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ALCOHOL FRAUD REPORT LAUNCHED BY FRAUD ADVISORY PANEL

- **Fraudulent alcohol costs people, loses tax revenue, and in extreme cases can be fatal**
- **New report delves into a poorly understood and widespread area of fraud and sets out tell-tale signs of fake whisky**
- **Quarter of the world's alcoholic drinks are believed to be illicit and dangerous, figures suggest**

Fraudulent alcohol costs people and business, reduces revenue from taxation and in some cases can be fatal, says a new report from the **Fraud Advisory Panel**, the voice of the counter-fraud profession.

The report, *What's your poison: The true cost of fake alcohol and how to catch the culprits*, looks at the cost of fraudulent drinks and how the culprits can be caught. It also outlines tips so shoppers can avoid fake alcohol including both wine and whisky (see below), which can cost them money and be toxic in extreme cases.

The report is the result of an expert discussion held by the Panel in October 2022 on this poorly understood, widespread and largely hidden area of crime. Expert contributors include Maureen Downey, Isabel Graham-Yooll, Kerri McGuigan and David Richardson.

It is believed that a quarter of the world's alcoholic drinks are illicit, while in the UK, it is estimated that fake wine, beer, and spirits costs £200m in lost sales and 3,000 lost jobs per year. [1] [2] In addition, there was an estimated £1.2bn UK alcohol tax gap (VAT and excise duty) in 2020–21 alone, the report said, with a reported 800% decline in HMRC alcohol seizures since 2016-2017. [3] [4]

Alan Bryce, interim Head of the Fraud Advisory Panel, said:

“Alcohol plays a big part in our cultural, economic, and social life, but with a vast and complex market it's very easy for criminals to feed fakes into the legitimate supply chain.

“Not only do losses from alcohol fraud affect business and lose governments money from taxation, but they can also cause a real risk to consumers, as some counterfeit spirits are laced with dangerous chemicals and drinking them can be fatal.”

Tips to spot the fakes

Commenting on fake whisky, Isabel Graham-Yooll of whiskyauction.com said:

“Most whisky counterfeits do contain whisky but not of the quality, age, or provenance that the bottle, label, and cap promise. Pyramid-style investment frauds are also a problem – fuelled by online chatter and hype. Ordinary casks, of little or no investment value, are being traded at highly inflated prices.”

Isabel Graham-Yooll offers her insight into how to spot fake whisky:

1. Fill level: is it suspiciously high or low?
2. Colour: bottles from the same batch should have the same colour, so compare side by side.
3. Use of technology: holograms, RFID chips in the cap or the Bubble Seal System.
4. Fonts: typefaces are often proprietary and not easily reproduced.
5. Refills: has the cap or cover been tampered with?
6. Spelling mistakes: these are unusual on authentic labels.
7. Extra labels: look out for extra labels which fraudsters might use to make bottles appear older.

The report considers alcohol fraud prevention, with specialist comment from Maureen Downey, of Chai Consulting and winefraud.com offering tips to avoid fake wine. She said:

“If the wine isn't plausible, you can't dupe enough people. No one can taste for authenticity – if they could, wine fraud wouldn't be the global problem it's become – but you can taste for quality.”

She warns buyers: “Don’t trust, verify – if it looks too good to be true, then it is.”

The threat of alcohol fraud

Fraudulent alcohol is a complex problem, with organised criminals using expensive machines to copy the digital labels of legitimate producers, feeding into an illicit supply chain that consists of specialist manufacturers, wholesalers, retailers, and logistics.

Alcohol fraud poses a significant and potentially harmful threat to many, from producers to retailers, high-end investors, and consumers, who can’t be certain the bottle of wine or spirits they have bought is real. Many people are focused on looking for the most highly rated wines at the best price, without much concern for its authenticity.

As well as fine wine forgery, there is a strong FMCG (fast moving consumer goods) market in place, supplying cheaper fakes. According to David Richardson, from the Wine and Spirit Trade Association, criminals can make £3–£5 a bottle selling cheap wine dressed as a popular brand without paying any tax. When one brand gets too hot, the criminals simply switch to another.

Preventing alcohol fraud

David Richardson of the Wine and Spirit Association, says that knowing fraud risks, keeping good paperwork, and insisting on proper contracts rather than goodwill or a handshake, will help small and medium sized businesses to prevent alcohol fraud. Without these in place, firms will be left open to criminal exploitation, infiltration, and fraud.

As in other sectors, technology will put barriers in the way of fraudsters but until such tools are widespread there is no substitute for due diligence by those potentially affected. As David Richardson puts it: “If you have to call the cops, it’s already too late.”

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Notes to editors

The full report is available [here](#).

1. World Health Organization (September 2018), Global status report on alcohol and health 2018.
2. European Union Intellectual Property Office (July 2016), The Economic Cost of IPR Infringement in Spirits and Wine.
3. European Union Intellectual Property Office (July 2016), The Economic Cost of IPR Infringement in Spirits and Wine.
4. HM Revenue & Customs (23 June 2022), Official Statistics, Tax gaps: Excise (including alcohol, tobacco and oils).

About the Fraud Advisory Panel

The Fraud Advisory Panel is the voice of the counter-fraud profession, committed to tackling fraud and financial crime. We aim to strengthen fraud resilience by championing best practice in fraud prevention, detection, reporting, investigation, and prosecution. We do this through education, advice and research.

Our members come from a wide range of professions and sectors but are united by their determination to counter fraud. This diversity gives us knowledge, experience and authority.

Founded in 1998 by ICAEW, and now celebrating its 25th anniversary, the Fraud Advisory Panel is a charitable company limited by guarantee registered in England and Wales (charity number 1108863; company number 04327390).
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