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Policing: Building Safer Communities Together
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Dear Sirs

Response and Comments of the Fraud Advisory Panel to the Home Office Consultation Paper "Policing: Building safer communities together" (the "Consultation Paper")

1. The Fraud Advisory Panel ("the Panel") welcomes the Consultation Paper and applauds the Home Secretary's emphasis in the Foreword on taking shared responsibility to prevent crime and to tackle anti-social behaviour.
2. However the Panel is concerned that the Home Secretary does not appear to regard fraud and economic crime as a type of anti-social behaviour requiring attention as a priority in this context. The Panel notes that the Consultation Paper barely mentions fraud and economic crime, despite the significant damage that such crime continues to cause to our communities and the insidious erosion of trust and confidence in the financial structures of our society which it causes, and despite the Home Secretary's previous acknowledgement that fraud and economic crime are a key priority for policing in this country.
3. The Panel commends the Financial Services Authority's Discussion Paper "Developing our policy on fraud and dishonesty" (www.fsa.gov.uk/pubs/discussion/dp26) which sets out a cogent case for the importance to our society of fighting fraud.
4. Fraud has a direct and damaging effect on our individuals and communities. For example:
 - 4.1. Major financial fraud can bring down large corporations (BCCI, Maxwell, Barings, Enron, and many others) resulting in heavy job losses and a "ripple effect" of economic suffering to smaller customers and suppliers
 - 4.2. Fraud can also affect large numbers of individuals, often those most vulnerable (Maxwell pensioners, the victims of pyramid selling, etc.)

- 4.3. Identity fraud is a topical and worrying example of economic crime which causes real concern to individuals and can cause real harm and distress – see the Home Office Press Release of 18 June 2003 (www.homeoffice.gov.uk/n_story.asp?item_id=508) on the difficulties experienced by the victims of identity fraud. See also the Panel's own publications on identity fraud (www.fraudadvisorypanel.org/publications1.html).
- 4.4. Organised criminals are commonly involved in fraud and economic crime such as plastic card fraud, identity fraud, and money laundering.
- 4.5. The financial cost of fraud and economic crime to our society has never been properly calculated but there is general acceptance that it runs into many billions of pounds per annum. (Estimated at £13.8 billion by the National Economic Research Associates for the Home Office, 2000). This directly affects the economic well being of our country as a whole and directly hits the cost of insurance and credit.
- 4.6. As the FSA point out at para 3.4 of their Discussion Paper, the lack of official statistics on fraud suggests that fraud is politically marginalized – an issue raised by the Panel in its 5th Annual Report (para 17). (www.fraudadvisorypanel.org/publications1.html).
5. The National Policing Plan 2004-2007 (www.policereform.gov.uk/docs/national_policing_plan/npp2004-5.html) treats fraud and money laundering as examples of serious and organised crime which are one of the Home Office's "key priorities" for national policing (para 4.25). It refers in this context to the work of the Serious Fraud Office and acknowledges the importance of reporting fraud and money laundering in fighting crime. In the context of assets recovery and financial investigation (para 4.30) it remarks:
- "Financial investigation should become an integral part of police work, with confiscation orders and money laundering prosecutions pursued as a matter of course wherever appropriate. In particular, police forces and authorities should make certain that they have in place operational policies to ensure that financial investigation is considered and, where appropriate, undertaken in cases of acquisitive crime."*
6. The Panel supports the treatment of fraud as a form of serious and organised crime and a key priority for policing. The Panel is concerned however at the almost complete failure of the Consultation Paper to address this issue, which casts doubt on whether the Home Secretary does indeed give fraud the importance – with the attendant commitment of attention and resource – which it merits.
7. This concern is more than theoretical:
- 7.1. The number of police officers with training suitable for the investigation of fraud has fallen in recent years and is believed to be smaller nationally than 10 years ago.
- 7.2. Officers with the necessary training and experience are frequently diverted to other duties and tend to drift to the private sector without being replaced.
- 7.3. There are very few police forces in this country which give priority to fraud – with notable exceptions referred to below. And the number is falling.
- 7.4. The Serious Fraud Office does not have a remit to deal with more than a relatively small number of the largest and most serious fraud investigations.

8. There are signs however that some forces are, exceptionally, taking the initiative in treating fraud as a key priority. The Northumbria force sponsors the North East Fraud Forum, which has been a great success in raising awareness of fraud as an issue and which the Panel applauds. And the City of London Fraud Squad has taken the initiative, with financial support from the Home Office and the Corporation of London, to establish itself as the Lead Force investigating serious frauds in London and the South East under a strategic alliance with the Serious Fraud Office (www.cityoflondon.gov.uk/media_centre/files/372_03.htm).
9. The Panel has consistently advocated the formation of a National Fraud Squad, properly resourced and trained to deal exclusively with fraud and economic crime. The Panel still holds to that view. However if such a squad is not to be formed, at least in the short to medium term, then the initiative taken by the City of London Fraud Squad is to be applauded and supported. It is understood that it will enable 26 new fraud investigators to be recruited – a small number in the context of fraud nationwide but a welcome step in starting to reverse the trend for police forces to reduce the number of trained officers dedicated to the investigation of fraud.
10. Much more however needs to be done, and the City of London force's initiative will need moral and financial support at governmental level if it is to be followed elsewhere as a model.
11. The Panel therefore agrees that the time is right to review the present 43 force structure in England and Wales (para 6.13 of the Consultation Paper). The Panel advocates the creation of a National Fraud Squad. Failing that, the Panel supports the creation of Lead Forces regionally with specialised responsibility for the investigation of fraud and economic crime, along similar lines to the recent initiative of the City of London Fraud Squad.
12. The creation of Lead Forces will require government support. Officers will have to be trained and paid, and protected from diversion to other police work. It may be possible to recruit Specials with particular expertise (eg from the accountancy profession) whose existing skills and experience can be put to good use. However with genuine determination on the part of government and the police, and a coherent approach, the Panel believes that it will be possible to make a real difference to the insidious effect of economic crime on our society.

Yours faithfully,



Ros Wright
Chairman