

# Preventing customer fraud – a guide for retailers

## The definition of fraud

*The majority of fraud incidents affecting retailers are defined as **deception**: obtaining property by deception, obtaining services by deception, and evading liability by deception.*

## You can help to prevent fraud at your premises

This is one of a series of booklets providing information about crimes committed against retailers. It offers practical advice about what you can do as a retailer to help prevent external fraud in your shop. The booklet offers ideas and options which can of course be discussed in more detail with your local crime prevention officer.

What is the scale of the problem?

The retailers covered by the British Retail Consortium's 1994/95 Retail Crime Costs survey provided information on their losses from fraud during that financial year. Their figures indicate that payment card fraud cost £3.6 million, and cheque fraud cost £8.3 million.

The Association of Payment Clearing Services (APACS) monitors the level of loss to the card issuers, who are the main losers from plastic card fraud. APACS reports that about two thirds of the issuers' losses relate to transactions processed by retailers. In 1995, these losses totalled £83.3 million.

The types of fraud which most commonly affect the retail sector are described below, together with a range of preventive measures which retailers can take.

*All retailers should consider establishing a policy to prevent fraud. Staff should be trained to deal with the various methods of payment available, and to know how to verify documents and the identity of customers. It is also important to ensure that this training is given to all new employees.*

*In the following pages, we will deal with the various types of fraud, and suggest preventive measures which you can take.*

## Payment card and cheque fraud

Stolen cheque books, cheque guarantee cards, credit cards and debit cards are often used to defraud retailers. The fraudster may even have other stolen documents, belonging to the genuine cardholders, to support the use of the stolen card.

Fraudsters also use cheques which have been fraudulently drawn or stolen from building societies. These cheques will have been printed for a specific customer, and will bear that customer's name. Because of this, retailers often do not query their validity. However, these cheques are often for far greater amounts than customer-written cheques.

## What can you do about it?

While it is very difficult for signatures on plastic cards to be erased, or for the signature strip to be replaced, many fraudsters have become proficient at forging signatures. They rely on retail staff not to notice or challenge any differences.

Train your staff to:

- Watch the customer sign – keeping hold of the card while this is being done – and make sure the signatures match;
- Check the signature strip for any signs of tampering;
- Check the start and expiry dates on the card;
- Make these checks obvious to the customer;
- Telephone for authorisation, where appropriate, or for cheque guarantee cards, telephone the relevant helpline number;
- Vary the authorisation levels frequently, even between different stores in the same chain;
- Refer to a list of lost/stolen cards, if there is one available;
- Check any supporting identification (ie driving licence), where appropriate;
- Be suspicious when a customer selects goods without thought or care. If in doubt, telephone for authorisation using 'Code 10'.

Some retailers use equipment at the point of sale which, via a computer network, automatically obtains authorisation for every plastic card transaction. This detects cards immediately after they have been stolen. **However, it is still important to make the above checks – don't rely on the electronic equipment alone.**

The Association for Payment Clearing Services (APACS) represents the interests of banks and building societies in the prevention of plastic card fraud, and runs an ongoing campaign called 'Card Watch'. Retailers can telephone APACS for a Retailer Training Pack on 0990 500005.

## When an incident occurs

- Do not take risks. For example, staff should not withhold a plastic card if they feel that it will put them at risk of violence from the fraudster. However, it is often fairly easy to retain a card, as fraudsters are normally quick to leave the premises if they think they have aroused suspicion.
- The card should be touched as little as possible. When it is handled, it should be by the edges. This will help to preserve any fingerprints or other forensic evidence.
- Cut the bottom left-hand corner off the card to prevent any further use of it. However, make sure that the signature strip and hologram are not damaged in any way.
- If you hand the card over to the police, note the name and number of the officer, the location of their station, and obtain a receipt. Then advise the bank.

## Credit fraud

Fraudsters target retailers who offer credit facilities. They obtain credit by providing a genuine address and other details, but move on before making any payments. This is a difficult area to tackle, as it can be difficult to separate fraudsters from customers who have simply run up a large debt.

### What can you do about it?

- You should always ask a customer who is seeking credit to produce more than one proof of their identity. However, this will only have a limited effect – as explained above, many fraudsters will be able to produce genuine identification.
- Establish strict vetting procedures to deal with applications for credit. The Credit Industry Fraud Avoidance System (CIFAS) will be able to assist with this. CIFAS holds detailed information on incidents of fraud and attempted fraud, and has the full support of the police. Telephone 020 7383 0210 for further information.
- Impose credit limits, and do not allow customers to exceed them.
- Watch out for customers who have large long-term debts and are not making regular payments. Do not allow them further credit.

## Refund fraud

Fraudsters, having stolen goods, will then return them for a refund, sometimes without even removing the goods from the shop. They can get more from a cash refund than from selling the goods themselves. They use forged till receipts or genuine receipts from previous transactions as 'proof of purchase', or may even claim to have lost the receipt.

Fraudsters may also buy goods, and claim refunds on them once they have used them. This effectively gives them free hire of the product. The goods targeted range from clothing to electronic goods, for example camcorders.

### What can you do about it?

Obviously, a retailer's primary aim will be to prevent the initial theft of goods by fraudsters. A further booklet in this series entitled '**Preventing Customer Theft**' offers advice on this.

You should also consider establishing a full policy for dealing with refund claims. However, it is important to ensure that the terms of this policy do not infringe upon your customers' statutory rights. Customers are entitled to expect goods:

- To be accurately advertised and described;
- To be of satisfactory quality;
- To be fit for the purpose for which they are intended.

However, customers are *not* entitled to return goods if:

- They have simply changed their mind about the purchase;
- They have, in the eyes of the law, 'accepted ownership' of the goods, ie if they have marked or altered them, or if they have kept them for a reasonable amount of time without returning them.

Therefore, refund fraud above can often be dealt with by refusing to offer refunds for goods which have no defect and which meet the above conditions. Alternatively, you may like to consider the following measures.

- Insisting upon proof of purchase.
- Insisting that the original packaging be returned with the goods.
- Offering credit notes instead of a cash refund.
- Taking the name and address of the customer – this will enable you to keep a record of claimants, and check for regular ones. You could also obtain this information by insisting upon sending a cheque refund to the customer's home.

You should be aware that some fraudsters may be deliberately damage goods and attempt to return them as defective.

### **What can you do about it?**

- Ask for proof of purchase.
- Train your staff to thoroughly check and operate products, in front of the customer, before selling them. This will put you in a better position to challenge a suspected fraudster, particularly if the defect on the product is very noticeable and is likely to have been spotted at the point of sale.

It is important to remember that all of the above measures are voluntary.

Some retailers are happy to offer fairly generous refund schemes – it is for you to assess the risk to refund fraud to your business, and decide upon a suitable policy. It is good practice to display the terms of this policy in the shop, so that customers are fully aware of them.

## **Counterfeit currency and gift vouchers**

Retailers should be alert to the use of counterfeit currency by fraudsters. While this area of fraud is still relatively small, the cost of individual incidents can be high, as forgers tend to produce large denomination bank notes – £20 and £50, rather than £5 or £10.

The forging of gift vouchers is easier for fraudsters, as their designs are often less intricate and easier to copy than banknotes.

### **What can you do about it?**

- Ensure that all staff check high denomination banknotes for the watermark, and for the vertical silver strip.
- Forgeries are often of inferior quality. Watch out for banknotes with slightly different colouring, and ones which feel as though they have been printed on poor quality paper.
- However, forging techniques are becoming increasingly sophisticated, and some forgeries can be very difficult to spot. There are special detection devices available – consult your local crime prevention officer for further advice.
- If you accept gift vouchers, make sure staff are aware of their designs, their paper quality, and any other checks which are built into them.
- Make checks obvious to the customer. In many cases, it will be possible to preserve the evidence, as a fraudster will leave quickly if they think they have aroused suspicion. However, as always, *staff should not take any risks* in attempting to do this.
- Look out for any unusual trading patterns with vouchers.
- Report any incident or suspicion to the police. Your local crime prevention officer will also be able to warn you if there is a particular spate of forgery incidents in your area.

## Supplier fraud

Retailers should be alert to suppliers who knowingly send short deliveries or sub-standard goods, or send incorrect invoices. Retailers who have more than one outlet should be particularly careful, as their stock-checking systems are more complex, which makes short deliveries more difficult to spot. Fraudsters will try and take full advantage of this.

### What can you do about it?

- Ensure that all stock-checking processes are thorough, and check that each delivery meets the requirements of the original order.
- Check the invoice carefully – make sure that you are not being overcharged.
- Check that delivered goods are not faulty. This is particularly important with electronic goods. It is also important to make sure that any technology within the packaging of a product, such as bar codes or electronic tags, is fully functional.
- Be very careful about making any advance payments for deliveries. Fraudulent companies will disappear with the money, or deliberately go into liquidation.

## Closed-circuit television

Closed-circuit television (CCTV) can make a big impact to both detecting fraudsters, and deterring them from your premises. However, it is important to remember that:

- In order to be used as evidence in prosecuting a suspect, CCTV pictures need to be of sufficient quality, and need to be stamped with the date and time.
- For a full deterrent effect, CCTV cameras need to be positioned so that they are in full view of customers. You should also consider displaying signs which warn customers that CCTV is in use.

In order to get the full benefit from CCTV, discuss the matter with your local crime prevention officer. For a copy of Your Practical Guide to Crime prevention contact the Crime Prevention Officer at your local police station or write to:

Crime Prevention Publicity  
Home Office  
Room 155  
50 Queen Anne's Gate  
London SW1H 9AT

