



## LONG FIRM FRAUD



Long Firm Fraud ( also known as 'Consumer Credit Fraud') is criminal activity whereby a company is temporarily set up, supported by fake references, in order it can trade on credit with wholesale suppliers, where there is no intention to pay for the goods supplied.

By such actions, the maximum goods are obtained over the maximum credit period and the criminals duly abscond with the proceeds.

This document is intended to offer advice to businesses within the wholesale supply sector, with a view to reducing their exposure to the crime of 'Long Firm Fraud'.

## ADVICE

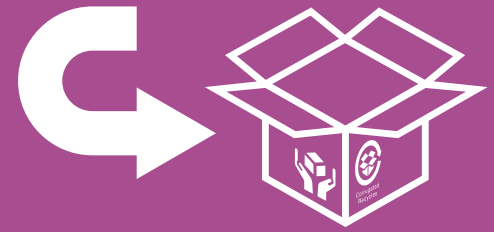


The best advice to be offered is to initially trade with new customers on a pro-forma (cash) only basis. This allows for a trade history to develop and hopefully minimise the suppliers risk of becoming victims of this crime. However it is accepted that this type of trading is not possible in all circumstances.

## MARKETABLE GOODS



Criminals will attempt to get possession of any marketable goods such as alcohol, toys, toiletries etc. that can be quickly sold on and are not easily traceable. In offering crime prevention advice to combat Long Firm Fraud, it is only fair to explain the current strategy for the police investigation.



THIS ADVICE SHOULD ACT AS AN EXPLANATION TO BUSINESS AND EMPHASISE THE REQUIREMENTS IN LAW, FOR THE INVESTIGATION OF THE CRIME.



Allows for the early notification of such fraudulent companies operating, which leads to:



Facilitated by the police with the aim of physical identification of directors, company secretaries, employees, etc.



Information collated from numerous sources is examined to identify criminal activity which leads to:



Of the criminals involved.



# ALWAYS

ALWAYS

Request trade references from potential customers. However be aware that in certain circumstances the issuers of these trade references may in fact be connected to or involved with the potential fraudulent company.

ALWAYS

Check the relevant trade directories for the trade references supplied. Can you contact the references easily? Where are the companies located? This should give an indication as to whether or not the reference is from a genuine company.

If possible have a member of staff or representative visit the actual site of the company. This has a three-fold advantage namely:

- 1 It can alert your company to whether this is a genuine trading address or merely a "virtual office".
- 2 It will allow you or your staff to assess whether or not the premises in question appear appropriate for that type of business.
- 3 It can also provide police with possible identification of the persons present at the company.

ALWAYS

Trust the instincts of your staff as, in general, sales agents know their business and can identify suspicious activity.

ALWAYS

Conduct credit checks on the applicant with reliable Credit Agencies. However, be aware that these checks are not foolproof as credit checks will only show adverse comment on previous credit history. Criminals will use the fact that associates involved in the crime will pass a credit check purely because they have never previously applied for credit in their own right.

PROCEDURES



The police realise that generally, the business runs on trust and normal credit terms are part of the process, which allows trade to take place between businesses. The criminals involved have an excellent knowledge of business practices and take full advantage of this trust.

Every business should have proper procedures in place, as previously mentioned, when dealing with new customers. These procedures should include a 'credit limit' that should not be exceeded under any circumstances until a credit history is established. It is essential that separate departments within companies communicate with each other.

There are numerous recorded instances of a sales department of a business continuing to supply goods to criminals, whilst being totally unaware that no payments have ever been received at the accounts department.



WHAT TO LOOK FOR



New businesses with an unusually large turnover. Do the figures quoted look credible for the type of industry?

Are the goods requested in line with the normal or expected business of the company?

For large orders, did they negotiate or request a discount or just accept the first price quoted to them?

Is it a new or recent customer whose latest order is significantly higher than normal?

Does there appear to be an unusual connection between the company and the trade references provided.

Consider the geographical location of the customer - is it logical for them to be trading with you?



# REMEMBER

PREVENTION

Keep a record of past bad experience which should include, locations, directors of companies, trade references, telephone numbers etc.

Ensure all credit and delivery staff are trained in what to do if they are suspicious and who to tell about the suspicion.

Ensure strong, simple controls are in place which leave no margin for error.

CONCLUSION

In conclusion, if the advice contained in this paper is adopted it will not eliminate the risk of fraud but will at the very least, minimise the cost to your company if criminals choose to target your business.

There is of course a desire to carry out business transactions and a willingness to trust but at all times note 'Caveat Vendor' (let the seller beware).

ACPOS

ASSOCIATION OF CHIEF POLICE OFFICERS IN SCOTLAND