

# Credit Reports – managing the risk of identity fraud

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A CPP white paper



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December 2010

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# Introduction

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The use of a credit report as an easily accessible means to manage and protect our identities has some way to go

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## 1.1 Foreword

There is no doubt that Identity Fraud is a problem in the UK. Since the crime started to gain prominence in 2005, the number of people falling victim has increased steadily with the latest figures published by CIFAS, the UK's Fraud Prevention Service, showing that nearly 80,000 instances of identity fraud were identified by CIFAS members in the first nine months of 2010 – an increase of nearly 10 per cent from the same period in 2009. Moreover, the National Fraud Authority established to take forward the Government's response to fraud with both the private and public sectors in order to create a more hostile environment for fraudsters, recently said that identity fraud is costing the UK £2.7 billion annually and affecting more than 1.8 million people.

So, it is clear we have an issue that will not go away and is here to stay.

Whilst fraudsters have developed an increasingly sophisticated approach to stealing our identities, we have to ask ourselves if consumers have kept pace and re-evaluated their own precautions and steps to reduce the chances of falling victims to this dreadful crime. It is true that many of us do shred sensitive personal and financial information and many of us are aware of phishing e-mails and cold calling scams, but how many of us understand the complexities behind installing the latest software to protect against malware or specific online threats like key loggers?

Very recently, CPP conducted a live experiment to look at the issue of wireless networks and whether we were putting ourselves at risk via public hotspots and the creation of rogue networks. The results published in our white paper 'UK Wireless Network Hijacking' showed massive consumer ignorance and susceptibility to this fraud threat.

Despite this, consumers are slow to put in place measures to protect themselves and we do see a lag-effect whereby fraudsters have an opportunity before the consumers finally make adjustments and put in place measures to protect themselves.

So is this normal consumer apathy, or can we put it down to the fact that people are just not aware? Sadly, probably the former, as the media and the financial services industry spend a great deal of time educating consumers on the latest scams and threats that could ruin their identities. Another likely explanation is that the precautions required to mitigate the threats have become more complicated and require greater technical understanding; hence the inertia to do anything proactive.

It is well documented that a credit report is one of the most useful prevention tools available to consumers and is available via specialist identity protection insurance or as a standalone product. In order to look at whether consumers are utilising this simple, effective weapon in the fight against identity fraud, we commissioned some research to investigate this further. The results contained within this report are interesting and show that the use of a credit report as an easily accessible means to manage and protect our identities has some way to go.

As a final point, in the United States there is an identity theft commentator called Robert Sicilano who writes about identity fraud and the latest scams and threats. One very interesting point he made in a recent blog on Finextra.com was it shouldn't matter what the odds of falling victim are, high or low, we should plan and take personal responsibility. What that responsibility entails is a personal decision, but we should not abdicate responsibility in a society where we are all at risk.

Moving forward, it should be our ambition to ensure people utilise every available tool to protect themselves and ensure they are not one of the 1.8 million people affected by identity fraud every year.

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## 1.2 Industry Facts

- Every year in the UK identity fraud costs more than £2.7 billion and affects over 1.8 million people *(source; National Fraud Authority October 2010)*
- In very serious cases it can take 200 hours to repair the damage done to your identity by identity fraudsters – in working hours, that is equivalent to a year’s annual leave *(source; National Fraud Authority October 2010)*
- Nearly 80,000 instances of identity fraud were identified by CIFAS members in the first nine months of 2010 – an increase of 9.86% from the same period in 2009 *(source: CIFAS November 2010)*
- Over 70,000 victims of impersonation recorded in the first nine months of 2010 *(source: CIFAS November 2010)*
- Facility takeover fraud (where a fraudster rather than impersonating a victim, secretly hijacks and plunders a victim’s account) remained high, with over 16,000 confirmed cases in the first nine months of 2010 *(source: CIFAS November 2010)*
- In October 2010, the UK Cards Association said card fraud totalled £186.8 million in the first six months of the year. Interestingly phone banking losses, although small (£5.8 million during January to June 2010) saw an increase of nine per cent. Despite all the noise and focus on online fraud via malware, fraudsters are still tricking customers into disclosing personal information through telephone cold calling
- CPP Identity Protection caseworkers are now helping to resolve more than 500 serious cases of identity fraud every month *(source: CPP September 2010)*
- In September 2010, our customers who were victims of identity fraud had, on average, £2,111.45 taken out in their name or taken out of their accounts. This ranged from £7.28 to a staggering sum of £443,875 *(source: CPP September 2010)*

## 1.3 Research Methodology

CPP commissioned research to establish consumers’ awareness with respect to credit reports as a useful tool to detect and prevent identity fraud. The aim was to determine how many consumers regularly used credit reports and to also see how many consumers had a poor credit rating as a consequence of identity fraud.

We also looked at the emotional consequences of a bad credit rating and how many people had their credit status negatively affected by identity fraud.

A representative sample of just over 2,000 UK adults was questioned by Research Now on 30 September, 2010.

## 1.4 Key Findings

### Nearly 900,000 people have had their credit rating unfairly damaged by fraudsters

According to the National Fraud Authority 1.8 million people are affected by identity fraud every year and it costs £2.6 billion. One of the consequences of falling victim to identity fraud is that it can damage your credit rating and make it difficult to take out new and legitimate lines of credit.

Our research showed that 44 per cent of people (UK adult population is 49,051,000) claim to have had a poor credit rating. This equates to 21,582,440. Four per cent of those with a poor credit rating say it was damaged by their identities or passwords being stolen. Therefore four per cent of 21,582,440 equates to 863,298 people.

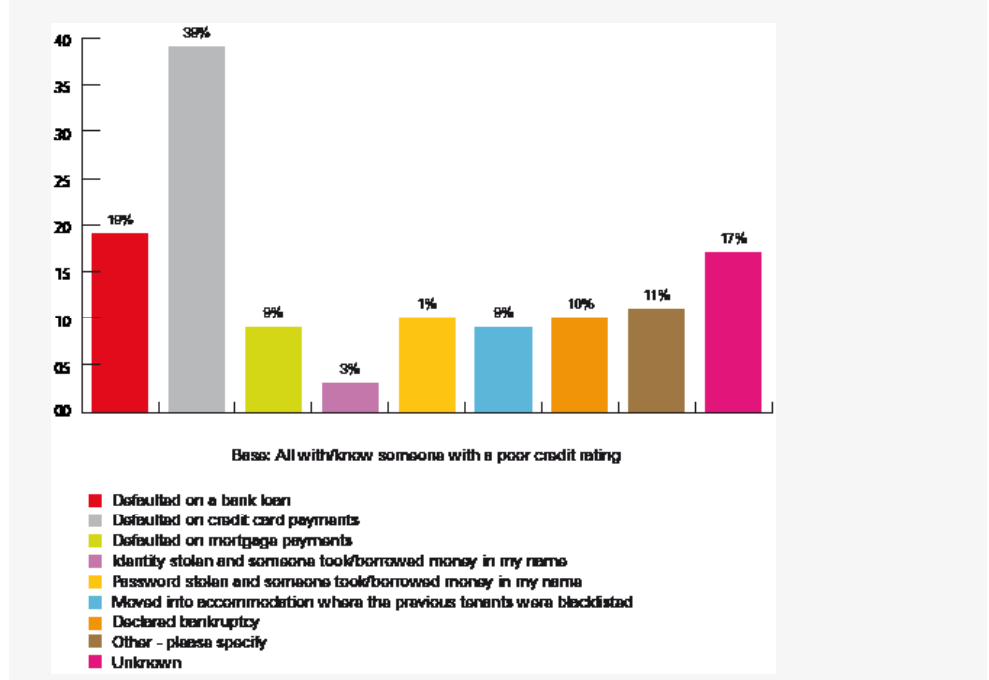
The most common reason people understood they had a poor credit rating was because they defaulted on a credit card payment (39%) or defaulted on a bank loan (19%).

Six per cent of 18-24 year-olds said their bad rating was a consequence of their identity or passwords being stolen and used fraudulently.

Elsewhere Experian<sup>1</sup> has reported nearly three people in five victims discovered their identity had been compromised by checking their credit report and for one in ten, the first clue they had that they'd become a victim of identity fraud was notification of fraud from financial services company or letter chasing an unknown debt.

The Experian research tells us that credit reports are very useful identity fraud detection tool.

Q: What was the reason you/the person you know had a poor/bad credit rating?



<sup>1</sup> The Insight Report - Victims of Fraud Survey, March 2010

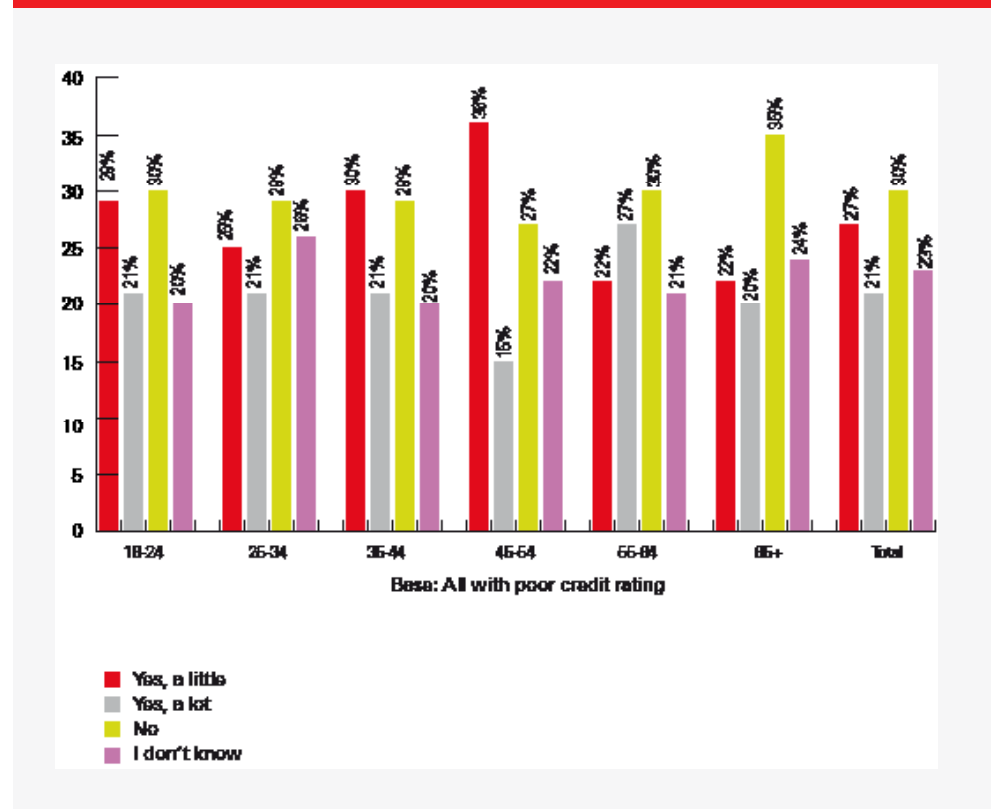
## 48 per cent of people said a poor credit rating had monetary repercussions

Nearly half of people (48%) surveyed said that a poor credit rating cost them money. The average monetary repercussion was £7,164. The age group most likely to report the highest financial cost were people aged 65+ who estimated it cost them £11,057, and those aged 25-34 (£8,241).

Those aged 35-54 were the most likely to report a bad credit rating cost them money, although all age groups reported a financial loss or expenditure.

30 per cent of people reported a bad credit rating didn't cost them any money and 23 per cent didn't know.

Q: Did a bad credit rating cost you or someone you know money? By Age



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## The most common consequence of a poor credit rating was being unable to secure low interest credit

The most common consequence or cost associated with a poor credit rating were individuals losing out on low interest credit cards and loans (48%), having to pay higher rating of interest on a mortgage (22%), refused a mortgage (20%), having to pay for credit checks (17%) and lost earnings (10%).

One in twenty (5%) also said they had to pay legal fees; no doubt to resolve their credit status and rebuild their identity. Women were five times more likely (11%) than men (2%) to pay legal fees to resurrect their credit rating.

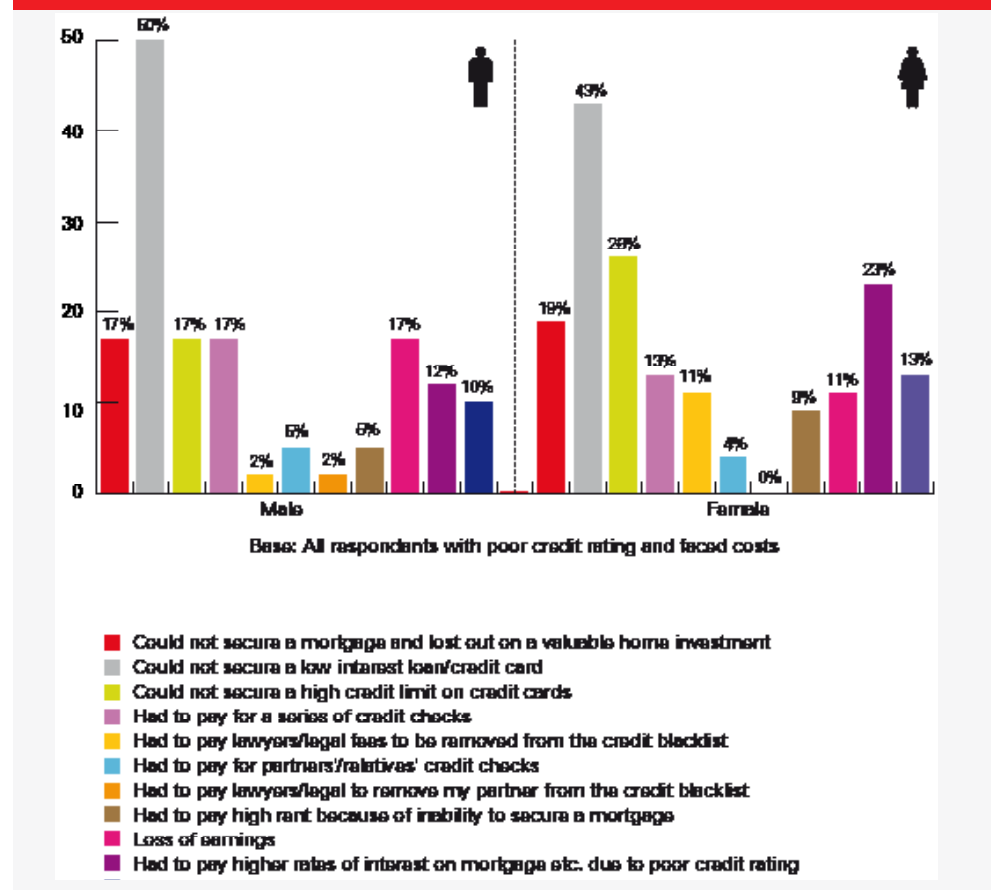
The research also showed us that consumer behaviour is playing a role in helping identity thieves go undetected and ruin people's credit status. Although we didn't ask in what context, most people said they had included their date of birth (87%), home telephone number (76%), address (83%), credit card details (45%) and debit card details (54%) online. Regardless, it is clear there is a huge amount of personal and sensitive financial information on the internet.



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Q: Why did you or someone you know face costs as a result of having a bad credit rating?



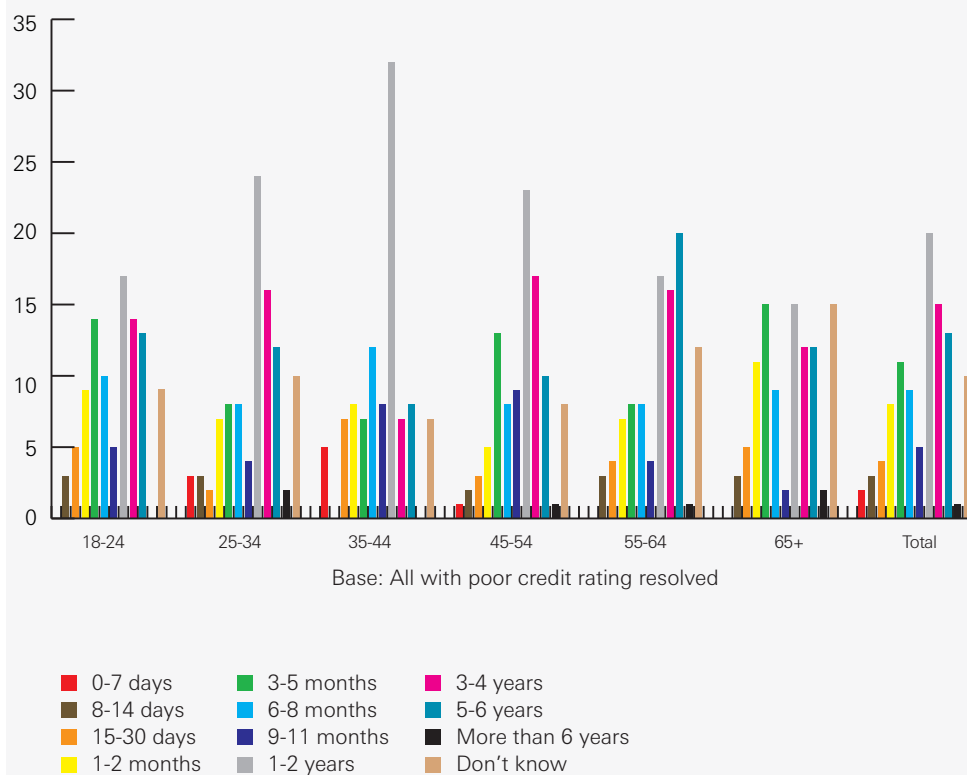
## It takes more than 400 days to get a credit file back to health

On average, people who had resolved a poor credit rating said it took them 409 days to resolve a poor credit rating. Those aged 25-34 were the most likely to report it took them the longest (444 days) versus 308 days for people aged 35-44.

In addition, 23 per cent of people were unable to resolve their poor credit rating, 5% didn't see the need and 27% didn't know if their credit status was back on track and resolved.

With the cost and time hitting victims hard, it isn't surprising that it has an emotional impact. Our survey also revealed that a poor credit rating had caused half of people (53%) high levels of stress, strained personal relationships (41%), sleepless nights (35%), arguments (32%) and contributing to depression (29%). A small minority (7%) claimed they had to take time off work to sort out the situation, which would have had, no doubt, monetary repercussions due to lost income.

Q: How long did it take to resolve the poor/bad credit rating? By Age



## Many people don't know how to resolve a poor credit rating

When their personal information was used for identity fraud, many people didn't know how to resolve a poor credit rating. Even if they did, many respondents said it was time consuming, expensive and complicated to do so. This is especially true in extreme cases of identity fraud where numerous creditors may be chasing for non-payment of goods and services and a victim is unaware where the next fraudulent transaction may come from.

When we asked people how often they used a credit report to check for unusual transactions, only one in twenty (4%) said they checked their credit report on a monthly basis as recommended by experts. More worryingly, over half (51%), said they had never checked their credit report.

Those aged 65+ were the most likely to say they had never checked their credit report (58%) versus 41% of people aged 45-54. There was little variance between men and women not checking their credit report. Four per cent of people admitted that they didn't even know what a credit report is.

People were most likely to say they checked their credit report on an annual basis (14%). Given a credit report is one of the most useful weapons in the fight against identity fraud, it is disappointing that consumers are not making the most of this invaluable service. A separate report commissioned by Experian reported that victims of identity fraud typically discover the fraud when they review their credit reports. In 2009, nearly three in five victims discovered that their identity had been compromised by checking their credit report.

Given consumers seem to have a reluctance to use credit reports proactively, the significance of proactive alerts to inform consumers of changes in their credit status cannot be underestimated. CPP Identity Protection has this core feature and it is widely regarded as critical in the prevention of fraud and the proper management of an identity.

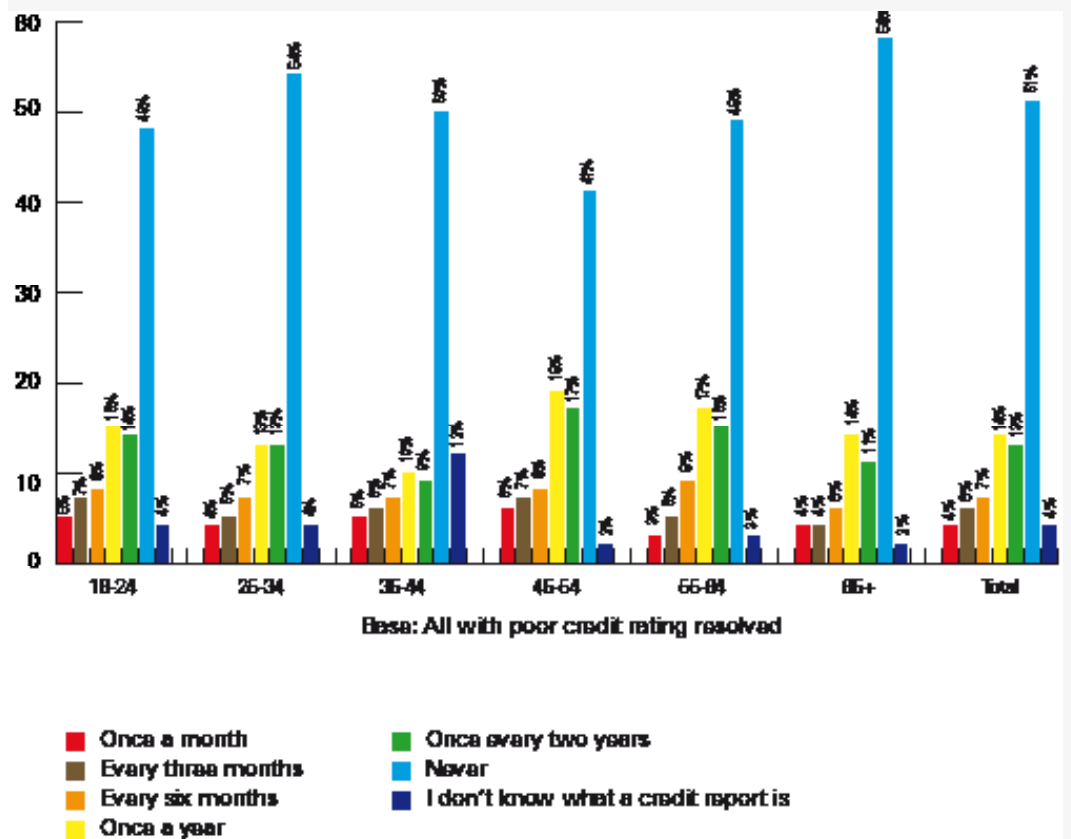
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Q: How often do you check your credit report? By Age



## 1.5 Conclusion

It is clear from this report that we do not have the widespread use of credit reports in the UK as an effective means to manage and protect people's identities. Although we estimate that nearly 900,000 people have had their rating status damaged by identity fraud, we have a situation whereby only one in 20 reviews their credit report on a monthly basis as recommended by expert. Moreover half of people admitted they have never checked their credit report, ever. Four per cent admitted they didn't even know what a credit report is.

When we investigated the consequences of a poor credit rating – one of the debilitating consequences identity fraud, we found that the monetary repercussions averaged over £7,000, enough to put many people in financial difficulty. Costs included individuals losing out on low interest credit cards and loans, refused mortgage and lost earnings. One in twenty had to pay legal fees to sort out the mess.

What is more, it takes on average over 400 days, nearly 14 months, to resurrect a credit rating with half of people either not getting the problem resolved or not knowing if their credit status is back on track. With the cost and time having a detrimental affect, it is not surprising it has an emotional impact. The findings revealed over half had suffered high levels of stress, strained personal relationships, sleepless nights and having to take time off work.

Worryingly, the majority of people only found out they had a bad credit rating when they applied for a mortgage, loan or credit card. Consistent with the fact that only 4 per cent of people regularly review their credit report, we have a situation whereby the majority of people are ignorant of their credit status until they need to secure access to credit. This ignorance also extends to checking whether their identities have been compromised and used fraudulently.

Nearly every week, we have stories in the media of a new scam or risk. As an example, we have had news of the world's most prolific phishing gang ditching the technique in favour of the Zeus password-stealing crimeware that does not require the victim to hand over the financial account details. And how the boom in smartphones is leaving users open to fraud by failing to protect the sensitive information stored on their phones. Most recently, criminals have turned their attention to stealing direct debits details to siphon funds from bank customers' accounts. Stolen direct debit details are then used to set up direct payments to pay for goods and services such as mobile phone accounts, subscription TV or gym memberships.

Only recently David Cameron announced £650 million to fight cybercrime over the next four years aimed at developing a National Cyber Security Programme. This shows the Government is serious about introducing a new programme of cyber security education and skills in order to foster a more preventative approach to cyber security throughout the UK.

Whilst these initiatives are encouraging, the regular use of a credit report and subscription to SMS or e-mail alerts is a simple, accessible and effective means to monitor whether fraudsters are using your identity fraudulently. Industry and Government initiatives should always be welcomed, but they should only be considered part of the protective chain. Self monitoring and personal responsibility is the main weapon in the fight against fraud and we should encourage all means whether it is subscription to specialist identity fraud insurance, installation of the latest anti-virus software or use of secure authentication processes like Verified by Visa or MasterCard SecureCode.

Without such personal accountability and self monitoring, identity fraudsters will only defraud more people, causing havoc both emotionally and financially.

## 1.6 Avoiding Identity Fraud

Michael Lynch is an identity fraud expert at CPP and offers the following advice to consumers to help protect them from identity fraud. Michael is responsible for the UK Identity Protection portfolio at CPPGroup Plc (CPP).

Michael has been with CPP for 14 years. His experience in financial services extends to customer service, new product and market development and affinity relationships.

During his time at CPP, Michael has helped bring to market one of the UK's market leading service, Identity Protection, which now protects over one million UK consumers from the consequences of this rapidly growing crime. In addition, Michael had used his expertise to create a commercial identity theft product aimed at protecting businesses of all sizes. He has also developed a strong understanding of consumer perception and reaction to identity theft and its consequences. In addition Michael has been responsible for breaking some major identity theft stories in the media, including the availability of fraudulent documents online, car cloning, junk mail and postal theft. Committed to forging industry co-operation to reduce the opportunities for identity theft he is leading the call for consumers to change their behaviour to counter what is becoming an increasingly sophisticated and intrusive crime.

Michael is media trained across print and broadcast and is available for media interviews on the issue of identity fraud.

For more information on identity fraud go to our blog at <http://blog.cpp.co.uk>

### **Tell-tell signs your identity has been stolen**

- Accounts on your credit report that don't belong to you
- Welcome letters from credit card/loan companies that you never opened
- Calls from debt collection agencies chasing you for money that you never borrowed
- Important post gone missing
- Refused credit
- Entries on your bank statements that you don't recognise

### **Reduce the chances of falling victim to identity fraud:**

- Make sure your post is secure and know when to expect your credit card, utility bills and bank statements - if they don't turn up, ring up and ask why
- Keep your personal information safe. If someone asks for your personal details ask yourself why they would need them. This even applies to any online enquiries
- Don't write down PIN numbers, passwords, user names unless you absolutely have to do so, and if you do, keep them very secure and to yourself

- If you are going to throw away post with your personal details shred it first - this even includes junk mail
- If you move house tell your bank, credit card and utility providers. Use the Royal Mail redirection service and consider registering with the mail preference service to prevent mail going to your old address
- If you store valuable documents at home, for example, passports, driving licence and bank statements, keep them hidden and secure. Never take these documents out with you unless you absolutely have to. If you store personal information on your PC, install up-to-date security software
- Sign up to Verified by Visa or MasterCard SecureCode as it will largely put a stop to lots of unauthorised online spending
- When making purchases, don't let staff take your debit/credit card out of sight, even for a second
- Check your receipts against your statements when you get home
- Only use a secure web browser and keep it set to the highest security
- Install the latest online web security software on your computer
- Avoid carrying out transactions on public or shared computers
- When making an online shopping transaction, make sure the padlock appears on the web page guaranteeing your details are kept secure or the HTTPS
- Avoid sites that store your personal details

## 1.7 Further information

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## CPP is an award-winning organisation:

- Winner in the European Contact Centre Awards, Large Team of the Year category, 2010
- Finalist in the European Contact Centre Awards, Best Centre for Customer Service, Large Contact Centre of the Year categories, 2010
- Winner in the National Sales Awards, Contact Centre Sales Team of the Year category, 2010
- Finalist in the National Insurance Fraud Awards, Counter Fraud Initiative of the Year category, 2009
- Finalist in the European Contact Centre Awards, Large Team and Advisor of the Year categories, 2009
- Named in the Sunday Times 2008 PricewaterhouseCoopers Profit Track 100
- Finalists in the National Business Awards, 3i Growth Strategy category, 2008
- Finalist in the National Business Awards, Business of the Year category, 2007, 2009 and Highly Commended in 2008
- Named in the Sunday Times 2006, 2007, 2008 and 2009 HSBC Top Track 250 companies
- Regional winner of the National Training Awards, 2007
- Winner of the BITC Health, Work and Well-Being Award, 2007
- Highly Commended in the UK National Customer Service Awards, 2006
- Winner of the Tamworth Community Involvement Award, 2006. Finalist in 2008
- Highly Commended in The Press Best Link Between Business and Education, 2005 and 2006. Winner in 2007
- Finalist in the National Business Awards, Innovation category, 2005

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## 1.8 About CPP

The CPP Group Plc (CPP) is an international marketing services business offering bespoke customer management solutions to multi-sector business partners designed to enhance their customer revenue, engagement and loyalty, whilst at the same time reducing cost to deliver improved profitability.

This is underpinned by the delivery of a portfolio of complementary Life Assistance products, designed to help our mutual customers cope with the anxieties associated with the challenges and opportunities of everyday life.

Whether our customers have lost their wallets, been a victim of identity fraud or looking for lifestyle perks, CPP can help remove the hassle from their lives leaving them free to enjoy life. Globally, our Life Assistance products and services are designed to simplify the complexities of everyday living whether these affect personal finances, home, travel, personal data or future plans. When it really matters, Life Assistance enables people to live life and worry less.

Established in 1980, CPP has 10 million customers and more than 200 business partners across Europe, North America and Asia and employs 1,900 employees who handle millions of sales and service conversations each year.

In 2009, Group revenue was £292.1 million, an increase of more than 12 per cent over the previous year.

In March 2010, CPP debuted on the London Stock Exchange (LSE).

### What We Do:

CPP provides a range of assistance products and services that allow our business partners to forge closer relationships with their customers.

We have a solution for many eventualities, including:

- Insuring our customers' mobile phones against loss, theft and damage
- Protecting the payment cards in our customers' wallets and purses, should these be lost or stolen
- Providing assistance and protection if a customer's keys are lost or stolen
- Providing advice, insurance and assistance to protect customers against the insidious crime of identity fraud
- Assisting customers with their travel needs be it an emergency (for example lost passport), or basic translation service
- Monitoring the credit status of our customers
- Provision of packaged services to business partners' customers

For more information on CPP visit:

[www.cppgroupplc.com](http://www.cppgroupplc.com)