# First-party fraud surges as UK customers become biggest source of deception



Recent reports reveal a startling trend in the landscape of fraud in the UK: a substantial 51% of fraud cases are now attributed to the customers of businesses rather than external fraudsters. This phenomenon, known as 'first-party' or 'friendly' fraud, has emerged as the predominant form of fraud, overtaking traditional scams such as account takeover fraud. The findings from Lexis Nexis Risk Solutions, based on an analysis of over 104 billion transactions in the past year, highlight that first-party fraud has surged by 33% compared to the previous year. Such fraud encompasses various deceptive practices, including submitting false information for loans, disputing legitimate credit card transactions to secure refunds, and falsely claiming non-delivery of goods.

The rise of first-party fraud is not merely a statistical anomaly but reflects a broader cultural shift regarding perceptions of fraud. According to Cifas, nearly half of UK adults now consider it acceptable to engage in some form of this fraudulent activity, with those aged 25 to 34 being the most likely perpetrators. This shift indicates a growing normalisation of such behaviours, potentially leading to increasing instances of customer-led deceit, which could undermine trust between consumers and businesses.

In financial terms, this trend has significant implications. Visa's recent research shows that 93% of small businesses in the UK have witnessed an uptick in first-party fraud, with estimates suggesting that up to 20% of charge disputes may be fraudulent. This has cost UK retailers approximately £31 million annually, forcing businesses to augment their fraud prevention measures. Similarly, Mastercard predicts that chargebacks—requests for refunds where customers dispute the legitimacy of a transaction—will rise by 23% by 2028, with a considerable portion of these attributed to first-party fraud.

Notably, while first-party fraud dominates the landscape, other fraudulent activities remain prevalent. Account takeover fraud accounts for 15% of reported incidents in the UK and has been exacerbated by phishing scams. The surge in online activity has also facilitated a rise in automated fraud attacks on financial institutions, with some firms witnessing an 18% increase in these assaults.

The context of rising inflation and a persistently high cost of living further fuels the prevalence of first-party fraud. As individuals face mounting financial pressure, engaging in deceitful practices may appear as a quick solution to alleviating their economic burdens. This financial dynamic presents a unique challenge for firms, which are increasingly shouldered with the responsibility of combating such fraud while managing the repercussions of burgeoning claims.

The threat posed by increasingly sophisticated fraud tactics, particularly the use of Artificial Intelligence by cybercriminals, adds another layer of urgency to the situation. Experts warn of a potential 'global fraud storm' as criminals harness AI capabilities to execute more complex attacks. With the assault rate on communication and financial services sectors rising year-on-year, firms must remain vigilant and enhance their protective measures in response.

This evolving fraud landscape necessitates not only improved defences from individual companies but also a concerted effort from various sectors to educate consumers and dispel the myths that have led to the acceptance of fraud as a viable option. As calls for collaboration grow louder, leaders from financial institutions and fraud prevention agencies must unite to confront this increasingly pervasive issue.

In summary, the significant rise in first-party fraud reflects broader economic and societal changes, underscoring the need for businesses to adapt rapidly. As firms face this formidable challenge, consumer education and enhanced security measures will play pivotal roles in restoring trust and safeguarding financial ecosystems.

### Reference Map

1. Paragraphs 1, 2, 3
2. Paragraphs 3, 4
3. Paragraphs 2, 4
4. Paragraph 5
5. Paragraph 6
6. Paragraph 7
7. Paragraph 7

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.dailymail.co.uk/money/beatthescammers/article-14727763/Half-fraud-comes-customers-ripping-companies.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.visa.co.uk/about-visa/newsroom/press-releases.3267118.html> - Visa's 2023 research reveals that 93% of UK small businesses reported an increase in first-party fraud over the past year. The study indicates that up to 20% of card charge disputes could be first-party fraud, costing UK retailers an estimated £31 million annually. Examples include customers disputing legitimate purchases or falsely claiming non-delivery of goods. Visa's Managing Director, Mandy Lamb, emphasized the company's commitment to tackling fraud to help everyone pay and be paid with confidence.
3. <https://www.cifas.org.uk/newsroom/fraud-behaviours-2024> - Cifas' 2024 research shows that nearly half (48%) of UK adults believe it is 'reasonable' to commit first-party fraud. The study highlights that 25-34-year-olds are most likely to engage in such activities. Common examples include falsely claiming non-delivery of a package to obtain a refund and falsifying CV qualifications. CEO Mike Haley stressed the significant harm caused by first-party fraud and the need for effective cross-sector collaboration and education to address this growing threat.
4. <https://www.ukfinance.org.uk/news-and-insight/press-release/fraud-remains-major-problem-over-ps1-billion-stolen-criminals-in> - UK Finance's 2024 annual fraud report reveals that criminals stole £1.17 billion through unauthorised and authorised fraud in 2023, a 4% decrease compared to 2022. The report highlights that 76% of authorised push payment (APP) fraud cases started online, indicating a significant shift towards digital platforms for fraudulent activities. The data underscores the persistent challenge of fraud in the UK and the need for continued vigilance and preventive measures.
5. <https://www.theguardian.com/money/2024/feb/19/amount-of-in-uk-more-than-doubled-to-23bn-in-2023-report-finds> - BDO's 2024 FraudTrack report indicates that the amount of fraud committed in the UK more than doubled to £2.3 billion in 2023, marking the second-biggest year for scams in the last two decades. The report also warns of the future impact of fraudsters using artificial intelligence to deceive consumers. The findings highlight the escalating scale and sophistication of fraudulent activities in the UK.
6. <https://www.ravelin.com/blog/friendly-fraud-consumer-fraud-survey> - Ravelin's 2023 consumer fraud survey, 'The Dark Side of Online Shopping – the Rise of Friendly Fraud,' reveals that over 40% of internet shoppers admit to committing fraud within the last 12 months, while 36% are considering committing fraud in the future. The survey highlights the significant impact of first-party fraud on online retailers, costing merchants millions in lost revenues each year and damaging their bottom lines.
7. <https://www.accountancyage.com/2024/05/23/fraud-remains-a-major-problem-as-over-1-billion-is-stolen-by-criminals-in-2023/> - Accountancy Age's 2024 report highlights that authorised push payment (APP) fraud losses were £459.7 million in 2023, a 5% decrease compared to the previous year. The report notes that purchase scams accounted for 67% of the total number of APP cases, with losses rising by 28% to £85.9 million. The data underscores the persistent challenge of fraud in the UK and the need for continued vigilance and preventive measures.