



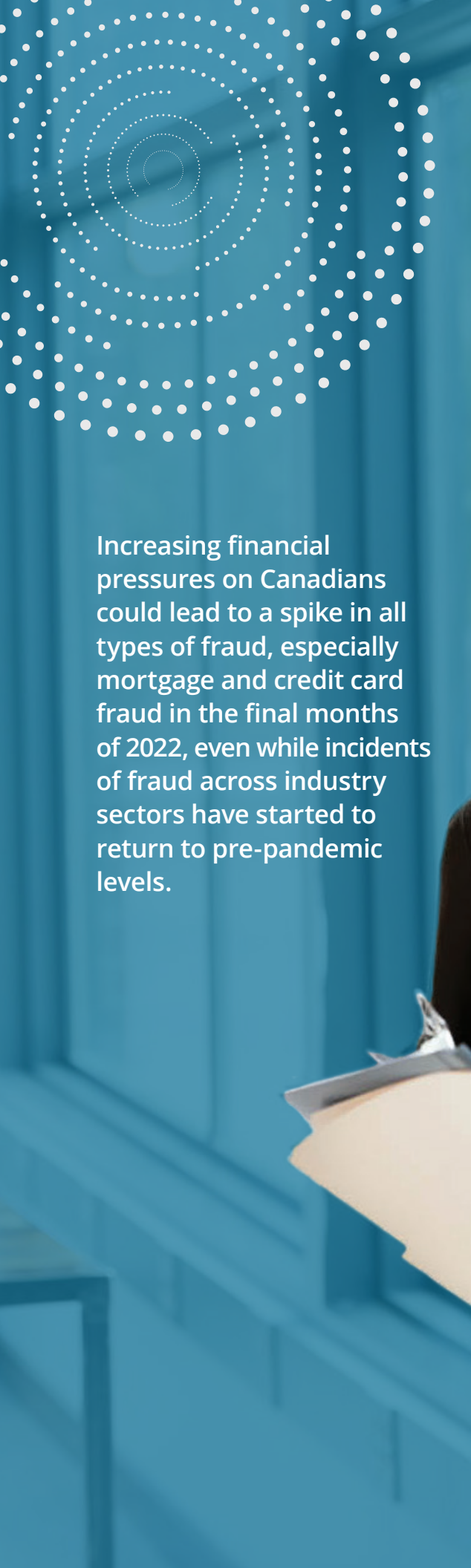
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Report

High Cost of Living and Credit Demand Could Lead to Higher Probability of Fraud

H1 2022 | Equifax Canada Market Pulse Fraud Trends

November 2022



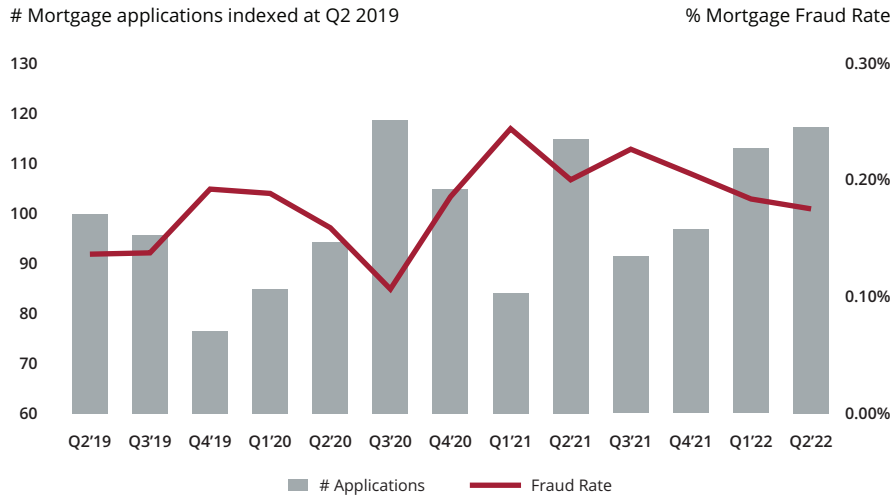
Increasing financial pressures on Canadians could lead to a spike in all types of fraud, especially mortgage and credit card fraud in the final months of 2022, even while incidents of fraud across industry sectors have started to return to pre-pandemic levels.



Mortgage Fraud Rates Remain Higher Than 2019 Levels

The mortgage fraud rate dropped by 13.3 per cent in Q2 2022 when compared to the highs of Q2 2021 but remains 29.5 per cent higher than before the pandemic. First-party fraud is the most prevalent fraud in mortgage applications with applicants falsifying their financials, income information or providing conflicting information. Equifax data suggests that 92 per cent of mortgage fraud involves the false representation of financial data: falsified bank statements, income and employment data or conflicting information.

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Source: Equifax Canada

“The housing market has cooled with rising interest rates and it’s becoming more difficult to qualify for a mortgage, which may tempt some people to misrepresent their financial information,” said Carl Davies, Head of Fraud & Identity, Equifax Canada. “There was a huge increase in fraud rates in 2021 with record high mortgage applications coupled with the race to qualify for high loan amounts. It’s a slippery slope because homebuyers who are misrepresenting their finances are likely taking on debt they cannot handle, and they are breaking the law by committing mortgage fraud.”

Shifting Trends in Credit Card Fraud

The Equifax report indicates that, at the height of the pandemic, there was a significant increase in digital fraud especially for credit cards, banking, and deposit applications. While in-person banking has resumed and the overall credit card fraud rate was down 13.5 per cent in Q2 2022, identity fraud remains the biggest threat for credit card applications where 56 per cent of fraudulent applications are flagged as identity fraud.

“Even though consumer appetite for new credit cards declined during the pandemic peak, we saw an increase in the fraud rate, especially third-party fraud,” said Davies. “This fraud is largely driven by organized crime, which took full advantage of the pandemic by creating synthetic identities and scamming government support programs, businesses and consumers alike.”

“To spot and stop fraud, it’s important to note that criminals usually follow the same behaviours. If something is working for them, they will keep doing it. A combination of technology and subject matter expertise is needed to identify and respond to this type of fraud risk. Collaboration among all stakeholders is key so we can work together and stay one step ahead of fraudsters,” said Davies.

Fraud in Auto, Banking and Telecommunications

The auto fraud rate was down by 16.6 per cent in Q2 2022 when compared to Q2 2021, with application volume down by 3.9 per cent. While over 90 per cent of auto fraud is first-party fraud, the proportion of identity theft in auto applications is also on the rise.

There have been major shifts in banking and deposit fraud after government pandemic support programs ended. While application volume rose by 28.2 per cent in Q2 2022, fraud rates dropped by 16.6 per cent when compared to the same time period in 2021.

The fraud rate in the telecommunications industry dropped by 3.2 per cent in Q2 2022 when compared to Q2 2021, but overall applications increased by 25.7 per cent. Fraud trends in this industry are returning to 2019 patterns with a peak in Q2 2022 for fraud that occurs to facilitate the purchase of hardware.

“Early signs of financial stress are visible across consumer segments,” added Davies. “Unfortunately, the economic landscape is ripe for us to see a quick uptick in fraud for all industry sectors. Businesses of every stripe can mitigate fraud if they have the data and solutions in place to adequately verify and validate consumers.”

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Carl Davies
Head of Fraud & Identity,
Equifax Canada



How Equifax can help you and your clients mitigate fraud and identity risks

Fraud continues to challenge risk managers in all sectors. The latest industry insights can help you gain visibility into potential emerging and ongoing threats to your business. Keeping up to date with fraud trends is critical as we move forward in today's uncertain economic environment.

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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