

Avoiding Trade Credit Fraud



It can be difficult to identify a potential fraud but there are some warning signs to look out for that can assist in avoiding and certainly reducing the negative impact this can have on a business.

Losses due to fraud are not generally covered by Credit Insurance policies meaning your Insurer is not liable for this loss. However, there are some exceptional cases where we know underwriters have accepted liability, so having a policy may have added benefits!

The TL Dallas Group of companies and the insurers we place cover with are seeing significant increases in the number of fraud overdues or claims being reported by clients. In particular, 'assumed identity' fraud cases – this is when a third party assumes the identity of well-established creditworthy businesses.

CEO fraud is the impersonation of a company's CEO or high-ranking officer to try and trick an employee into transferring money. Unfortunately, as it is subsequently discovered, these payments have gone to the fraudsters account.

Currently, the main sectors affected are Food & Drink, IT and Construction. However, all sectors are being targeted.

Some points to be wary of include: –

Financial Statements

- Confirm the issued share capital stated in the Company's accounts are consistent with the annual returns.
- Be wary of a Company that submits accounts shortly after its financial year end or a dormant company suddenly becoming active.
- Be wary of Companies filing above and beyond its filing requirements. Remember a 'small company' is required to submit abbreviated

accounts to Companies House and 'micro-entities' are required to submit simpler accounts that meet minimum statutory requirements.

- Compare accounts to other Companies within the same industry and be wary of Companies that have filed accounts which appear 'too good to be true'. If the accounts are audited, check if they're registered using <http://auditregister.org.uk/Forms/Default.aspx>
- Conflicting trade sectors – eg. Companies House states 'wholesale of food + beverages', but their website/status report states manufacture of metal
- Check the Directors do not have any association to failed companies or high volume of newly incorporated companies as this can be a warning sign
- Frequent or sudden change/s in shareholders/directors or registered office can also be a warning sign

New Customers

- An unsolicited enquiry with a short/ urgent delivery deadline – the potential new customer will be persistent and put you under pressure to open an account. There will be an unusually short period between first contact, order and delivery date.
- No landline telephone number provided – only a mobile number. Calls are usually not answered but go to voicemail and then your call is returned. If a landline is provided, when you call it's been disconnected or just rings out.
- Mirror imaging of existing genuine email and website addresses. They are usually very similar to the company they are impersonating, however there will be subtle differences, i.e.:

Genuine company website address:
www.tldallas.com

Fraudulent company:
www.t-l-dallas.com

- Professional looking website but with little functionality. The website will look OK, but basic and light on any details, landline telephone number etc.
- Verify the website using Whois-Search – <http://www.whois-search.com/>
- Be cautious with trade references and check them thoroughly – some recent cases we have seen have highlighted the trade references given were fraudulent and that associates, were also involved in the fraud.
- The buyer is generally not interested in price with little or no negotiation – why would they be if they are not going to pay you!
- Buyer requests to collect goods themselves from your premises/ warehouse, often in a private car or unmarked vehicle.
- Being asked to deliver goods to a different company or an unknown third party.
- Buyer changing delivery address at short notice – use Google Maps or Royal Mail postcode and address finder to verify addresses
- Potential customer is overly ready to supply information – trade references and accounts/managements accounts are available without being asked
- Confirm that the supplied VAT and Bank Details are genuine

Existing Customers

Be wary of last minute requests, from your existing customers, if they do not follow their usual established trading pattern – check the details out further and call your usual contact and confirm changes in writing.

If you would like to discuss Credit Insurance, please call 01274 465 522 or 01324 717 466.

Alternatively, email your details to Credit@tldallas.com and a member of the team will be in touch.