

FRAUDCAST

Welcome to the Autumn issue of Fraudcast, the quarterly email bulletin produced by the North East Fraud Forum and Quantis, Chartered Accountants, bringing you the latest fraud news and developments in the UK and across the world. In this issue we concentrate on the themes of the recent NEFF conference, namely 'Fighting Back'.

NEFF UPDATE FROM PHIL BUTLER

As the days grow shorter and the nights grow ever longer, this Autumn we look back on our progress during the year so far. Our theme this year is 'Fighting Back' and in this edition we show how the public and the private sectors are working together taking real, meaningful and positive action to stamp out economic crime in the region. Relationships formed during the first 18 months of the NEFF are now paying dividends and we are seeing the rewarding results of our actions. This new improved cooperation is leading to some excellent joint sector work and the gateways are now fully and truly open. Much trust has been gained amongst the membership and now valuable intelligence and information is flowing freely between both sectors. Asset recovery work is now at an all time high and the recent convictions of Stephen Hoyle and Durham business man, George Reynolds, proves that tax cheats, money launderers, fraudsters and swindlers will not be tolerated here in the North East of England. We aim to continue with our mission and are spreading the word with our latest range of DVD's on Business Crime and Money Laundering. If you are a member you can get one for free by contacting us via the web site. We like to think we are a dynamic forum and once again our members have shown by their efforts and results that they are going to continue to 'Fight Back'.

NORTHUMBRIA POLICE LEAD FIGHT BACK

From September 2005 six new teams of police financial investigators are out to hit criminals where it hurts - in their pockets. Northumbria Police's Det Supt Mike Jones explains why Tyneside's Mr Bigs will have to say goodbye to the proceeds of their crimes.

We need to get away from the idea that criminals with their flashy cars and bling are role models, and there is no doubt in some areas this is the case. I want to break the cycle of youngsters looking up to criminals by bringing them to the bottom of the pile through taking away the money they make from crime.

We've more than got our eye on a few individuals in the area. Before the Proceeds of Crime act there were barriers in the way of getting these people but now we're making significant progress. As well as doing our own work we are going to be relying on people living on estates to help us with information. Perhaps if they've seen someone living there driving round in a big car and know they've been dealing drugs. We are talking about some huge amounts, as much as £600,000 or £700,000 but we will also look at low level criminals who have gained assets through crime. For example, a few days ago we took £61,000 which was the profits from dealing Ecstasy tablets. That amount will come back to the force and, for example, could pay for another two investigators for one year.

It could be that we end up sitting on a lot of money and assets but I'll look forward to that welcome problem when it happens. All of the money to pay for these 12 new officers, which will be divided among the six areas, has come from criminals, so it's a vicious circle. This sends out a really strong message to the criminal community, especially to those people who thought they were untouchable. There is a concern to a certain extent that criminals may try to hide their money but we can look at what other countries have done.

In the Irish Republic they introduced asset recovery and a number of high profile criminals left because they couldn't stand the pressure the police were putting on them. This has all come about because of the Proceeds of Crime Act, but we can go further than traditional crimes and now take profits from offences such as producing and selling counterfeit goods. Investigators also now have the power to get into financial institutions and records, whereas previously a lot of financial institutions would only deal with accredited investigators and wouldn't pass information to normal officers.

We will also look at other items of intelligence such as information with the land registry and make inquiries about how they got their flash car. These 12 officers are not starting from scratch, as six are police officers, three are former police officers, one worked for a bank and the others have been working for us in other roles.

MAN JAILED OVER ELABORATE ID FRAUD

A FAILED businessman who masterminded an elaborate fraud to fund a luxury lifestyle for himself and his partner has been jailed for three-and-a-half years. Stephen Hoyle stole the identities of over a hundred unsuspecting people across the North to take out loans, mortgages and credit cards during his two-year con.

Peter Smith of Quantis assisted Cleveland Police Fraud Squad in the complex investigation into Mr Hoyle's affairs. Peter said 'The key to this investigation was making a complex web of deceit appear very simple in lay man's terms, in order for the Court to understand how Mr Hoyle perpetrated these crimes. We worked very closely with Cleveland Police fraud squad officers and the computer crime unit in order to achieve this. Clearly this approach has been successful and resulted in a significant sentence for this type of crime.'

Teesside Crown Court heard in October 2005 that the fraud would have topped £1m if 39-year-old Hoyle had not been stopped last November after some of his victims received letters concerning debt they knew nothing about.

Teesside Crown Court judge Tony Briggs said: "You were effectively a full-time professional fraudster for a significant period."

Hoyle took out seven fraudulent mortgages, worth £273,700, and had applications for a further eight, worth £543,000, being considered when police caught up with him. The investigation also revealed he had taken out loans totalling £75,000 in other people's names, racked up almost £63,000 debt on bogus credit cards and had deposits of £390,000 on 21 bank or credit card accounts in his name, and more than £130,000 going through his girlfriend's three accounts in one year.

Hoyle had bought and leased six houses in Middlesbrough and one in Manchester, and was trying to buy another eight in those areas when his fraud was uncovered. Cleveland Police discovered driving licences containing Hoyle's picture but with different names, 70 credit cards and details on up to 140 identities when they raided his home in Pelham Street, Middlesbrough.

A lap-top computer had a spreadsheet with 69 names, detailing bank accounts, credit cards, loans, pin numbers, addresses, email addresses, passwords and security-check words. Hoyle enjoyed frequent foreign holidays, drove an expensive car, and built up a portfolio of buy-to-let homes.

Hoyle admitted conspiracy to defraud and conspiracy to transfer the proceeds of criminal conduct.

Detective Constable Shane Culley of Cleveland Police fraud squad, said: 'He is the biggest fraudster we have dealt with.'

FORMER FOOTBALL CHAIRMAN JAILED FOR TAX EVASION

Flamboyant former multi-millionaire and football club boss George Reynolds was jailed for three-years for swindling the taxpayer out of hundreds of thousands of pounds.

The former Darlington FC chairman, along with his cousin and colleague Richard Tennick, who was jailed for two years, admitted cheating the Inland Revenue out of £650,000 over four years. Judge Guy Whitburn QC told the pair at Newcastle Crown Court that the crimes were so serious a prison sentence was inevitable.

Former safecracker Reynolds and Tennick had told the Inland Revenue for four years that they were earning nothing. In fact, Reynolds was taking home £120,000 a year - which he spent on a fleet of cars, a flat in Hampstead, North London, and a yacht - and Tennick was getting £35,000. But in 2002 Reynolds did declare his old age pension - leaving him with a tax bill of £14.

In addition to the jail sentences, Reynolds was ordered to repay £424,252.50 to the Inland Revenue and Tennick £225,747.50.

After the case, Det Sgt Martin Fleming, who had investigated Reynolds and Tennick for Durham Police's Regional Asset Recovery Team, admitted that he felt some sympathy for the pair - but said they had committed a serious crime. He said: "I am very satisfied with the verdict, which justifies all the work put into this case. It is sad that someone like George Reynolds, at his stage of life and with poor health, should have to go to prison - and indeed Mr Tennick as well. But cheating the Revenue is not a victimless crime and affects everyone in society."

George Reynolds, was beginning his fourth spell in prison, escaped an impoverished Sunderland childhood to become one of Britain's richest men with a £260m fortune. He claims that as a dyslexic orphan he was brought up in a brutal children's home, where reports described him as mentally deficient and retarded. In his autobiography *Cracked It!* he describes the horrible punishments handed out on a daily basis at the Besford Court home, experiences which would later shape Reynolds into a determined and unflinching businessman.

In the 1950s, he developed a reputation as a safe cracker after learning how to handle explosives in the North-East's coal mines. He used his skills to burgle offices and shops but spent two six-month stints behind bars, followed by his longest sentence - four years - in the 60s for burglary, theft and handling explosives. When he was released from Lancashire's Kirkham Open Prison in 1964, he vowed never to return, and he went on to launch a kitchen worktop business in Shildon, County Durham.

Reynolds added other businesses - George Reynolds UK Limited, Shildon Cabinetmakers and the Shildon Trade Centre - to his growing empire. And in 1988 he made about £30m when he sold part of his Direct Worktops business - much of which he would plough into Darlington FC a decade later. Reynolds has always been a colourful character renowned for his comb-over hair. He once dressed in a mock prison suit - complete with arrows, and a ball and chain round his ankle - to demonstrate his rags to riches life.

Investigations into Reynolds' crumbling empire began in June last year when he was stopped while driving one of his top-of-the-range Mercedes cars on the A68 at Toft Hill, near Bishop Auckland, County Durham. In the car, police found £500,000 in cash stuffed into a Louis Vuitton bag. Reynolds had withdrawn the cash from the Co-operative Bank in Shildon. Managers alerted the police.

David Robson QC, defending Reynolds, said his client had withdrawn the cash because he feared for his financial future following the collapse of George Reynolds UK and financial problems at Darlington FC. Reynolds, Richard Tennick and Ian Robinson, who also worked as a personal assistant for the company, were charged with money laundering and police began investigations. That was when the tax irregularities came to light. Charges, including evading liability by deception and money laundering, which they denied, were ordered to lie on file.

SHARP EYED DURHAM DETECTIVE FOILS ORGANISED CRIME GANG

On a cold November morning last year, DC Nigel Crampton of Durham Police, spotted two men acting suspiciously near a cash machine outside a Bishop Auckland bank. The duo were trying to retrieve a sophisticated card scanning device, but ran off as the officer approached.

The 28 year old detective gave chase, caught one of the men and recovered the scanner that included a built-in closed circuit television camera. The prisoner was taken to the town's police station where it was established that he was an illegal immigrant from Romania. As a result of liaising with other fraud squads in the region, fraud officers in West Yorkshire were alerted and a property in Wakefield was raided.

A further three suspects, who had used similar scanners to obtain thousands of pounds in cash from the accounts of unsuspecting victims, were arrested in Wakefield. A quantity of hi-tech equipment used to produce clone bank and credit cards was also seized.

The leader of the gang of fraudsters was also involved in the smuggling of illegal immigrants into the country. At Leeds Crown Court earlier this year he was jailed for seven years and the remaining trio for three years each. All four will be deported to Romania on completion of their sentences.

Durham Police commented that: 'Intelligence confirms those involved in these sort of crimes are prepared to use high levels of violence to prevent the loss or damage to these scanning devices and the officer was aware of these dangers when he gave chase. These men were, without doubt, part of a well organised crime syndicate and without the diligence, quick action and presence of mind shown by DC Crampton these offenders would not have been detained.'

FRAUD COMMITTED ABROAD ON UK CARDS HITS FIVE YEAR LOW

APACS, the industry association representing plastic card issuers, said that card fraud committed abroad on UK cards has fallen to a five year low. The fall is mainly attributable to improved fraud detection systems that enable card companies to spot unusual spending patterns most often associated with the fraudulent use of cards. In addition the Dedicated Cheque and Plastic Crime Unit (DCPCU) – a specialist police team uniquely sponsored by the banking industry – has successfully cracked several international card counterfeiting rings. Total fraud committed on UK issued cards during 2004 was £92.5million, down from a high of £138.4million in 2001, and the lowest figure since 1999 – despite a 93% rise in the use of UK-issued plastic cards abroad during the same period (1999-2004). The figure of £92.5million accounts for 18% of the total of UK card fraud of almost £505million in 2004.

APACS also published a top 10 ranking of 'hot spot' countries. Just under half (48%) of overseas card fraud took place in just three countries – the USA (18% / £16.4million), France (17% / £15.8million) and Spain (13% / £12.3million). Fraud in France showed the most significant year-on-year fall – down from £23.6million in 2003, the highest level of fraud on UK-issued cards for any country for that year. Five of the 10 hot spot nations are now in Europe, a fall from a total of seven in 2003. Ireland and Switzerland are no longer in the top 10, whilst Japan and Canada have moved up to numbers five and eight respectively.

APACS warned UK holidaymakers not to become complacent about using their cards abroad, despite the fall. Sandra Quinn, communications director at APACS, said, "The fall in card fraud abroad is great news for UK consumers, but cardholders should remember to follow a few simple rules to make sure they're protected while they're abroad. Simple things like making sure your cards never leave your sight, and remembering to dispose of receipts carefully can make all the difference. Also when you travel abroad, particularly in Europe, there is a growing chance that you will come across chip and PIN, the same systems as we have in the UK. Therefore you will need to know your PIN when you go overseas as it is more likely that you will be asked to use it. Obviously this is good news for UK cardholders as it means that card criminals will increasingly find it harder to use stolen cards abroad."

GLOBAL FRAUD HOT SPOTS FOR UK CARDS 2004

Country	Fraud (£Million)
United States	16.4
France	15.8
Spain	12.3
Italy	4.8
Japan	4.3
Australia	3.0
Germany	2.3
Canada	1.9
Netherlands	1.5
South Africa	1.4
Others	28.8
Total	92.5

FORTHCOMING NEFF MASTERCLASSES / SEMINARS

Forged Documents – Thursday 17 November 2005, Watson Burton, Law Firm

NEFF TRAINING MODULES

Module 5 – Options – Civil? Criminal? Or Disciplinary – Tuesday 8 November 2005

Module 6 – Evidence at Court and Procedures – Tuesday 13 December 2005

For booking details visit www.northeastfraudforum.co.uk

And finally ...

SHOPPER TRIED TO PAY WITH MILLION-DOLLAR NOTE

A woman from Georgia, USA has been arrested for allegedly trying to use a fake one million-dollar note to pay for shopping. Staff at the Wal-Mart in Covington called the police – who say they found two more of the notes in her purse. The US Treasury does not print million-dollar notes, but toy ones can be bought as novelty gifts. The woman had tried to pay for US\$1,671.55 worth of goods at the store but staff refused to accept the note – or hand over US\$998,328.45 in change – and called the manager. Police say the woman offered to pay in gift vouchers before again trying to cash the fake note. Covington Police chief said, "It looks real, but of course there's nothing real about this." The woman, who has been charged with forgery, claimed she thought the notes were real and told officers they were a gift from her husband.

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