# Returns fraud in UK retail projected to cost £1.3 billion in 2025 as brands tighten controls



Returns fraud has emerged as a critical challenge for UK retailers, with projected losses hitting a staggering £1.3 billion annually in 2025. The urgency of this issue is underscored by a Loop survey, revealing that 64 percent of brands view rising returns fraud as the most pressing financial threat. The tactics employed by some consumers—ranging from “wardrobing” (purchasing items, using them briefly, and then returning them) to serial bracketing (ordering multiple items with no intent to keep them)—exemplify the scale of this ongoing problem.

Retail Economics corroborates these concerns, suggesting that the trend towards fraudulent returns is not just a perception but a stark reality. The British Retail Consortium has identified fraudulent returns as particularly rampant in the apparel and footwear sectors, with abuse rates occasionally soaring to 15 percent of total returns. As economic pressures mount alongside intensified consumer expectations, retailers find themselves navigating a perfect storm, where the implications of returns fraud are compounded by a tightening financial landscape.

Legally, UK consumer rights allow customers to cancel online purchases within 14 days, creating a robust safety net that some exploit for less noble purposes. This legal backdrop places retailers in a precarious position; they are compelled to honour returns yet face the threat of significant financial losses. However, retailers can take proactive steps to mitigate these abuses through clearly outlined policies and established guidelines. For instance, they can inspect returned items and deduct from refunds when clear signs of wear are visible, a strategy that could balance consumer rights with the need to protect the business's bottom line.

A notable rise in fraudulent claims has also been reported, particularly for items returned after the initial 30-day window usually granted for faulty goods. Retailers are now implementing structured measures for assessing such claims, requiring video evidence of any alleged damage or defects and leveraging serial number verification to confirm authenticity prior to issuing refunds. This structured approach not only deters malicious claims but enhances the efficiency of legitimate returns.

Advancements in technology have further transformed the landscape of returns management. With the increasing integration of artificial intelligence (AI) in fraud detection, platforms like Loop can identify patterns indicative of fraudulent behaviour—such as frequent high-value returns or inconsistent reasons for returning items. Retailers employing these technologies must tread carefully, however, as ethical considerations around customer data remain paramount under UK GDPR regulations. Ensuring transparency about data collection and maintaining customer rights are essential to preserving trust while enhancing fraud detection capabilities.

Additionally, brands are beginning to adopt tiered return policies that cater to varying levels of risk associated with transactions. For instance, they may require manual approval for more valuable returns or impose stricter limits on the number of returns allowed for customers with high return rates. This method allows retailers to maintain an accommodating customer experience for the majority while safeguarding against the minority who engage in abuses.

To navigate the shifting terrain of returns fraud, retailers are urged to embrace a proactive rather than reactive stance. Continuously analysing return data to identify emerging patterns of abuse can empower brands to preemptively adjust their policies. Those retailers that successfully cultivate a culture grounded in continuous improvement will likely distinguish themselves from competitors who merely cope with rising levels of fraud.

In a marketplace where returns have historically been viewed merely as a cost of business, the potential for creating a competitive advantage through effective returns management is increasingly recognised. Brands that balance leniency with accountability not only protect their profit margins but also foster trust among consumers who value fairness and transparency. While the challenge of returns fraud escalates, so too does the toolkit available for retailers to combat it. By investing in smarter policies, leveraging technology, and committing to a comprehensive approach to returns management, retailers can regain control and promote a sustainable business model that satisfies both their interests and their customers'.

### Reference Map

1. [[1]](https://fashionunited.uk/news/retail/returns-fraud-is-costing-uk-retailers-1-3-billion-pounds-a-year-heres-how-to-fight-back-in-2025/2025051581673)
2. [[2]](https://www.retaildive.com/news/retailers-lost-billions-fraudulent-returns-2024/736393/)
3. [[3]](https://www.retail-insight-network.com/news/returns-fraud-retailers-profits/)
4. [[4]](https://www.pymnts.com/news/retail/2024/brands-rethink-policies-as-returns-fraud-escalates-with-ecommerce-growth/)
5. [[5]](https://www.mancunianmatters.co.uk/lifestyle/27042023-retailers-to-introduce-stricter-policies-to-prevent-fraudulent-returns/)
6. [[6]](https://supplychaindigital.com/articles/the-rise-of-return-fraud-reverse-logistics-under-pressure)
7. [[7]](https://www.business-reporter.co.uk/retail/retail/the-growing-threat-of-returns-fraud)

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## Bibliography

1. <https://fashionunited.uk/news/retail/returns-fraud-is-costing-uk-retailers-1-3-billion-pounds-a-year-heres-how-to-fight-back-in-2025/2025051581673> - Please view link - unable to able to access data
2. <https://www.retaildive.com/news/retailers-lost-billions-fraudulent-returns-2024/736393/> - In 2024, retailers lost $103 billion due to fraudulent returns and claims, accounting for about 15% of the projected $685 billion in returns. The report highlights that nearly half of surveyed retailers encountered instances of returned stolen merchandise, 60% found examples of 'wardrobing' where consumers purchased an item, wore it, and then returned it, and 55% cited items obtained through stolen credit cards, counterfeit bills, and gift cards purchased through fraudulent means. The rise in online shopping has exacerbated the rate of returned merchandise, with the return rate from online sales at 24.5%.
3. <https://www.retail-insight-network.com/news/returns-fraud-retailers-profits/> - UK retailers are facing a growing crisis as returns fraud and policy abuse reach unprecedented levels. According to data from return management platform Loop, 91% of UK retailers have seen an increase in fraudulent or abusive returns over the past year. The issue is significantly impacting the bottom line, with returns fraud identified as the top challenge for retailers, followed closely by policy abuse. These issues, combined with rising operational costs, supply chain disruptions, and advertising expenses, are creating a perfect storm for the industry.
4. <https://www.pymnts.com/news/retail/2024/brands-rethink-policies-as-returns-fraud-escalates-with-ecommerce-growth/> - As online shopping grows, so does the opportunity for fraudulent activity, with some consumers taking advantage of return policies in ways that were not intended. One trend causing concern is the emergence of 'refunds as a service,' a scheme where cybercriminals assist individuals in claiming fraudulent refunds for a fee. Major U.K. retailers, including River Island and Trainline, are responding to this challenge. River Island uses sophisticated technology solutions, such as fraud prevention platform Ravelin, to tackle customer fraud. The company emphasizes the need for a broader cultural shift to combat this growing issue.
5. <https://www.mancunianmatters.co.uk/lifestyle/27042023-retailers-to-introduce-stricter-policies-to-prevent-fraudulent-returns/> - Despite most sellers offering an appealing free returns policy, Zara has introduced a charge of £1.95 per return, encouraging buyers to be more ruthless in making their fashion selections. ASOS has introduced a 'blacklist' of serial returners in order to tackle the issue of abusing the returns policy, with Harrods taking a similar approach. Sephora and Amazon are tackling the issue by penalizing shoppers who are known to the retailers as making too many returns by banning them from making any future purchases. However, Retail Technology Show’s research shows that only 6% of shoppers have been banned from making a purchase from certain brands, and 15% were Gen Z consumers.
6. <https://supplychaindigital.com/articles/the-rise-of-return-fraud-reverse-logistics-under-pressure> - Returns fraud is an escalating challenge in the retail industry, with the UK sector losing £11.3 billion in 2023 due to fraudulent returns. The surge in online shopping has exacerbated the issue, making it more difficult for retailers to manage returns efficiently. This rise in fraudulent returns places immense pressure on reverse logistics and the broader supply chain, creating significant financial and operational burdens. Reverse logistics, which involves the process of moving goods from the customer back to the retailer, plays a critical role in handling returns. However, the increase in returns fraud has made this process more complex and costly.
7. <https://www.business-reporter.co.uk/retail/retail/the-growing-threat-of-returns-fraud> - Return policy abuse and fraud have far-reaching consequences for retailers. Financial losses are just the tip of the iceberg. The operational burden of processing high volumes of returns, restocking, and managing inventory discrepancies creates substantial costs. Furthermore, frequent returns can distort sales data, complicating inventory management and demand forecasting. These issues collectively threaten retailers’ profitability and hinder their ability to achieve sustainability goals. To mitigate the adverse effects of return policy abuse, retailers must adopt a multifaceted approach. Firstly, absolute clarity of policies with clear repercussions is essential. By outlining return policies and setting strict guidelines, retailers can deter abuse.