

# Report on Frauds & Forgeries in Nigerian Banks

Quarter 2, 2019



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# Report on Frauds & Forgeries in the Nigerian Banking Industry

Second Quarter, 2019

## Overview

FITC received a total of 71 returns from 24 deposit money banks<sup>1</sup> on incidences of frauds and forgeries during the second quarter of 2019. An analysis of these returns revealed that 24, 23 and 24 returns were received for the months of April, May and June 2019 respectively.

## Volume and Value of Fraud Cases

A total of 11,053 cases<sup>2</sup> of frauds and forgeries were reported in the second quarter of 2019, compared to 11,356 reported cases in the first quarter of 2019, indicating a slight decrease of 2.67 percent between the periods. The most prevalent fraud types during the period included ATM Withdrawals, Computer/Web fraud, and Mobile Banking fraud. Please see Appendices I and II for the illustration of frauds that occurred during the period.

The total amount<sup>3</sup> reported to be involved in fraud cases during the periods decreased to N3.3 billion from the initial N3.85 billion, thus indicating a 14.37 percent fall, while the amount lost to fraud incidences surged by 267.55 percent to N1.39 billion from N379 million reported in the first quarter of 2019. The increase in expected loss could be attributed to renewed onslaughts by fraudsters on clients of deposit money banks.

A ranking of fraud types according to the amount involved indicated that *Theft of cash fraud* ranked first at N1.31 billion (39.72 percent), *Frauds through Forged Cheques with Forged Signature* ranked second at N484.9 million (14.68 percent), *ATM Withdrawals Fraud* ranked third at N359.1 million (10.88 percent) while *Computer/Web Fraud* ranked fourth at N349.6 million (10.59 percent). The amount reported to be involved

in frauds and forgeries during the period under review is presented in **Appendices II (A) and II (B)**.

*Theft of cash fraud* accounted for a massive N1.06 billion (76.13 percent) of the total amount lost to fraud while *fraudulent withdrawals and Computer fraud* accounted for N134.3 million (9.64 percent) and N112.9 million (8.11 percent) respectively to the total amount lost to frauds in the quarter under review. The percentage amount reportedly lost to fraud and forgery activities is shown in **Appendix II (C)**, while **Appendix II (D)**, shows a graphical comparison of the amount involved in frauds and the actual amount that was lost to frauds during the review period.

## Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the second quarter of 2019, fraudulent activities were perpetuated through different channels such as the ATM, Web, Mobile Banking Platforms, Bank branches and PoS (Point of Sale) terminals. The instruments mostly used to carry out fraudulent activities include cheques, cash and cards.

Analysis of banks' returns with regard to the payment channels, show that the amount involved in fraud incidents decreased on four parameters (Bank branch, Mobile Banking, PoS and Agent Banking) while it increased on two parameters (Web and ATM).

Data in **Appendix III (B)**, revealed that frauds perpetrated through bank branch and mobile banking decreased to N2.39 billion and N187.5 million from N3.09 billion

and N199.2 million, thus representing 22.56 percent and 5.83 percent fall respectively. Similarly, the amount involved in PoS fraud decreased by 39.97 percent to N12.6 million from the initial N21.01 million while no amount was involved in agent banking fraud in the second quarter of 2019. Conversely, the total amount involved in fraudulent activities through Web and ATM increased by 45.72 percent and 17.59 percent to N349.6 million and N359.1 million from N239.9 million and N305.4 million respectively.

Analysis of the returns according to the payment channels, indicated that the amount lost to fraud incidents increased on two parameters (Web and bank branch), while it decreased on three parameters (ATM, Mobile banking and PoS). Total amount lost to frauds through Web and Bank branches increased by 39.24 percent and 656.01 percent to N112.92 million and N1.21 billion from N81.1 million and N160.9 million respectively. The total amount lost to frauds through ATM and Mobile banking decreased by 75.09 percent and 33.02 percent to N14.1 million and N49.5 million from N56.7 million and N73.9 million respectively. In the same vein, the total amount lost to frauds through PoS decreased to N54,596.85 from N6.3 million indicating a fall of 99.14 percent.

Per **Appendix IV (B)**, the amount involved through three instruments of transaction (cheques, cards and slips), increased in the second quarter of 2019, while the amount involved through cash decreased in the same quarter. Frauds through cheques and cards increased by 266.6 percent and 18.73 percent, to N479.4 million and N908.9 million from N130.79 million and N765.5 million reported in the preceding quarter, respectively.

Though the amount involved in frauds through slips, increased to N5.17 million from N3.01 million in the previous quarter, signifying 71.63 percent rise, the amount involved in frauds through cash decreased by 35.45 percent to N1.9 billion from N2.9 billion.

Similarly, actual amount lost to frauds through cheques and cards, declined by 98.11 percent and 19.02 percent, to N280,000 and N176.6 million, from the initial N14.8 million and N218.1 million, in the previous quarter. In contrast, actual amount lost to frauds through cash increased astronomically by 740.18 percent to N1.2 billion, from N144.1 million while the amount lost to frauds through slips also increased by 163.11 percent to N5.1 million from N1.9 million. *Additional details on the channels and instruments that were used to perpetrate fraud in the second quarter of 2019 are graphically illustrated in Appendices III (C) and IV (C).*

During the period under review, deposit money banks reported that the services of forty-seven (47) employees were terminated due to involvement in fraud-related practices. This represents a decrease of 47.48 percent, compared to the preceding quarter when ninety (90) banks' staff were retrenched for similar offences. On the other hand, the number of employees whose appointments were terminated on the grounds of fraud-related offences in the corresponding period of 2018 was fifty-four (54), indicating a decrease of 12.96 percent.

### Summary and Conclusion

An assessment of fraud and forgery incidences within the Nigerian banking industry in the second quarter of 2019, revealed a downward trend in the total number of fraud cases reported and the total amount involved in fraud cases, while there was an upward surge in total amount lost to fraud cases. The number of fraud cases reported during the period decreased by

2.67 percent, from 11,356 to 11,053 while the total amount involved in frauds decreased by 14.37 percent to N3.3 billion in the review quarter from N3.85 billion reported in the preceding quarter. However, the total amount lost to fraudulent activities increased astronomically by 267.55 percent to N1.39 billion from N379.03 million in the previous quarter, while the total number of employees' appointment terminated decreased from 90 to 47 depicting a 47.48 percent fall.

The analysis further indicated a slight decrease of 3.74 percent in the number of electronic fraud<sup>5</sup> incidents from 10,965 to 10,555, in the review quarter. Though the amount involved in electronic fraud increased by 19.46 percent to N908.9 million from N760.9 million, the amount lost to electronic fraud decreased by 19.01 percent from N218.1 million to N176.6 million reported in the first quarter of 2019. Furthermore, electronic fraud contributed 27.53 percent and 12.69 percent, to the total amount that was involved in and actually lost to frauds, while *theft of cash fraud*, ranked first in the total amount that was involved in and actually lost with 39.72 percent and 76.13 percent respectively in the review period.

In conclusion, the analysis of the second quarter frauds and forgeries returns of banks reveal a decrease in the number of fraud cases reported and the total amount involved in fraud cases, while there was a massive leap in the total amount lost to fraudulent activities. In spite of the increase in the total amount involved in electronic banking in the review quarter, there was a fall in the actual amount lost to electronic banking in second quarter of 2019 due to improved security measures deployed on banks' electronic banking platforms. Despite this improvement, it is noteworthy that *theft of cash fraud* featured prominently in the total amount involved in and actual amount lost to fraudulent activities in the review quarter. The rising amount

involved in and actual amount lost to frauds through *theft of cash* was also reported in first quarter of 2019.

### Recommendations

Based on these findings, it is expedient for operators and regulators to further strengthen the internal control measures within bank branches, to reduce the rising incidences of *theft of cash frauds* and its attendant losses. More so, the need for bank staff to undergo formal training on ways of detecting and forestalling fraudulent activities in their institutions, is more expedient.

Finally, banks need to continue educating their customers on the need to keep their banking details safe from fraudulent persons.

*(Please see the appendices below for summaries of the cases of fraud and forgery covered in this report. Comparison between the first quarter of 2019 and Second quarter of 2019, as well as comparison between the Second quarters of 2018 and 2019 on selected concerns.)*

### Notes

- Note 1:** Commercial, merchant and non-interest banks.
- Note 2:** Volume of fraud and forgery.
- Note 3:** Value of fraud and forgery.
- Note 4:** Miscellaneous fraud include unauthorised debit, fraudulent diversions of customers' fund for personal use, fraudulent debit of customers' accounts, fraudulent debit of inter-branch suspense accounts, conversion of dividend warrants, dry postings, diversion of deposits, and misappropriation of funds, etc.
- Note 5:** Consisting of Computer/Web fraud, PoS fraud, Mobile Payment fraud, and ATM fraud.

### Appendices

The following appendices are analysis of Fraud and Forgeries in the Nigerian Banking Industry.

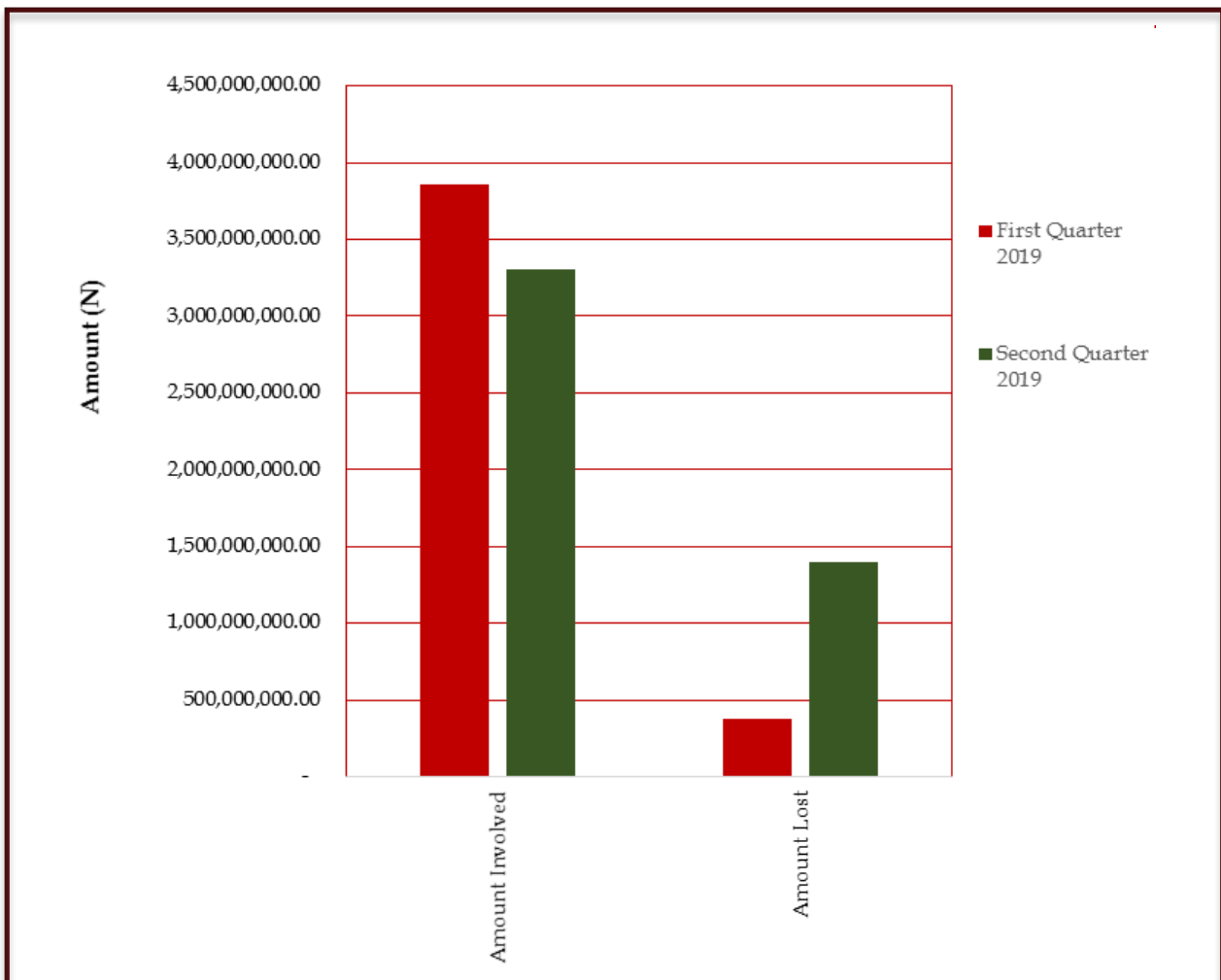
**Appendix I (A)**

**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison Between First Quarter, and Second Quarter, 2019**

S/N	Variables	First Quarter, 2019	Second Quarter, 2019	Percentage (%) Change
1	<b>Total Cases reported</b>	11,356	11,053	(2.67)
2	<b>Total Amount Involved</b>	N3,856,950,614.87	N3,302,617,770.36	(14.37)
3	<b>Total Amount Lost</b>	N379,032,127.62	N1,393,124,486.71	267.55
4	<b>Outsider Involvement</b>	6,291	6,442	2.4
5	<b>Insider (Staff) Involvement</b>	196	184	(6.12)
6	<b>Appointments Terminated</b>	90	47	(47.48)

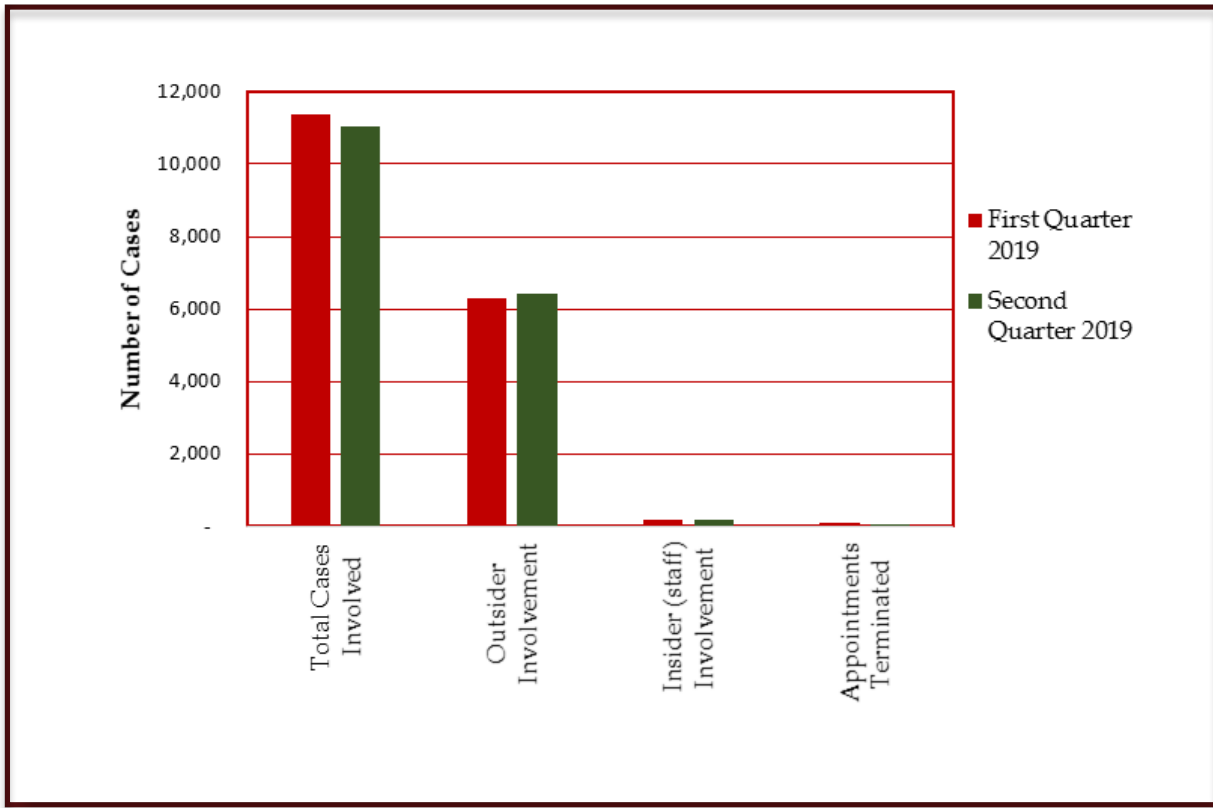
**Appendix I (B)**

**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison Between First Quarter, 2019 and Second Quarter, 2019**



Appendix I (C)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison Between First and Second Quarter, 2019



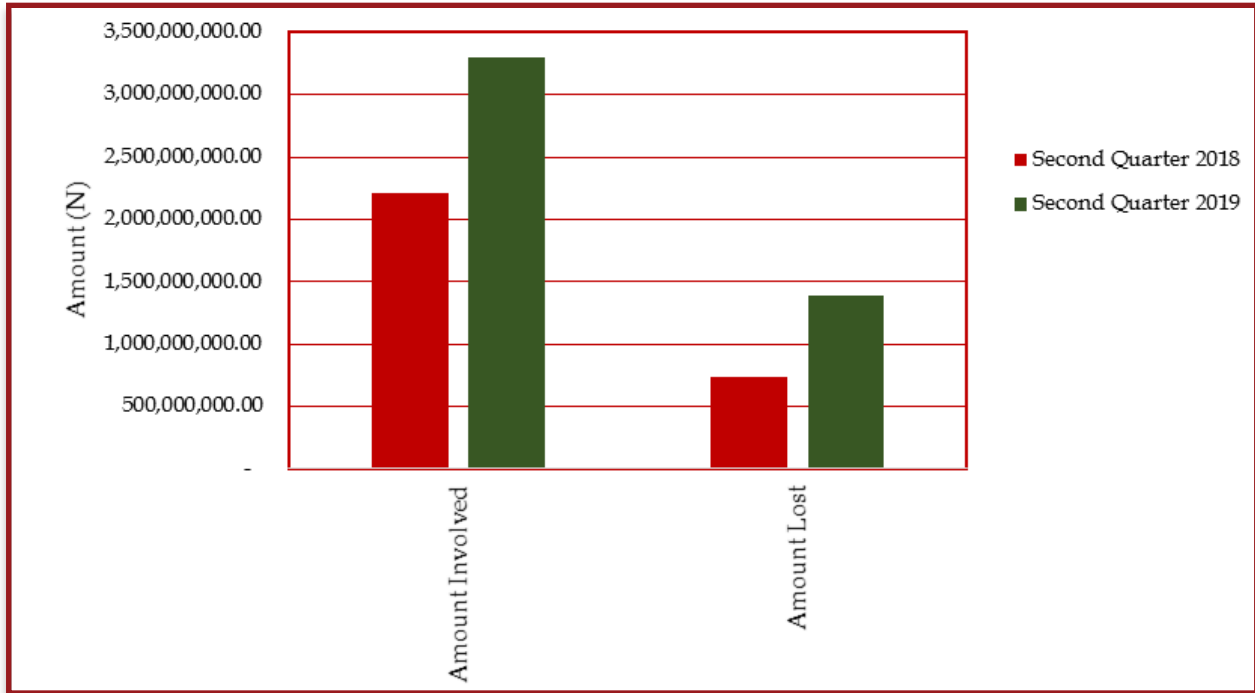
Appendix I (D)

Frauds and Forgeries in the Nigerian Banking Industry: A Comparison Between Second Quarter, 2018 and Second Quarter, 2019

S/N	Variables	Second Quarter, 2018	Second Quarter, 2019	Percentage (%) Change
1	Total Cases reported	9,870	11,053	11.99
2	Total Amount Involved	N2,210,497,121.63	N3,302,617,770.36	49.41
3	Total Amount Lost	N732,178,047.11	N1,393,124,486.71	90.27
4	Outsider Involvement	6,299	6,442	2.27
5	Insider (Staff) Involvement	382	184	(51.83)
6	Appointments Terminated	54	47	(12.96)

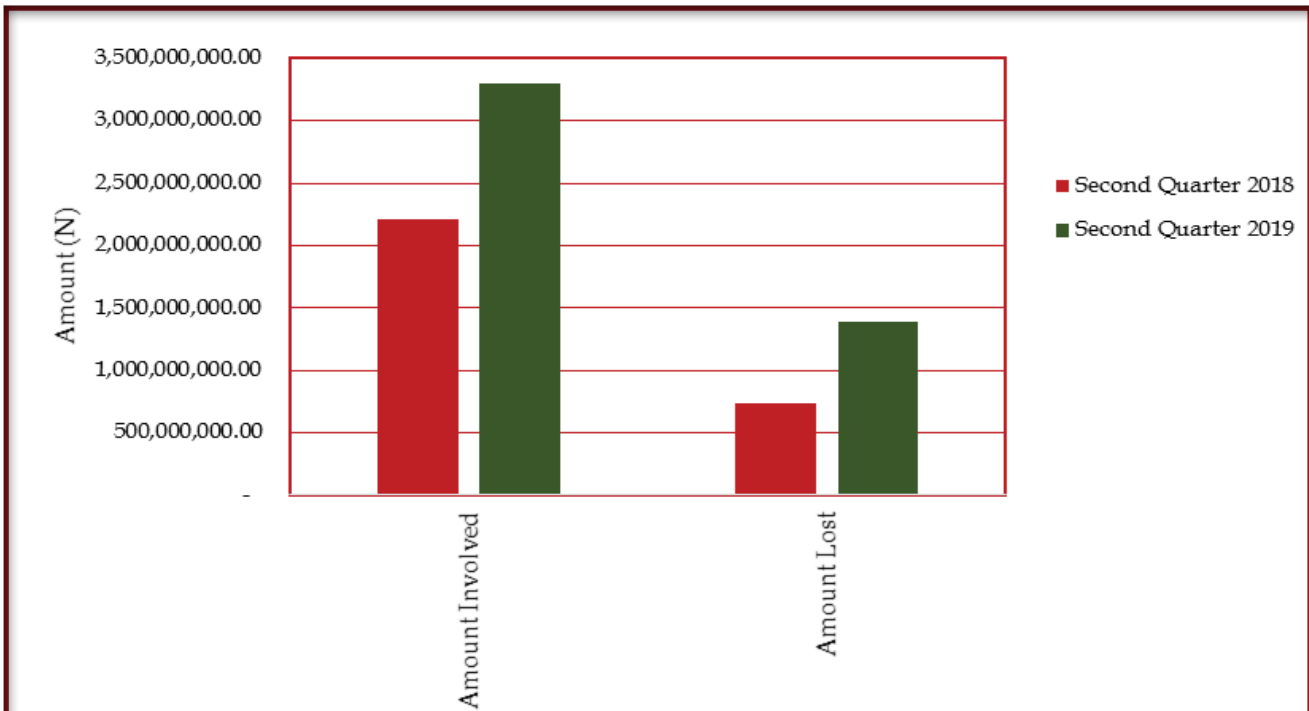
**Appendix I (E)**

**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison Between Second Quarter, 2018 and Second Quarter, 2019**



**Appendix I (F)**

**Frauds and Forgeries in the Nigerian Banking Industry: A Comparison Between Second Quarter, 2018 and Second Quarter, 2019**



**Appendix II (A) Frauds and Forgeries in the Nigerian Banking Industry Second Quarter, 2019)**

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual / Expected Loss (N)	Expected Loss/ Amount Involved (%)
Telling Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Falsification of Accounts: Current/ Cheque, Savings/ Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Forged Cheques with Forged Signature	38 (0.34)	4 (2.17)	33 (0.51)	0 (0)	1 (0.02)	484,904,960.00 (14.68)	280,000.00 (0.02)	0.1
Printing of Bank Document Illegally	2 (0.02)	1 (0.54)	1 (0.02)	0 (0)	0 (0)	201,040,000.00 (6.09)	0 (0)	0
Clearing Fraud	7 (0.06)	0 (0)	7 (0.11)	0 (0)	0 (0)	4,991,015.00 (0.15)	0 (0)	0
Computer/Web Fraud	2,778 (25.13)	1 (0.54)	1,372 (21.30)	0 (0)	1,405 (31.75)	349,620,440.22 (10.59)	112,925,390.93 (8.11)	32.3
Mobile Fraud	1,946 (17.61)	2 (1.09)	548 (8.51)	0 (0)	1,396 (31.55)	187,593,040.40 (5.68)	49,529,209.48 (3.56)	0.00
Foreign Exchange Fraud	1 (0.01)	0 (0)	1 (0.02)	0 (0)	0 (0)	2,648,160.00 (0.08)	0.00 (0)	0
Cross Firing of Cheques and Kite Flying	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00

**Appendix II (A) Cont'd: Frauds and Forgeries in the Nigerian Banking Industry Second Quarter, 2019)**

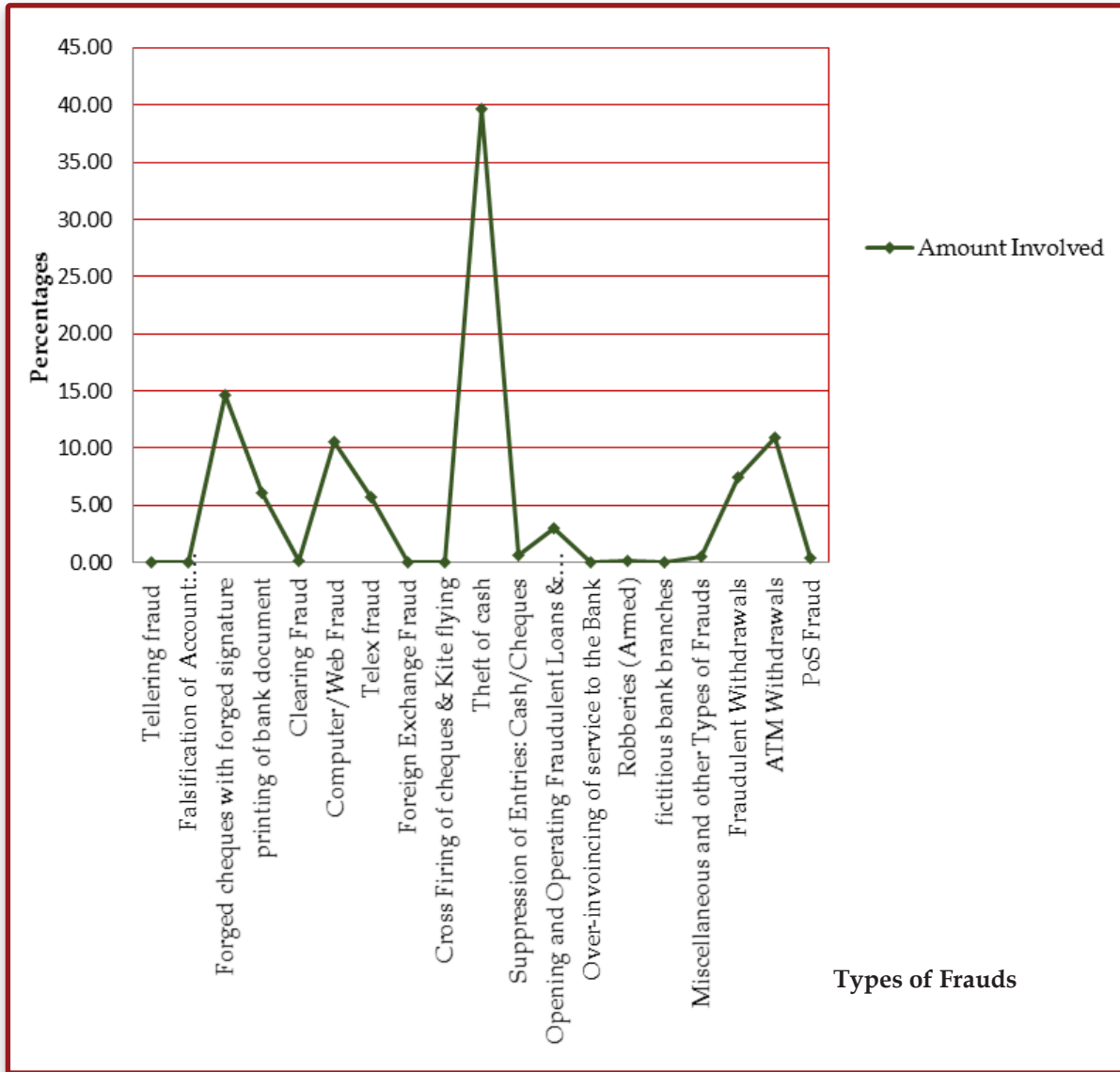
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual / Expected Loss (N)	Expected Loss/ Amount Involved (%)
Theft of Cash	24 (0.22)	17 (9.24)	4 (0.06)	0 (0)	3 (0.07)	1,311,735,151.08 (39.72)	1,060,575,500.00 (76.13)	80.9
Suppression of Entries: Cash/ Cheques	122 (0.10)	122 (62.30)	0 (0)	0 (0)	0 (0)	21,488,469.15 (0.65)	10,303,731.16 (0.74)	48.0
Opening & Operating Fraudulent Loans & Accounts	93 (0.84)	1 (0.54)	92 (1.43)	0 (0)	0 (0)	100,209,296.84 (3.03)	750,000 (0.05)	0.7
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Robberies (Armed)	1 (0.01)	0 (0)	1 (0.02)	0 (0)	1 (0)	3,293,000.00 (0.10)	3,293,000.00 (0.24)	100
Fictitious Bank Branches	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
Miscellaneous and Other Types of Fraud	34 (0.31)	17 (9.24)	11 (0.17)	0 (0)	6 (0.14)	16,522,105.83 (0.50)	6,924,616.66 (0.50)	41.9
Fraudulent Withdrawals	186 (1.68)	13 (7.07)	133 (1.76)	2 (100)	58 (1.31)	246,800,242.41 (7.47)	134,331,672.38 (9.64)	54.4
ATM Withdrawals	5,625 (50.89)	6 (3.26)	4,088 (63.46)	0 (0)	1,531 (34.60)	359,160,249.79 (10.88)	14,137,071.25 (1.01)	3.9
PoS Fraud	196 (1.77)	0 (0)	171 (2.65)	0 (0)	25 (0.56)	12,611,639.64 (0.38)	74,296,85 (1.01)	0.6
<b>Total</b>	<b>11,053</b>	<b>184</b>	<b>6,442</b>	<b>2</b>	<b>4,425</b>	<b>3,302,617,770.361</b>	<b>393,124,486.71</b>	<b>362.8</b>

Note: All figures in parenthesis ( ) indicate percentages



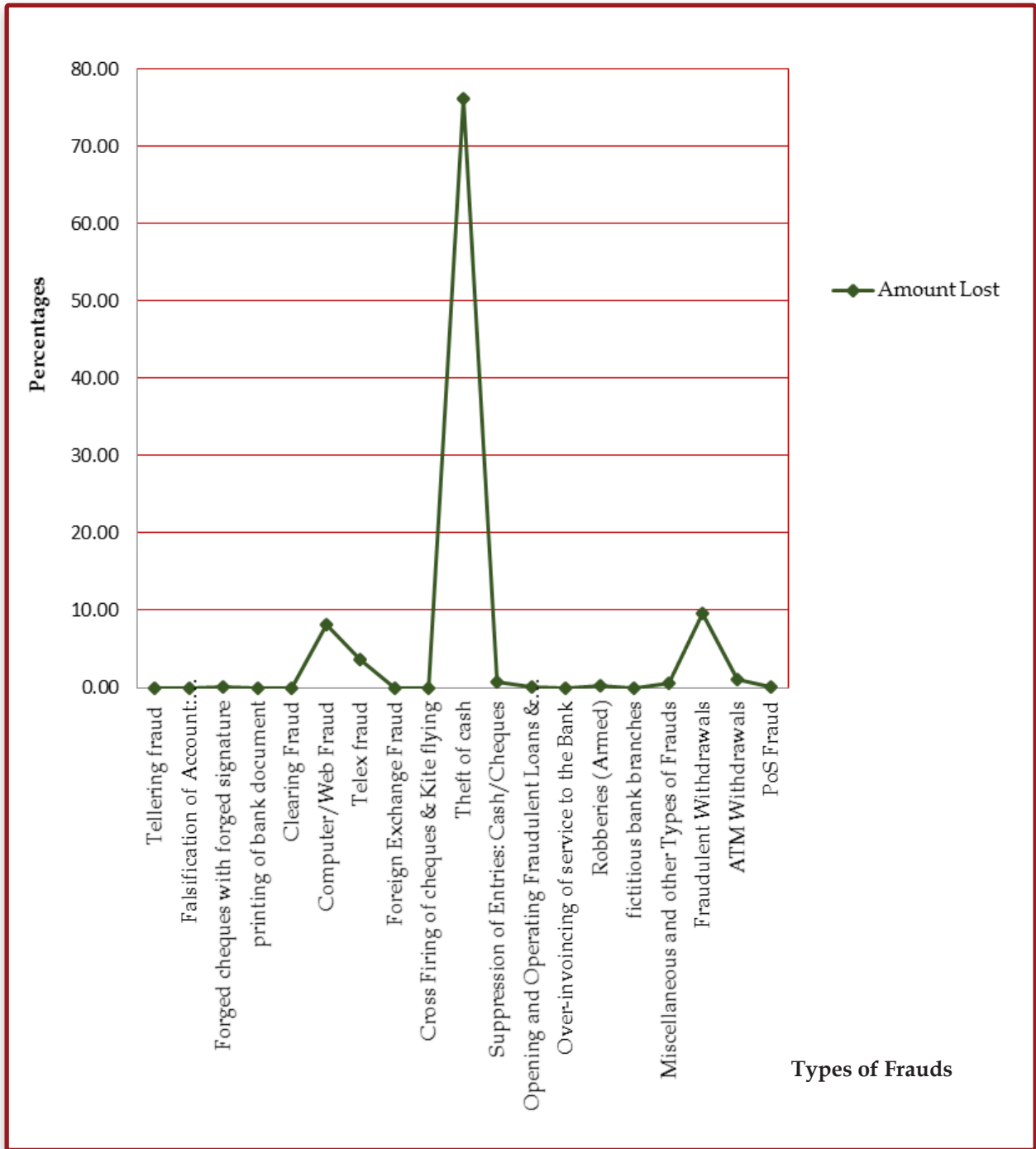
**Appendix II (B)**

**Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter, 2019)**



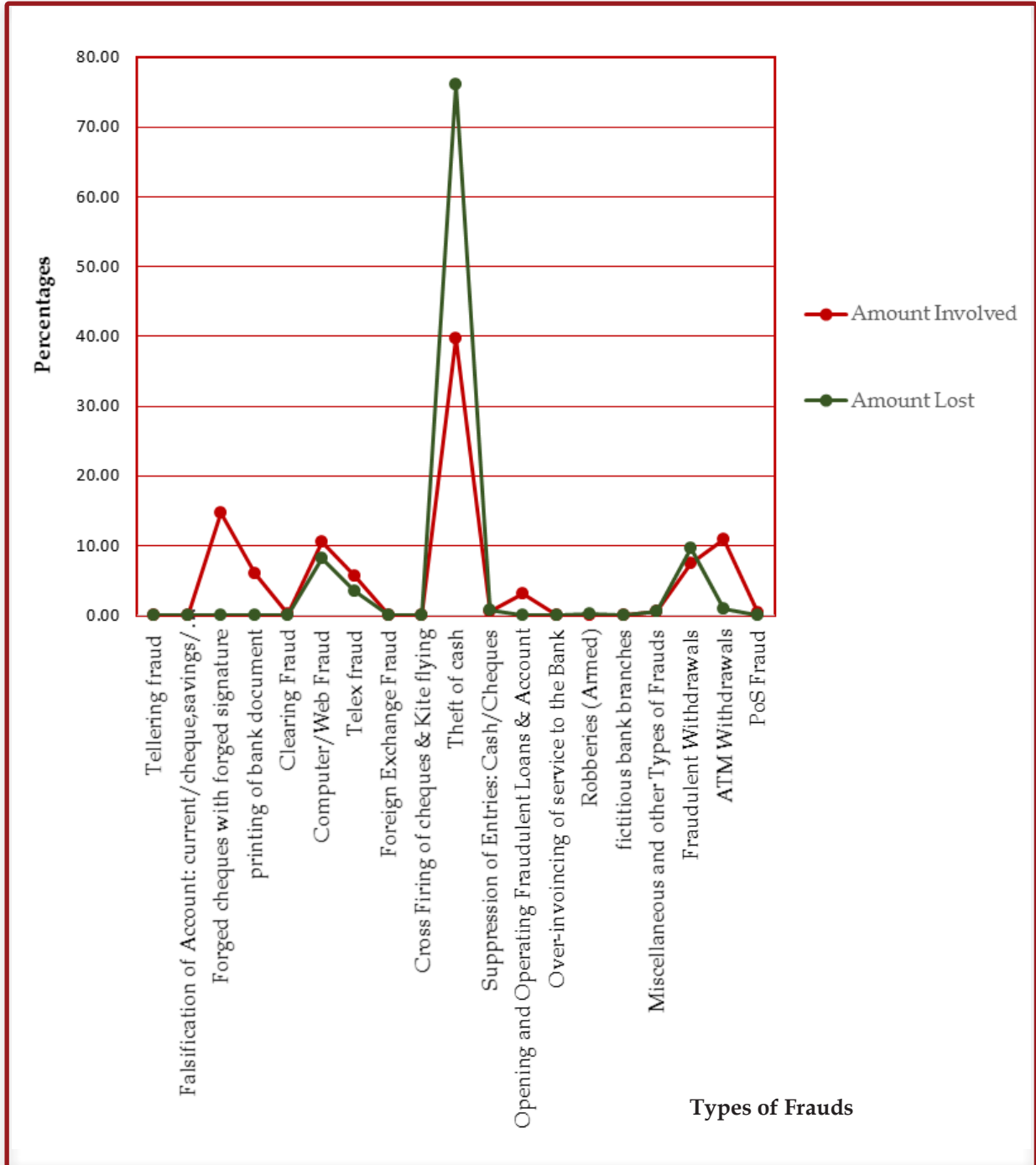
Appendix II (C)

Percentage Distribution of Amount Involved in Frauds and Forgeries (Second Quarter, 2019)



Appendix II (D)

Percentage Distribution of Amount Involved in and the Amount Lost to Frauds and Forgeries (Second Quarter, 2019)



**Appendix III (A)**

**Frauds and Forgeries Through Various Payment Channels: A Comparison Between First Quarter, 2019 and Second Quarter, 2019**

S/N	Channels	Cases: First Quarter, 2019	Cases: Second Quarter, 2019	Percentage (%) Change
1	Web	3,223	2,778	(13.81)
2	ATM	5,370	5,625	4.75
3	Bank Branch	400	508	27.00
4	Mobile	2,174	1,946	(10.49)
5	POS	188	196	4.26
6	Van	0	0	-
7	Agent	1	0	-
	<b>Total</b>	<b>11,356</b>	<b>(11,053)</b>	<b>(2.67)</b>

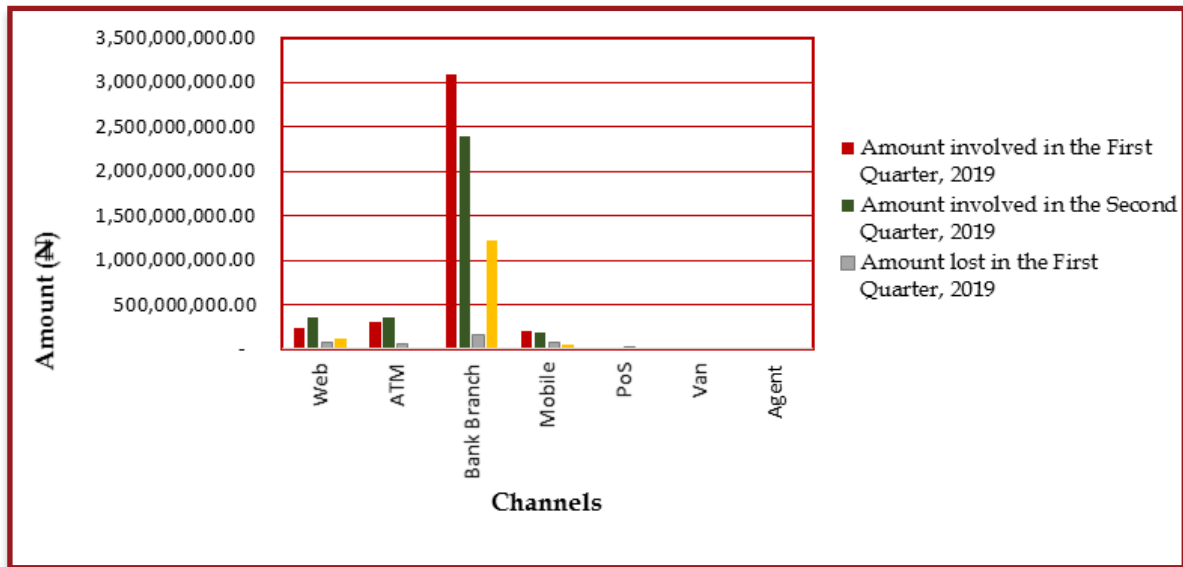
**Appendix III (B)**

**Amount Involved and Amount Lost to Fraud Through Various Payment Channels: A Comparison Between First Quarter, 2019 and Second Quarter, 2019**

S/N	Channels	Amount Involved, First Quarter, 2019 (N)	Amount Involved, Second Quarter, 2019 (N)	Percentage (%) Change	Amount Lost, First Quarter, 2019 (N)	Amount Lost, Second Quarter, 2019 (N)	Percentage (%) Change
1	Web	239,927,793.96	349,620,440.22	45.72	81,101,053.50	112,925,390.93	39.24
2	ATM	305,446,335.91	359,160,249.79	17.59	56,744,023.87	14,137,071.25	(75.09)
3	Bank Branch	3,091,083,513.62	2,393,632,400.31	(22.56)	160,906,834.57	1,216,478,218.20	656.01
4	Mobile	199,200,278.48	187,593,040.40	(5.83)	73,949,059.43	49,529,209.48	(33.02)
5	POS	21,010,624.90	12,611,639.64	(39.97)	6,331,156.25	54,596.85	(99.14)
6	Van	-	-	-	-	-	-
7	Agent	282,068.00	-	-	-	-	-
	<b>Total</b>	<b>3,856,950,614.87</b>	<b>3,302,617,770.36</b>	<b>(14.37)</b>	<b>379,032,127.62</b>	<b>1,393,124,486.71</b>	<b>267.55</b>

Appendix III (C)

Amount Involved and Amount Lost to Fraud Through Various Payment Channels: A Comparison Between First Quarter, 2019 and Second Quarter, 2019



Appendix IV (A)

Frauds and Forgeries Through Various Instruments: A Comparison Between First Quarter, 2019 and Second Quarter, 2019

S/N	Instruments	Cases: First Quarter, 2019	Cases: Second Quarter, 2019	Percentage (%) Change
1	Cash	384	472	22.92
2	Cheques	10,955	10,545	(3.74)
3	Cards	15	34	126.67
4	Slips	2	2	-
	<b>Total</b>	<b>11,356</b>	<b>11,053</b>	<b>(2.67)</b>

**Appendix IV (B)**

**Amount Involved and Amount Lost to Fraud Through Various Instruments of Transaction: A Comparison Between First Quarter, 2019 and Second Quarter, 2019**

S/N	Instruments	Amount Involved, First Quarter, 2019 (N)	Amount Involved, Second Quarter, 2019 (N)	Percentage (%) Change	Amount Lost, First Quarter, 2019 (N)	Amount Lost, Second Quarter, 2019 (N)	Percentage (%) Change
1	Cash	2,957,554,451.62	1,908,964,166.31	(35.45)	144,139,704.57	1,211,032,944.20	740.18
2	Cheques	130,794,000.00	479,489,960.00	266.60	14,804,000.00	280,000.00	(98.11)
3	Cards	765,585,033.25	908,985,370.05	18.73	218,125,293.05	176,646,268.51	(19.02)
4	Slips	3,017,130.00	5,178,274.00	71.63	1,963,130.00	5,165,274.00	163.11
	<b>Total</b>	<b>3,856,950,614.87</b>	<b>3,302,617,770.36</b>	<b>(14.37)</b>	<b>379,032,127.62</b>	<b>1,393,124,486.71</b>	<b>267.55</b>

**Appendix IV (C)**

**Amount Involved and Amount Lost to Fraud Through Various Instruments of Transaction: A Comparison Between First Quarter, 2019 and Second Quarter, 2019**

