

## "City Fraud and the Work of the City Fraud Squad"

This was the subject of the lecture at the first BILA lunch-time lecture (at the Institute of London Underwriters) during the current winter session. The Chairman, Pat Saxton noted that other aspects of fraud were topics of later discussion although perhaps not everyone would agree that "Simplified policy wordings and the law" suggested fraud! The speaker on this occasion was Detective Superintendent Gerald Squires of the City of London Police and, introducing him, the Chairman noted his 21 years of service with the Metropolitan and City Police forces.

Mr. Squires began by calling attention to the fact that during 1980, losses due to criminal activity showed an increase of 40% over the previous year - an alarming trend only part of which was attributable to the depression which prevailed. The City of London and its institutions traditionally adhered to the principles of good faith on which they had been founded and its Police Force was pledged to ensure continuation of these high traditions. Prior to the war, however, they did not have the time nor the expertise to investigate investment and financial frauds (although they were separately identified). In 1939 perpetrators were either called up or resorted to black market activities but after the war they returned to prey on those who wished to employ their gratuities profitably. Accordingly, in 1946, the Board of Trade, the City and various trade associations collaborated with the City and Metropolitan Police in organising a special sector embracing companies' activities and bogus advertising. The important role of accounting was also realised both in regard to protection and prevention. The squad commenced operating with only one Detective Inspector and two Detective Constables but had now expanded to as many as 56, although this was only a small portion of the total strength of the City force - 870. Initially the squad handled fraud on a national basis but today - "hiving off" to other forces had progressed so much that only nine out of a total of 57 regional forces did not have one. These were mostly in remote and mountainous areas.

The 1980 Report on the City and Metropolitan Areas (which still remained as one unit) indicated estimated losses of £54M, although Mr. Squires stressed that this was small in relation to other City statistics. 413 new enquiries were initiated and 40 arrests made. An area not previously covered had been cheque and credit frauds but the Squad found that legal obstacles inhibited progress when following up international cases for which they were otherwise equipped.

The speaker then proceeded to detail particular types of fraud. First of all there was manipulation of credit which was not easy, although the recent "squeeze" had had a beneficial effect. Blatant over-charging for supplies was another - for example 720 boxes of carbon paper when only one had been ordered. Directory advertising which had not been authorised or requested was often the subject of tricks and threats. Pyramid selling and franchise was another field, although the Fair Trading Act had afforded some relief while the Stock Exchange Council was policing irregular share activities. The squad had strong links with the banks, Lloyd's and shipping houses. Turning to the public sector on which the Poulson affair had focused attention, the Salmon Committee had recommended a central indexing system to avoid repetition. However, if there was no substance in a charge, malicious accusations with political overtones could cause complications. A more serious and comparatively recent type of fraud was facilities for obtaining cash loans to individuals or companies who had difficulty in getting them from conventional sources - despite collateral. The trick was to insist on payment of a commission fee before the loan was granted and then no funds were forthcoming. It was all done by clever documentation. Mr. Squires said that, apart from the publicised cases, there had been a lot of fraud in the Lloyd's market with the mis-use of binding authorities but strong measures were now being taken.

A lively question and answer session followed this interesting recital. On the subject of computer frauds, it seemed that the type which has been so common in America has not yet appeared in Britain. Two officers from the Squad had attended courses but "fiddling" for accounting purposes was really no different from "cooking" the books in the old days and it was the responsibility of auditors to watch this. Mr. Squires said there was close co-operation between the Squad and the London Fire Brigade in the field of arson while loss adjusters maintained close links with the Police and even provided them with funds to tempt informers. He thought loss adjusters had an advantage over the Police because they were accepted internationally at all levels; the South Africans were completely unco-operative with the British Police whom they regarded as potential spies. On the other hand, his Squad found it as easy to handle a case in North America as it would in Sussex. But there were problems in Europe: for instance, the recovery of money from Swiss banks was virtually impossible while the Treaty of Rome was nonsense when it came to EEC member States who regarded the Police as Government agents - perhaps not surprisingly in countries where the local police were tools of the magistrates. Although the speaker preferred the old-fashioned method of card-indexing records in handwriting, there was an evident need to organise some method of computerising these from different sources on a national basis. Mr. Squires said that the banks had always been successful in maintaining an inspection system which detected fraud from within and without but this did not apply to other company "Do it yourself" methods where the Chairman (for fear of involving the name of the company and the employee) bungled along without calling the Squad until it was too late: especially since in such circumstances the Court tended to sympathise with the defaulter.

The Chairman remarked what an excellent talk and discussion they had enjoyed and complimented Mr. Squires on his clarity and ability.

A. McC.