

Briefing - how the fight against fraud and other economic crime is undermined by lack of resources

This briefing is designed to assist Justice Committee members in their evidence session with the Security and Borders Minister, the Rt Hon Damian Hinds MP, and Duncan Tessier, Director for Economic Crime at the Home Office, on 20 April 2022.

Too few police officers to fight fraud

- Just 725 officers out of the new 20,000 police officers will be allocated to complex crime in the Regional Organised Crime Units by March 2023 according to the NAO's recent report on the Police Uplift Programme.¹ That is just 3.6% of new officers dedicated to economic crime related work. An additional 30 officers will go to the City of London police. And a further 390 officers will be added to the Regional Organised Crime Units (ROCU) after the Programme ends. Therefore, even with these additional officers, only 5.9% of the new police resource will be dedicated to economic crime.²
- These amounts contrast with the extent of fraud which now accounts for at least 40% of all crime;³ the latest Telephone operated crime survey put it at 50%.⁴ To make the share of officers and staff proportional to fraud's share of crime, the Social Market Foundation estimates an additional 30,000 full-time equivalent staff focussed primarily on fraud are needed.⁵

Convictions for fraud have sharply decreased

- Convictions for fraud offences according to the national crime statistics have decreased by 67% since 2011 – from 42,000 in 2011, to 13,500 in 2021.⁶

Lack of funding to fight economic crime, with budgets decreasing

- While economic crime costs the UK the equivalent of around 14.5% of GDP at a conservative estimate, the UK spends equal to 0.042% on resourcing for economic crime enforcement - £852 million per year.⁷
- The NCA - meant to be Britain's FBI – should be driving the policing of fraud. In 2019, former Director General Lynne Owens made a pitch for a 54% increase in the NCA's budget (£650 million) a year – overall she called for a £2.7 billion increase across local and national capabilities to tackle serious and organised crime, of which economic crime and fraud is a subset.⁸ In fact, over the past five years the NCA's budget has decreased in real terms by 4.2%. The NCA would need an additional investment of £21 million on top of its 2020/21 budget to have stayed the same in real terms compared to 2016.⁹

Lack of incentives to recruit and retain top talent

- There has been a serious brain-drain from the public sector to the better-paying private sector, often due to stark disparity when it comes to pay. The NCA pegs pay to 90% of what the police are paid¹⁰ – its own independent Remuneration Review Body has questioned this and asked for an independent review of how

¹ The Police Uplift Programme. NAO. <https://www.nao.org.uk/wp-content/uploads/2022/01/The-Police-uplift-programme.pdf>

² Ibid

³ Inquiry to look at whether reforms needed to combat 'horrifying' fraud levels. The Independent. <https://www.independent.co.uk/news/uk/frauds-government-people-nhs-england-b2031133.html>

⁴ See ONS data: <https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice>

⁵ Fraud is now Britain's most dominant crime, but policing has failed to keep up. The Social Market Foundation.

https://www.smf.co.uk/commentary_podcasts/fraud-is-britains-dominant-crime/

⁶ Mojo Criminal Justice Statistics. June 2021. <https://www.gov.uk/government/statistics/criminal-justice-system-statistics-quarterly-june-2021>

⁷ See: Spotlight on Corruption report: Closing the UK's economic crime enforcement gap. <https://www.spotlightcorruption.org/closing-the-uks-economic-crime-enforcement-gap-proposals-for-boosting-resources-for-uk-law-enforcement-to-fight-economic-crime/>

⁸ NSA 2019: Speech by DG Lynne Owens. <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/297-national-strategic-assessment-director-general-lynne-owens-speech/file>

⁹ See: Spotlight on Corruption report: Closing the UK's economic crime enforcement gap. <https://www.spotlightcorruption.org/closing-the-uks-economic-crime-enforcement-gap-proposals-for-boosting-resources-for-uk-law-enforcement-to-fight-economic-crime/>

¹⁰ National Crime Agency Remuneration Review Body Seventh Report

2021 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004935/NCARRB_2021_report_-_web_accessible.pdf

the UK compares with other elite crime fighting bodies in other jurisdictions, as well as for the NCA to better inform its pay strategy by comparison with the private sector.¹¹

- The same body found that the NCA had 800 vacancies expected of which nearly a quarter – 186 - are classed as ‘hard-to-fill’. 34% of forensics posts are vacant – well above the 21% average for the NCA.¹²
- There are serious issues with staff turnover – the NCA’s cyber capacity has a turnover of 28% meaning that the NCA is losing over a quarter of its cyber capacity every year.¹³

The UK compares poorly with the US in fighting fraud

- The FBI has a budget which is 15 times larger than the NCA (£7.4bn compared to £504m), despite the US having a population that is just five times larger than that of the UK.¹⁴
- The UK has underperformed in comparison to the US regarding recovering funds lost to fraud in COVID support schemes. The US has now charged over 1000 people with fraud in relation to these schemes, versus 49 arrests in the UK.¹⁵ The US has recovered around \$1 billion, while the UK seems so far to have recovered £3 million.¹⁶ NATIS has the target of just £6 million over the next three years and has the resources to conduct just 50 investigations per year.¹⁷

Prosecuting fraud – recommendations:

- **Find better ways of using cooperating witnesses** – all too often it appears in high-end fraud cases that those who plead guilty to help with the prosecution are often the only ones who face any sentence – they are not used to bring in the big fish.
- **Incentivise whistleblowing**, such as through introducing compensation schemes for whistleblowers.
- **Introduce specialist economic crime judges**. The Law Commission has argued for tickets for confiscation judges, but we need the specialists across the whole of the economic crime field. The new economic crime court due to be introduced in 2024 will be an empty shell if it does not come with ticketed judges.
- **Introduce a failure to prevent fraud offence** – this is key to raising standards of corporate governance and of the preventative procedures that companies should be putting in place. There is very good precedent in the Bribery Act – which is widely acknowledged to have raised corporate standards.
- **Debar companies that engage in fraud or fail to prevent fraud from public contracts** – this creates real incentives on corporates to get their act together. It is essential that the new Procurement Bill addresses this by making conviction for the failure to prevent offence grounds for mandatory debarment.

¹¹ Ibid.

¹² National Crime Agency Remuneration Review Body Seventh Report 2021 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004935/NCARRB_2021_report_-_web_accessible.pdf

¹³ National Crime Agency Remuneration Review Body Seventh Report 2021 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004935/NCARRB_2021_report_-_web_accessible.pdf

¹⁴ A NEW MODE OF PROTECTION Redesigning policing and public safety for the 21st century. Police Foundation. https://www.policingreview.org.uk/wp-content/uploads/srpew_final_report.pdf

¹⁵ NCA annual report 2020/21. <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/546-national-crime-agency-annual-report-and-accounts-2020-21/file>

¹⁶ Government Action on Fraud in Covid Support Schemes. <https://www.gov.uk/government/publications/government-action-on-fraud-in-covid-support-schemes/government-action-on-fraud-in-covid-support-schemes>.

¹⁷ See NAO report: The Bounce Back Loan Scheme: an update <https://www.nao.org.uk/press-release/the-bounce-back-loan-scheme-an-update/>