

## From the local to the national level: problem solving vehicle thefts which exploit flaws in the salvage vehicle industry.

### Summary

(400 words)

The threat posed by vehicle crime has moved down the priority list in UK policing. Previously, performance relating to vehicle crime was a key performance indicator in tackling crime. Austerity measures introduced from 2009 have reduced police resources and caused difficult choices across a multitude of public safety and social responsibilities expected of the police service.<sup>1</sup> Specialist stolen vehicle squads were commonplace in the majority of police agencies 15 years ago but now are almost an extinct species. Vehicle crime competes with the acute threat of un-predictable terrorist attack and the chronic threats of child sexual abuse/exploitation, modern day slavery and digital crime.

This initiative asks whether policing has taken its eye off the ball in relation to vehicle crime and exposes fundamental flaws in the vehicle salvage industry. These flaws allow organised crime groups (OCGs) to flourish with little prospect of detection, safe in the knowledge that few police agencies have the resource or understanding to track and prosecute their enterprise. **The problem is identified as the recycling of illegal motor vehicles and parts into public use thereby generating public harm and creating criminal profit.** Sadly, this problem has had fatal consequences and the profits gained has funded OCGs involved in a range of other harmful activities.

A series of investigations at the local policing level identified that OCGs are involved in the systematic theft of vehicles, marrying stolen parts with those written off in accidents and sold on as salvage. Online search facilities provided by the salvage vehicle industry, including respectable multi-national companies, offers a convenient and 'no questions asked' facility to launder criminal cash and find the perfect match to disguise identities of stolen vehicles.

A situational crime prevention technique of evaluating a 'crime script'<sup>2</sup> was used to map the process industrialised by criminals. The crime script identified stages in the process which could frustrate and prevent criminals from exploiting the salvage vehicle industry. As the SARA process was repeated at the local, regional and national level, the understanding and co-operation of numerous agencies, including those at the super-user level, was used to reduce this problem.

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<sup>1</sup> Economist, 2011. The return of rationing. The difficult decisions needed in an age of austerity. June 23<sup>rd</sup>. Retrieved 27<sup>th</sup> April 2018 from <https://www.economist.com/node/18866863>

<sup>2</sup> Hancock, G. and Laycock, G., 2010. In Bullock K, Clarke RV, Tilley N (Eds.), Organised crime and crime scripts: prospects for disruption. *Situational prevention of organised crimes*, pp.172-193.

## **From the local to the national level: problem solving vehicle thefts which exploit flaws in the salvage vehicle industry.**

*(4,000 words)*

### **A. Scanning**

#### **What was the nature of the problem?**

**The problem was the recycling of illegal motor vehicles and parts into public use thereby generating public harm and creating criminal profit.**

The process of salvage vehicles being sold back into the vehicle market provides an un-monitored, un-regulated mechanism which has been heavily exploited by organised criminals.

#### **How was the problem identified?**

A series of investigations at the local policing level identified that OCGs were running vehicle “chop shops” in County Durham, UK. A chop shop is a location where parts from different vehicles are put together to disguise stolen vehicles or parts. Over a period of 2-3 years, common trends were identified during investigations which identified this problem.

From a national perspective, in 2012 written evidence was presented to a Parliamentary Committee considering the regulation of salvage vehicles:

‘Unfortunately, these failures have led to a thriving illegal vehicle trade sector (including vehicle collection/recovery, dismantling & scrapping) that operate without regard to legislation, which undermines the prosperity of compliant businesses, and is now impacting upon the public/consumers and “blue-chip” companies such as insurers; continued

deficiencies in the accuracy of the national vehicle register, with implications for vehicle crime and anti-social usage.<sup>3</sup>

### **Who identified the problem?**

Police investigators at the practitioner level.

### **How and why was this problem selected from among problems for special attention?**

A 'tip of the iceberg' effect was uncovered as a vehicle 'chop shop' represented a much wider and more harmful problem on a regional, national and even international scale.

The human impact was amplified when a road traffic collision causing 3 fatalities identified that the vehicle being driven had been repaired inadequately in a chop shop.

This is a growing problem with a significant financial cost. Recorded thefts of vehicles increased by 26% from 666 in 2016/17 to 841 in 2017/18 in the Durham Police area.

Approximately 200 further vehicles were stolen per annum in burglary offences. The recovery rate of stolen vehicles remains low. Over a 4 year period (2013-16), the Police National Computer shows that only 42% of stolen vehicles were recovered in the Durham Police area. The average value of the vehicles stolen was £4268<sup>4</sup>. Therefore, there were approximately £4,442,998 worth of vehicles stolen in 2017/18 with £2,276,933 worth of vehicles remaining unrecovered.

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<sup>3</sup> House of commons –Transport Committee- DVLA & DSA written evidence from the Motor Vehicle Dismantlers Association regarding the performance of the DVLA. Paragraph 4.

<sup>4</sup> Overall, analysis motor vehicle crimes in 2016 in Durham Constabulary, including burglaries where a vehicle and its value are attached, there are 727 crimes with 512 that have a value recorded (70%). The average value of the vehicles stolen was £4268.

The problem has a significant impact upon insurance costs. A case study of one stolen vehicle showed overall insurance pay out costs of £38,000. This resulted from a vehicle involved in an accident, resulting in £7000 being paid to the owner of the vehicle, the vehicle is then sold as salvage for £3000. It is bought by a criminal who steals two further vehicles. The insurance pay out for these two vehicles are £10,000 and £24,000 respectively. Ultimately, the £38,000 paid out by the insurance companies would have been avoided if the £3,000 gained by selling the damaged vehicle as salvage had been written off.

Therefore, the hypothesis is that many stolen vehicles remain outstanding because they are recycled as apparently legal vehicles using the identity of vehicles which have been scrapped as salvaged vehicles.

This is facilitated through the exploitation of the salvage vehicle industry by organised criminals which results in

- (i) an increase in vehicle crime due to the expanding market for stolen vehicles;
- (ii) inflated insurance costs on a national basis;
- (iii) money laundering of significant amounts of criminal assets and
- (iv) increased road safety risks including fatal collisions.

### **What was the initial level of diagnosis?**

The initial level of diagnosis were the structure of the criminal network and enterprise established around vehicle 'chop shops'.

### ***B. Analysis:***

**What methods, data and information sources were used to analyze the problem?**

Crime investigation and analysis supported by multi agency information sharing.

**How often and for how long was it a problem?**

Past 6 years.

**Who was involved in the problem and what were their respective motivations, gains and losses?**

**Offenders** include:

- offenders who stole vehicles and vehicle parts and commit 2 in 1 burglaries (burglaries where keys are stolen and vehicles removed);
- offenders who receive and handle the vehicle or stolen parts
- offenders who reconstruct the vehicles
- offenders who sell stolen vehicles and vehicle parts
- organised criminals who fund the process and launder cash attained from other illegal sources through the salvage industry.

The primary motivation for the above offenders is financial gain. There is a distinction between lower level offenders who are employed to steal vehicles and reconstruct vehicles who will gain payment relative to their involvement and the OCG who will make significant profit (several thousand pounds per vehicle) and benefit from laundering profits from a variety of crimes.

**Victims** include:

- victims of vehicle thefts, burglary, robbery and thefts from motor vehicles
- victims who purchase and use unsafe vehicles
- insurance companies (costs are passed onto customers)
- law enforcement and public agencies who experience increased demand and face complex investigations.

There is significant financial loss to victims. As outlined below, there can be severe psychological impact and even fatal consequences to the activity.

### **What harm resulted from the problem?**

The human cost of this problem became very obvious when a Fiat 500 vehicle which had previously been subject to a Category B 'write off', and should therefore never have been returned to the road, was involved in a fatal road collision where three young females lost their lives. The examination of the vehicle demonstrated that it had not been inadequately repaired and had contributed to the fatal collision.

On another occasion a couple with a 3 week old child had innocently purchased an Audi vehicle for £6,300 due to their trust in enhanced safety levels of the manufacturer. When examined, it was established that the vehicle had been constructed in a chop shop with stolen parts, it had no airbags fitted and posed a considerable safety risk.

On another occasion, masked intruders forced entry to a home and threatened the owner of an Audi vehicle with baseball bats before stealing his keys and vehicle. A visit over a year later to the victim highlighted the significant psychological impact the incident had upon the

victim's family. A similar case revealed that victim's children had sleep and nightmare problems 12 months after a burglary.

**How was the problem being addressed before the problem-solving project? What were the results of those responses?**

Prior to this problem solving, there was fragmented approach by individual police forces and the agencies involved. There was also a lack of recognition of the scale and complexity of this criminality.

**What did the analysis reveal about the nature and extent of the problem?**

Rational Choice Theory applies strongly to organised crime particularly because of the strong elements of planning, deliberation of balancing risk with gain and the collaboration and coordination required across a broad range of criminal assets<sup>5</sup>. Members of organised crime groups or associates were identified as running "chop shops" in County Durham.

Systematic analysis of crime processes, described as 'crime scripts', identify opportunities to disrupt organised crime by identifying logical opportunities to interrupt their process.<sup>6</sup>

Analysis therefore showed that a vehicle would be sourced and stolen involving the following crime script:

1. The vehicle will be "laid up" for up to a week to confirm there is no tracker activation. It is then moved to a location where the vehicle is stripped.

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<sup>5</sup> Cornish, D.B. and Clarke, R.V., 2002. Analyzing organized crimes. *Rational choice and criminal behavior: Recent research and future challenges*, 32, pp.41-63.

<sup>6</sup> Hancock, G. and Laycock, G., 2010. In Bullock K, Clarke RV, Tilley N (Eds.), Organised crime and crime scripts: prospects for disruption. *Situational prevention of organised crimes*, pp.172-193.

2. The vehicle is stripped of all items of economic value. Engines and gearboxes are wrapped in plastic and the remaining parts stored. The shell is taken to an “understanding” scrap merchant who will record this as ‘light metal’ rather than correctly recording the identification of the vehicle.
3. The shell is crushed or fragmented.
4. An internet salvage auction is used to search for a salvage vehicle that is the exact make model and even colour of the stolen vehicle.
5. A third party account is used to distance the handler from the purchase of the salvage vehicle.
6. An electronic bid is made via the internet account and arrangements to collect the salvage vehicle are made.
7. The purchaser of the salvage will opt to pay in cash.
8. The vehicle is collected and re-assembled using the stolen parts and registered in a third party name and address before being advertised for sale.

### **Case Study 1**

An unemployed male who was in receipt of full disability allowance opened an account with a local salvage agent using his driving licence, passport and a letter from solicitors firm. He has no mechanical training, no specialist equipment and no facilities to work on vehicles. Over sixteen months, salvage vehicles to the value of £275,000 were purchased through his account in cash. There were no notifications made by the salvage agent.

Approximately half of these vehicles were collected by a male who has his own registered account but has never used it to make a purchase. A proportion of these

vehicles were recovered and found to be assembled from 33 stolen vehicles stolen across seven separate counties with a value in excess of £300,000.

### **Case Study 2**

An associate of the offender in case study one purchased salvage vehicles using various spurious accounts. He spent £100,000 pounds in cash; the male has no clear means of income, pays no tax, owns several houses, a farm and land, and has a balance of zero in his bank account. This male has never declared the sale of vehicles for taxation.

### **Case Study 3**

The defendant purchased £104,810.88 worth of salvage vehicle. The defendant was prosecuted for handling stolen goods. A magistrate's search warrant was carried out at an allotment where the parts from 32 stolen vehicles were recovered. The parts from the stolen vehicles were used to repair the vehicles bought at salvage. At no point did the defendant declare any of the vehicle sales and profits for taxation.

### **Case Study 4**

Male claiming to earn £400 per month has been found to have purchased salvage vehicles to the value of £250,000. One vehicle costing £19,110 was paid for in cash carried into the premises in a plastic bag. No suspicious activity report was generated regarding these purchases. Vehicles seized and examined were found to have been repaired from parts taken from stolen vehicles.

All individuals identified in these case studies had strong associations with at least one OCG.

**What did the analysis reveal about the causes and underlying conditions that precipitated the problem?**

Firstly, there is a lack of effective regulation within the industry. Investigation into the sale of salvage process has shown that the salvage industry operates on a “code of practice”. This code lacked any ‘teeth’ to either deter or prosecute contraventions.

Secondly, there is a lack of monitoring and understanding of money laundering regulation within the salvage vehicle industry. During several investigations into locally based money laundering (car ringing) operations a trend was identified linking the purchase of salvaged vehicles and the laundering of criminal assets. The salvage vehicle market provides an un-monitored, un-regulated mechanism with which to launder criminal assets. The purchasing of the original salvage vehicle through the account of a peripheral member of an organised crime group instantly creates a tangible clean asset. There was no trace of Suspicious Activity Reports (SARs) being raised by salvage agents as would be expected in line with financial regulation under the Proceeds of Crime Act. Once the salvage vehicle is purchased it is repaired with stolen parts minimising the cost of repair, and when sold providing further clean profits. Investigation identified that OCGs were linked to these regular purchases of salvage vehicles.

Thirdly, a number of weaknesses in the vehicle salvage industry were identified which were being exploited:

- Accounts are opened with multi-national salvage companies with no more ID than is required to buy alcohol at a local store.

- There is no requirement to have the knowledge, ability, equipment or facilities to repair vehicles.
- Once the account is opened vehicles can be purchased and collected by any person who has been given access to the account log on details
- Payment in cash is acceptable without limit.
- There are no limits on how many purchases can be made.
- There are no referrals made for payment values or for the frequency of purchases.

Nationally, although there are no actual figures it has been conservatively estimated there are 750,000 salvage vehicle sold in the United Kingdom every year.<sup>7</sup> This indicates the scale of the problem.

**What other information was analyzed to better understand the problem (e.g., time of occurrence, location, features of the physical and social environment of the problem)?**

Further analysis on a national perspective was undertaken, presenting the following findings:

- On a national perspective, the opportunity for organised crime groups to launder large quantities of unrecorded cash is huge. From the study of the Durham cases alone, in excess of £600,000 has been spent in cash in ONE salvage yard.
- There was a lack of SAR submissions for transactions made with salvage agents in the UK.

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<sup>7</sup> Reference taken from report made by The Institute of the Motor Industry author Heather Grant

- When stolen vehicles recovered in Durham were mapped, they were found to be stolen from all parts of the UK.
- The financial impact upon the UK economy was significant as essentially, no tax was being paid on the sale of the repaired vehicles.
- A very conservative average price of a salvage vehicle is estimated at £2000 nationally. 750,000 vehicles are sold annually which equates to a national value of £150,000,000.
- Currently, there are no methods of monitoring the movement of payments, or the method of payments. There is no central register to identify account holders.
- There are approximately 3500 separate salvage yards operating in England and Wales, of which only 98 are registered with the nationally recognised professional body.

### **Importation of Salvage**

There is also a growing trend for salvage vehicles to be imported from outside of the United Kingdom. Vehicles are dismantled and their shell is cut in half before being exported to the UK. Salvage vehicles are also imported through international companies. However, when they are repaired in this country and a registration document is applied for, there is no record held in this country of the collision and it will not be recorded on the new registration document.

### **What were the community perspectives on the problem?**

Much of the activity remains concealed from the wider community. However, the impact upon individual victims of crime and those who purchase vehicles can be devastating.

### **C. Response:**

#### **What were the project goals and corresponding measurable objectives?**

The principle objective was to improve the regional and national understanding of the issues at a multi-agency level so that a joined up response could be implemented. Ultimately, this would achieve the following in the long term:

- reduce opportunities for money laundering through the Vehicle Salvage Industry.
- reduce the victims of vehicle crime and burglaries.
- reduce road related deaths involving unsafe vehicles and improve road safety.

#### **What range of possible response alternatives were considered to deal with the problem?**

There was a repeated use of the SARA model as it was identified that the problem was not just an issue for the local police force, but required a regional and national approach.

#### **What, specifically, did you learn from your analysis of the problem that led to your choice of a new response to the problem?**

Each iteration of the SARA model identified the larger scale of the problem and the requirement to engage partners at a regional and then at a national level.

#### **What responses did you use to address the problem and who was involved in the response to the problem?**

Firstly, it was to raise awareness and change the response to vehicle crime with in Durham Constabulary and partner agencies at a force level and then at a regional level.

Regional meetings were held with key partners and the effects on partner agencies were identified:

- **Trading Standards** -There was a poor response to members of the public who reported the purchase of a miss-described and poorly repaired vehicle, often being advised that this was a civil matter. Vehicles are sold through local papers and internet sites as a “PRIVATE SALE” resulting in there being little or no investigation to establish the provenance of the vehicle.
- **Environment Agency**- Vehicles are repaired in back yards, private garages and allotments, with the waste fluids, oils, and gasses being released in to the atmosphere and drained in to ground. Vehicle plastics and carpeting with no value are burnt in bonfires or fly tipped.
- **Her Majesty’s Revenue and Customs (HMRC)** - Millions of pounds are spent on salvage vehicles which are then repaired and sold. Transactions are rarely disclosed as earnings creating the potential for undefined potential tax yields for HMRC.
- **Department of Works and Pensions** - In each case study, those holding the salvage accounts or repairing the vehicles were claiming various levels of disability allowance or job seekers allowance while carrying out undeclared work.

Secondly, agencies provided the following responses:

- **Police** – more effective and joined up approach to ‘chop shop’ investigations through the production of investigative guides and national intelligence collection and dissemination through National Criminal Vehicle Intelligence Service (NaCVIS). A national alert was circulated to all forces concerning the potential safety issues of Salvage vehicles being badly repaired with stolen parts by criminals.

- **Trading Standards** - Working on a regional level the position of “CAVEAT EMPTOR” (let the buyer beware) has been reviewed and each case is now reviewed on its own merits with regular analysis of second hand vehicle complaints.
- **HMRC** have set up a working group to look at the working practices of the salvage industry and those who use it.
- The **Environment Agency** are reviewing the recording and reporting of vehicle being stripped at a regional level.

Thirdly, at the super user level, a national response was coordinated by

- A revised **Codes of Practice** for the reintegration of Salvage Vehicles into the market place was produced (April 2017) which stopped some loopholes in the mis-classification of salvage vehicles. Durham Constabulary representatives had an input into the new codes of practice
- The **Society of Motor Manufacturers and Traders** group agreed to work with Durham Police to influence change at a national level, particularly around working with Thatcham (a group involved in industry research for motor vehicle insurance) and the Association of British Insurers.
- The **British Salvage Vehicle Federation** attended meetings with Durham Constabulary and worked with their members to improve the reporting of suspicious financial transactions.
- The **National Police Chief's Council** (NPCC) Acquisitive Crime Group agreed to adopt the issue and work with the Home Office to influence change.

- The **Home Office** Tackling Crime Unit held a series of process mapping exercises with law enforcement, key partner agencies and the private sector. They have produced a number of recommendations on a national basis and have developed a multi-agency communications strategy across the UK.

**What factors were considered in deciding which potential responses to implement (e.g., legality, community values, potential effectiveness, cost, practicality)?**

The best solution was improving the understanding of the issue across agencies and then pursuing a multi-agency response at a regional and national level.

**What resources were available to address the problem?**

There were no additional resources available to address the problem except those available within the respective agencies.

**What difficulties were encountered during response implementation?**

Police forces and other agencies do not recognise the depth of the problem. Vehicle crime and theft of vehicles have been superseded by other emerging threats such as counter terrorism, sexual exploitation and modern day slavery.

**D. Assessment:**

**Were response goals and objectives achieved?**

The regional and national understanding of the issues at a multi-agency level was improved and a coordinated response to the issue facilitated by the Home Office Tackling Crime Unit

is now being delivered. The operational officers from Durham Constabulary continue to be invited to present at a national level, for example, recently presenting to a national vehicle crime conference held in Birmingham on the 18<sup>th</sup> March 2018 followed by an article on the front page of a national newspaper, (Daily Mail) on the 27<sup>th</sup> April 2018.

**What specific impact did the implemented responses have on the problem?**

The issue is now on the national agenda and there is a far greater understanding across key agencies.

**Were there problems in implementing the response plan that affected the project outcomes?**

The scale of the response is difficult to manage from a single police force, hence the influence exerted for the Home Office to respond as a super-user.

**If there was no improvement in the problem, were other systemic efforts considered to handle the problem? How might the response have been more effective?**

Further solutions continue to be pursued and there is support amongst several key agencies for the following points:

- Recommendations for legislation preventing cash transactions within the salvage vehicle industry.
- Salvage agents be included into the SARs reporting requirement. In relation to money laundering regulation, consultation continues with HMRC in regards to legislation around salvage agents registering as High Value dealers.

- A legal requirement to notify the Driver Vehicle Standards Agency (DVSA) of any vehicle which is sufficiently damaged as to be classed as a “write off”.
- A requirement that salvage vehicles be registered with DVSA as either in trade or new keeper directly by the salvage agent to the purchaser, creating an auditable trail.
- That salvage vehicles are only sold to account holders (adherence to know your customer guidance).
- Vehicle road worthiness examinations to be carried out by DVSA with powers to carry out a comprehensive examination comparing the original assessors report to the vehicle presented.
- In line with an IVA (Individual Vehicle Approval) provided by the DVSA for self-built vehicles, a certificate of conformity could be issued. If the cost of an inspection was set at around £200 and conservatively presuming only two thirds of all salvage vehicle were to be repaired and returned to the roads this would potentially yield an annual turnover of £100,000,000.

### **Was there any evidence of displacement?**

An emerging trend has been identified nationally whereby vehicles have been stolen using a specific modus operandi exploiting the latest technology in keyless entry for vehicles. This has resulted in Durham Constabulary initiating a regional crime prevention initiative promoting the use of a simple and cost effective product which acts as a Faraday bag and prevents the interception of security codes. The faraday bags were launched regionally with interviews on BBC national Radio (5 Live) and social media. Durham Constabulary have produced a Leaflet for national distribution and are working with the Home Office supported national Get Safe On Line group to produce accessible advice on the security and safety of

vehicles. This was featured on national television in the BBC Panorama documentary 'Hacked Smart Home Secrets' shown on 14<sup>th</sup> May 2018.

### **Was there any evidence of diffusion of benefits?**

There is closer working relationships between agencies and clearer recognition that funds generated through this venture by OCGS facilitates other aspects of crime such as drug trafficking, violence and money laundering. Vehicle chop shops have also been linked to criminals involved in Child Sexual Exploitation thereby indicating the potential for disruption of the most harmful criminal activity by tackling vehicle crime.

### **Will your response require continued monitoring or a continuing effort to maintain your results?**

The dialogue continues with the Home Office and other key agencies.

### **Agency and Officer Information**

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