

**UPDATED ESTIMATE OF THE COST OF IDENTITY FRAUD  
TO THE UK ECONOMY**

**2 February 2006**

| <b>Dept/Organisation</b>           | <b>Cost of identity fraud</b>                   | <b>Notes</b>  |
|------------------------------------|---|---|
| Association of British Insurers    | £22m  | A number of insurers (representing approx 36% of the industry) estimated that their financial loss in 2003 due to identity fraud was £7.9m, which translates to £22m for the industry as a whole.   |
| APACS, the UK payments association | £504.8m   | Losses resulting from plastic cards being used by criminals pretending to be the rightful owner or by criminals using a fictitious identity.<br><br>This figure comprises:<br><br><ul style="list-style-type: none"> <li>(i) Counterfeit (skimmed/cloned) cards £129.7m</li> <li>(ii) Cards lost or stolen £114.4m</li> <li>(iii) Card not present £150.8m</li> <li>(iv) Mail non-receipt £72.9m</li> <li>(v) Fraudulent applications £13.1m</li> <li>(vi) Account takeover £23.8m</li> </ul> |
| Audit Commission                   | £15m  | Audit Commission not included in 2002 Study.<br><br>Estimate of loss to pensions schemes due to identity fraud (extrapolated from Audit Commission National Fraud Initiative figures).  |
| British Bankers' Association       | Figures for card fraud included in APACS totals | The BBA does not collect statistics on identity fraud. Figures from its members for card fraud are included in the APACS figures.   |
| Building Societies' Association    | £3.1m   | A number of building societies representing just over 50% of the industry responded to a survey and estimated their financial loss due to ID fraud. The BSA extrapolated figures for the sector as a whole and estimate that this translates to approximately £3.1m losses due to ID fraud over the past year.  |

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| CIFAS – The UK’s Fraud Prevention Service | £2.3m  | <p>This represents the cost of identity fraud to the retail sector.</p> <p>CIFAS figures have only been included with respect to the retail sector. This avoids double-counting on contributions made by other sectors directly.</p>  |
| Department for Constitutional Affairs     | <p>£29.9m</p> <p>£5.9m</p>                                 | <p>Unpaid fines due to “tracking” problems - this is due to a number of reasons including false information being provided to the Police.</p> <p>Unpaid fines due to identity problems – i.e. many people issued with fines do not turn up at courts to verify their alleged name and address. Given this, courts find it difficult to enforce the payment of a fine because they are not certain the identity on the fine is a true identity (many fines get issued to fictitious identities or identities with inaccurate spellings).</p> |
| Department for Work & Pensions            | £20m   | DWP estimates that £20m-£50m of benefit fraud arises as a result of identity fraud (i.e. claiming benefit in false identities).   |
| Driver & Vehicle Licensing Agency         | £2.5m  | Estimated cost of operational activity required to help prevent abuse of the driving licence in identity crime.   |
| Driving Standards Agency                  | £1.12m   | Estimated costs of ensuring that DSA is satisfied as to the identity of candidates presenting for theory and practical tests. The resultant enforcement activity in preventing and detecting impersonations, ensuring that only those entitled can hold driving licences reducing the ability to commit identity fraud.   |
| Finance & Leasing Association             | £14m   | <p>FLA not included in 2002 study.</p> <p>This figure relates to identity fraud arising from the provision of motor finance by FLA members.</p>   |
| HM Revenue & Customs                      | <p><u>Indirect taxation:</u></p> <p>£215m (MTIC fraud)</p> | It is not possible to determine if the scale of this problem has changed since 2002. The figure from the original study has been included for illustrative  |

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|  | <p><u>Direct taxation:</u></p> <p>£2.7m</p> | <p>purposes to help estimate any comparative changes to the overall cost of identity fraud since 2002.</p> <p><u>Tax Credits</u></p> <p>HMRC has identified a number of fraudulent and potentially fraudulent tax credit claims based on false and stolen identities.</p> <p>Some 6,800 fraudulent claims have been identified based on stolen DWP staff identities, of which 4,100 were fully intercepted by HMRC before any payment. The loss from this fraud is estimated at £2.7 million.</p> <p>HMRC is currently subjecting around 30,000 potentially fraudulent tax credit claims to detailed investigation including claims based on the stolen DWP staff identities and on stolen Network Rail staff identities. It is too early to estimate the loss from this fraud.</p> <p><u>Child Benefit</u></p> <p>HMRC has experienced a small number of attempts to defraud the Child Benefit system by the use of false documents. These attempts have been successfully detected and it believes the risk of identity fraud to be minimal.</p> |
| Home Office<br>(Immigration & Nationality Directorate) | £56.2m                                      | Approximate cost to IND of undertaking enforcement activity against individuals who may be involved in some form of identity theft or identity fraud, potentially involving document abuse.  |
| Local authorities                                      | £28,564                                     | From an online poll of its members, LAIOG identified that £28,564 was specifically due to identity fraud. However, most LAIOG members contacted stated that as identity fraud was usually part of a larger fraud, it would not necessarily be recorded.  |
| Money laundering                                       | £395m                                       | <p>The overall size of money laundered in the UK is not known currently but is believed to be substantial. This cannot be attributed to any single organisation.</p> <p>No figures are available currently on the proportion of</p>  |

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|                     |                        | money laundering that relies on identity fraud. It is not possible to determine if the scale of this problem has changed since 2002. The figure from the original study has been included for illustrative purposes to help estimate any comparative changes to the overall cost of identity fraud since 2002.   |
| Police Service      | £1.73m                 | It is not possible to estimate the overall cost of identity fraud to the Police Service. However, figures show that last year Police Forces in England and Wales spent 15,000 to 20,000 days dealing with bogus callers – a crime that relies heavily on false identities. Cost of £1.73m is based on Police Forces in England and Wales spending 17,500 days (midpoint of 15,000 – 20,000 days) at a daily cost of £99.19 (made up of £82.19 per day per officer and support costs of £17.00 per day per officer) to deal with bogus callers. |
| Telecommunications  | £372m                  | Telecoms not included in 2002 study.<br><br>The cost of identity-related fraud is a substantial component of the total fraud/revenue loss in the telecoms sector.  |
| UK Passport Service | £62.8m                 | The cost to UKPS of measures to counter identity fraud when processing applications for UK passports issued in the UK.   |
| <b>TOTAL</b>        | <b>£1.72bn</b>         |  |