as a growing concern, constituting 16.2 per cent of all fraudulent applications in Q2 2023.
- The **mortgage** sector has experienced an 18.8 per cent year-over-year increase in the fraud rate, with first-party fraud accounting for 54 per cent of all fraud types observed in Q2 2023, up from 46.5 per cent in Q2 2022. High interest rates may be contributing to this trend, as some would-be home buyers become more willing to falsify their income data in order to qualify for a mortgage.
- **Credit card** applications are up — and so is identity fraud in this arena. Consumers are cautioned to closely monitor their credit card statements for unauthorized purchases that could indicate a fraudster is at work.

Learn more about the predominant fraud trends from the first half of 2023 in our H1 2023 Fraud Trends report.

Q: What's the difference between first- and third-party fraud? Can you share some examples of each?
A: **First-party fraud** occurs when an individual intentionally misrepresents their identity and/or gives false information for financial or material gain. This type of fraud occurs when customers apply for credit cards, loans, overdrafts or other unsecured banking credit lines with no intention of paying. Examples of first-party fraud include:

- Submitting falsified financials to acquire a loan without the intention of paying it back.
- Obtaining a new credit card with the intention of maxing it out and never paying it back.
- Falsifying employment records and/or income records to qualify for a more favourable interest rate on a loan.

Third-party fraud often occurs in unsecured lending and indicates that someone other than the owner of those credentials is attempting to perpetrate a crime. Third-party fraud is usually done at a larger scale. Some examples are:

- A fraudster taking over a consumer account to use/change their personal information and illegally withdraw funds on their behalf.
- A synthetic identity is created using a combination of both real and fabricated personal information. This new identity then applies to illegally take out loans and credit. .
- A false identity is created to take out credit or loans, or conduct other financial activities.

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Q: What advice can I give my consumer clients about protecting themselves against identity fraud?
A: As digitization of our everyday financial lives has increased, so too has the risk of having one's identity stolen. These best practices can help consumers lower their risk:

- Monitor your credit card statements and credit report for any signs of unusual activity including unauthorized transactions or additional credit products that you didn't request. Quickly report any suspicious activity.
- Be cautious about sharing your personal and financial information online.
- Be wary of unexpected emails or text messages asking for personal information or payments, asking you to click links to resolve urgent account issues, or extending unexpected prizes or other "too good to be true" offers.

If you're not sure a message is authentic, don't click on any links. Instead, contact the business to confirm the email's authenticity. Report suspicious email to your email provider.

For businesses, enhancing your verification processes and equipping staff with the tools to effectively detect and prevent identity fraud will go a long way to keeping false identities out of your business ecosystem. A robust employee training program that includes modules on cybersecurity tips, phishing awareness, and other best practices is key as well.

Q: What is a worthless deposit?
A: A worthless deposit or cheque is a type of bad cheque that cannot be cashed or deposited for a variety of reasons. It could be that there are insufficient funds in the account, the account has been closed, a counterfeit cheque was used, or the intended payee is not the actual recipient of the funds. For example, if someone writes a cheque for $500 but only has $100 in their account, the cheque will bounce and be considered a worthless cheque. This can have legal ramifications for those that issued the bad cheque for purposes of receiving a good or service and could potentially signal the start of a larger incident of fraud.

Q: What techniques does Equifax recommend to determine fraudulent applications among the New-to-Canada cohort?
A: While a customer may be new to Canada, they have likely lived and transacted in another part of the world, possibly for many years. Using digital signals such as the customer's email address, it is possible to verify their digital identity. Taking some extra time to complete this due diligence can be helpful in separating new-to-Canada customers from fraudsters.

Q: When it comes to cybersecurity, what is "insider risk"? How can businesses protect themselves against this risk?
A: An insider risk or threat is someone **inside** an organization who represents a cybersecurity risk to the company. These individuals may have access to important systems and data and — either maliciously or unknowingly — share sensitive information with financial criminals. An example of this could be a disgruntled employee who shares sensitive customer data on the web for fraudsters to harvest, or an individual who is duped into revealing key competitive information through an authentic-looking phishing email.

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Businesses can mitigate insider risk by having strong internal security policies and procedures in place. In addition, company-wide awareness and training programs are needed, as well as having proper controls around system access. These types of controls ensure that employees have access to the correct systems at the right access level for their job requirements, and have audits built in to review this access consistently. These types of checks and balances can help an organization mitigate insider risk.

Q: Is there a repository of known fraudster data that industry members can refer to when reviewing suspicious transactions?
A: Yes. When selecting a fraud prevention platform, always look for one that shares fraud data amongst its members. This type of exchange allows users of the platform to share key transactional data with one another, alerting other members to suspected fraudsters.

Equifax Canada's FraudIQ Manager™ is a comprehensive fraud prevention platform, combining advanced analytics and consortium based fraud protection into one powerful solution. It offers access to **Equifax's FraudIQ® Exchange,** our unparalleled repository of shared multi-sector fraud data, as well as other Equifax datasets, and third-party sources to enhance your strategy and catch more fraud.

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How Equifax can help you mitigate fraud and identity risks

Equifax Canada has launched FraudIQ Manager™, a cloud-based, fraud prevention platform powered by advanced analytics and rich data sources. It offers integration into customer application processes and empowers businesses to mitigate risk in real time and prevent future fraud losses.

The platform leverages the power of Equifax's FraudIQ® Exchange, Canada's largest known fraud exchange, consisting of multi-sector fraud data from top banks, financial institutions, telecoms, auto, and other organizations. The platform is backed by industry-leading expertise and experience, with over 20 million client application journeys enabled for users each year. In the past four years, Equifax's fraud prevention platforms have helped organizations prevent over $5 billion in fraud loss.

Get the power of FraudIQ Manager working for you. Learn more here:
https://www.consumer.equifax.ca/business/fraudiq-manager

Contact an Equifax Fraud Consulting Team member to learn more about how we can help you reduce risk and loss due to fraud

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