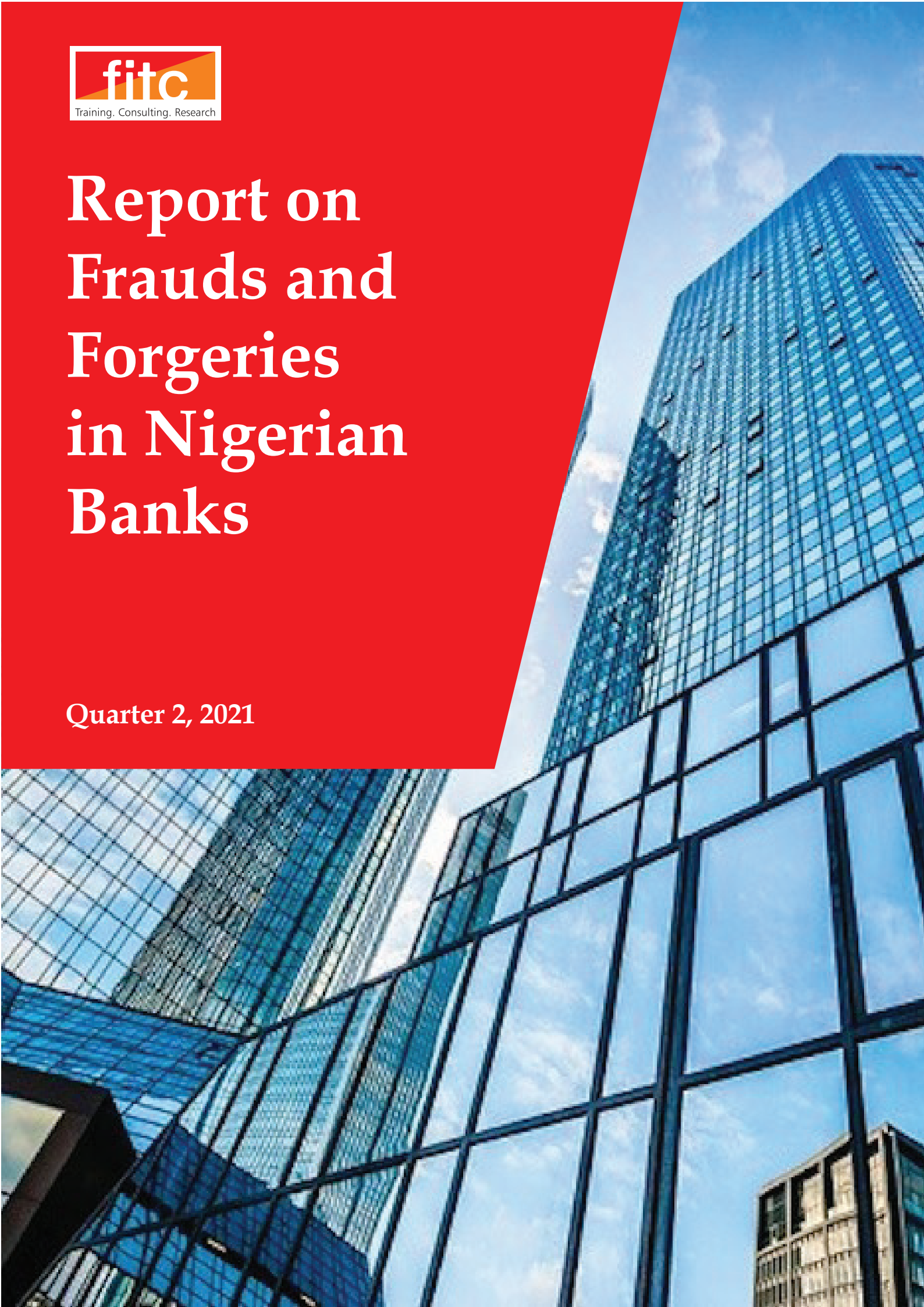




# Report on Frauds and Forgeries in Nigerian Banks

Quarter 2, 2021



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# Report on Frauds and Forgeries in Nigerian Banks

Second Quarter, 2021

## 1. Overview

FITC received Seventy (70) returns from Twenty-Four (24) deposit money banks<sup>1</sup> on incidences of frauds and forgeries in the second quarter of 2021. An analysis of these returns reveal that Twenty-Two (22) returns were received in April 2021, Twenty-Four (24) returns were received for May 2021 while another Twenty-Four (24) returns were received in June 2021 respectively.

## 2. Volume and Value of Fraud Cases

A total of Thirty-Three Thousand, Six Hundred and Forty-One (33,641) cases<sup>2</sup> of Frauds and Forgeries were reported in the second quarter of 2021, compared to the Fifty-Nine Thousand, Four Hundred and Forty-Five (59,445) reported cases in the first quarter of 2021, indicating a decrease of 43.41 percent between the periods. The most prevalent fraud types during the periods included Computer/Web fraud, Mobile Banking fraud, and ATM Frauds. Appendices I and II illustrate fraud activities that occurred during the period.

The total amount<sup>3</sup> reported to be involved in fraud cases during the period decreased by 41.47 per cent to N6.84 billion from N11.69 billion while the amount lost to fraud incidences also decreased to N594.18 million from N726.4 million reported in the first quarter of 2021 indicating a fall of 18.21 per cent. The decrease in the amount involved in and amount lost to frauds could be attributed to improved security measures on electronic platforms of deposit money banks and stringent internal control measures in bank branches in the quarter under review.

A ranking of fraud types according to the magnitude indicated that

Web Fraud ranked first at N4.52 billion (66.07 per cent), Fraudulent Withdrawals Frauds ranked second at N815.6 million (11.91 per cent), while Mobile Frauds and ATM Withdrawals Frauds ranked third and fourth at N688.4 billion (10.06 per cent) and N327.9 million (4.79 per cent) respectively.

The amount reported to be involved in and actual amount lost to frauds and forgeries during the period under review is presented in tabular form in Appendix II (A).

Fraudulent Withdrawals frauds contributed N257.9 million (43.41 per cent) to the amount lost to frauds, Forged cheques with forged signature ranked second with N138.3 million (23.28 per cent), while Mobile Frauds accounted for N132.8 million (22.35 per cent) of the total amounts lost to frauds in the quarter under review.

The amount involved in, and actual amount lost to frauds and forgeries activities during the review period is graphically illustrated in Appendices II (B), (C), (D), (E) and (F).

## 3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the second quarter of 2021, fraudulent activities were perpetuated through different channels such as the ATMs, Web, Mobile Banking Platforms, Bank branches and PoS (Point of Sale) terminals. The instruments used to carry out most fraudulent activities in Q1 2021- were Cards and Cash while Cheques and slips accounted for lesser percentage of the amounts involved and lost to frauds in the quarter.

Analysis of banks' returns with regards to the payment channels as

presented in Appendix III (A), show that the volume of frauds decreased on all five parameters (Web, ATM, Bank branch, Mobile and PoS).

Data in Appendix III (B) reveal that the amount involved in frauds through web and ATM decreased by 45.03 per cent and 74.17 per cent to N4.3 billion and N246.1 million from N7.9 billion and N952.9 million while frauds perpetrated through bank branches and mobile channels declined by 30.55 per cent and 3.93 per cent to N1.07 billion and N1.04 billion from N1.5 billion and N1.08 billion reported in the first quarter of 2021. Similarly, frauds through PoS channels fell by 29.87 per cent to N105.1 million from N149.8 million in the previous quarter.

Further analysis of the returns according to payment channels, indicated that the amount lost to frauds through web and mobile decreased by 79.59 per cent and 27.09 per cent to N21.6 million and N268.3 million from N106.02 million and N368.04 million respectively while amount lost to PoS frauds decreased to N9.8 million from N49.5 million indicating a fall of 80.11 per cent. Conversely, amount lost to frauds through ATM increased marginally by 0.58 per cent to N4.33 million from N4.30 million while frauds through bank branches increased by 46.08 per cent from N198.5 million in the previous quarter to N292.02 million.

Appendix IV (B) indicates that the amount involved through three instruments of transaction (Cheques, Cards and Slips) decreased, while the amount involved through Cash increased in the second quarter of 2021. Frauds through cheques and cards decreased by 84.99 per cent and 43.13 per cent, to N175.8 million and N5.7 billion from N1.17 billion and

N10.1 billion. Though amount involved in frauds through cash grew by 141.15 per cent to N896.6 million from N371.8 million, fraudulent activities through slips decreased by 78.26 per cent to N250,000.00 from N1.1 million reported in the previous quarter.

Actual amount lost to frauds through cheques and cards, decreased by 62.66 per cent and 42.38 per cent to N1.8 million and N304.1 million from N5.05 million and N527.9 million respectively in the first quarter of 2021, while amount lost to frauds through cash increased by 49.47 percent to N288.1 million from N192.7 million. No amount was lost to frauds through slips in the reviewed quarter. Additional details on the channels and instruments that were used to perpetrate frauds in the first quarter of 2021 are graphically illustrated in Appendices III (C) and IV (C).

During the period under review, deposit money banks reported that the services of Four--- (4) employees were terminated due to their involvement in fraud-related practices. This represents an increase of 100 per cent, compared to the preceding quarter when Two (2) 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 2020 was Fourteen (14), indicating a decrease of 71.43 percent.

#### 4. Summary and Conclusion

An assessment of frauds and forgery incidences within the Nigerian banking industry in the second quarter of 2021, reveal a decrease in the number of fraud cases reported with a reduction in the total amount involved in and actual amount lost to fraudulent activities.

The number of fraud cases reported during the period decreased by 43.41 per cent to 33,641 from 59,445 while the total amount involved in frauds fell by 41.47 per cent to N6.8 billion from N11.6 billion. Also, actual amount lost to fraud incidences decreased to N594.1 million from N726.43 million reported in the first quarter of 2021 indicating a fall of 18.21 per cent. In conclusion, the analysis of the second quarter 2021 frauds and forgeries returns of banks reveal a decrease in the number of fraud cases reported with a reduction in the total amount involved in and actual amount lost to fraudulent activities. The decrease in the amount involved in and actual amount lost to frauds could be attributed to improved security measures on electronic platforms and branches of deposit money banks in Nigeria.

#### 5. Recommendations

The reduction in the amount involved in and actual amount lost to frauds in the quarter 2, 2021 is commendable. Thus, banks should further strengthen the security measures of their electronic platforms to sustain the reduction in the amount involved in and actual amount lost to frauds. The internal control measures of deposit money bank branches should also be bolstered to ensure a reduction in the amount lost to frauds.

Web frauds contributed the highest to the amount involved in fraudulent activities while Fraudulent Withdrawals frauds accounted for the vast amount lost to frauds in the review quarter. Thus, deposit money banks in Nigeria should improve the control measures around their web platforms and other electronic channels to reduce the incidence of fraud incidences. Continuous sensitization of bank customers on safe banking practices is required to

sustain the decline in the volumes of electronic frauds<sup>4</sup> being perpetrated by fraudsters. Finally, staff of Nigerian banks need to undergo formal training on ways of detecting and forestalling fraudulent activities in their branches and through other payment channels of their institutions.

*The appendices below show summaries of the cases of Frauds and forgeries covered in this report. A comparison was done between the first and second quarter of 2021, as well as between the second quarters of 2020 and 2021 on selected parameters.*

#### Notes:

- Note<sup>1</sup>: Commercial, Merchant, and non-interest banks.
- Note<sup>2</sup>: Volume of fraud and forgeries.
- Note<sup>3</sup>: Value of fraud and forgeries.
- Note<sup>4</sup>: Consisting of Computer/Web fraud, PoS fraud, Mobile Payment fraud, and ATM fraud.

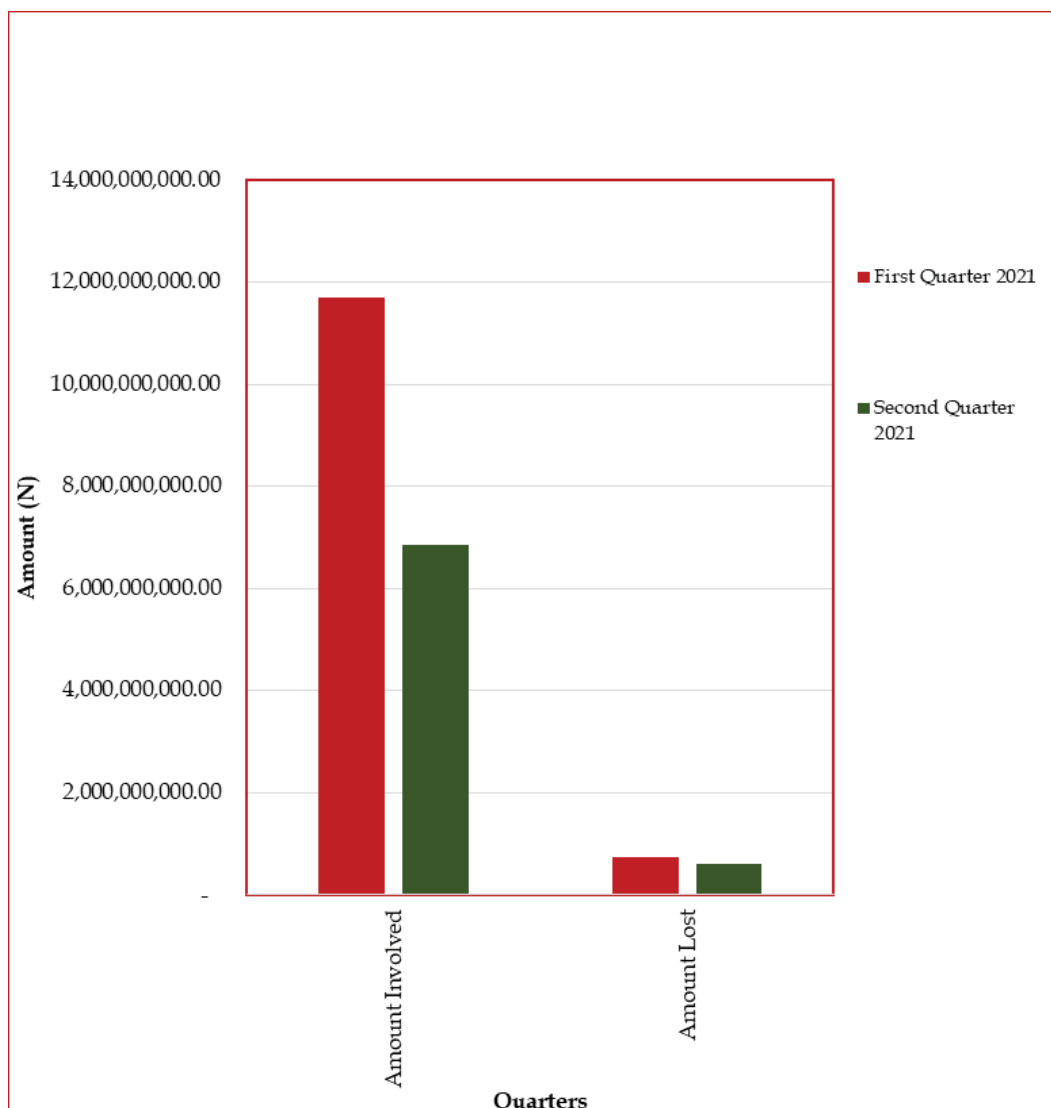
6. Appendices - Analysis of Fraud and Forgeries in the Nigerian Banking Industry

Appendix I (A)  
A Comparison of Fraud Activities between First Quarter 2021 and Second Quarter 2021

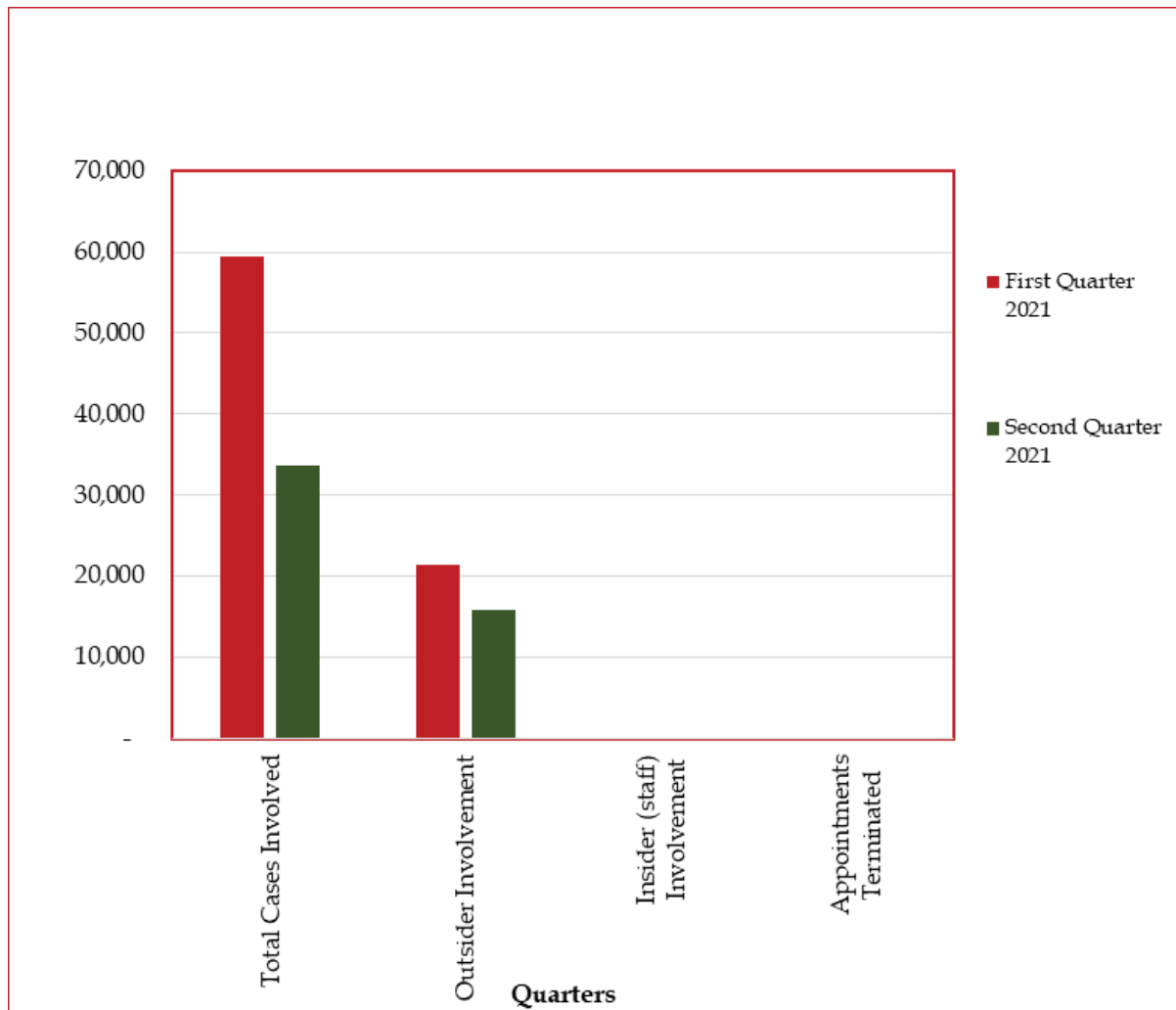
S/N	Variables	First Quarter, 2021	Second Quarter, 2021	Percentage (%) change
1	Total Cases Reported	59,445	33,641	(43.41)
2	Total Amount Involved	N11,696,979,915.79	N6,845,823,280.49	(41.47)
3	Total Amount lost	N726,438,772.53	N594,182,105.77	(18.21)
4	Outsider Involvement	21,392	15,913	(25.61)
5	Insider (Staff) Involvement	73	82	12.33
6	Appointments Terminated	2	4	100

Appendix I (B)

A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter 2021 and Second Quarter 2021



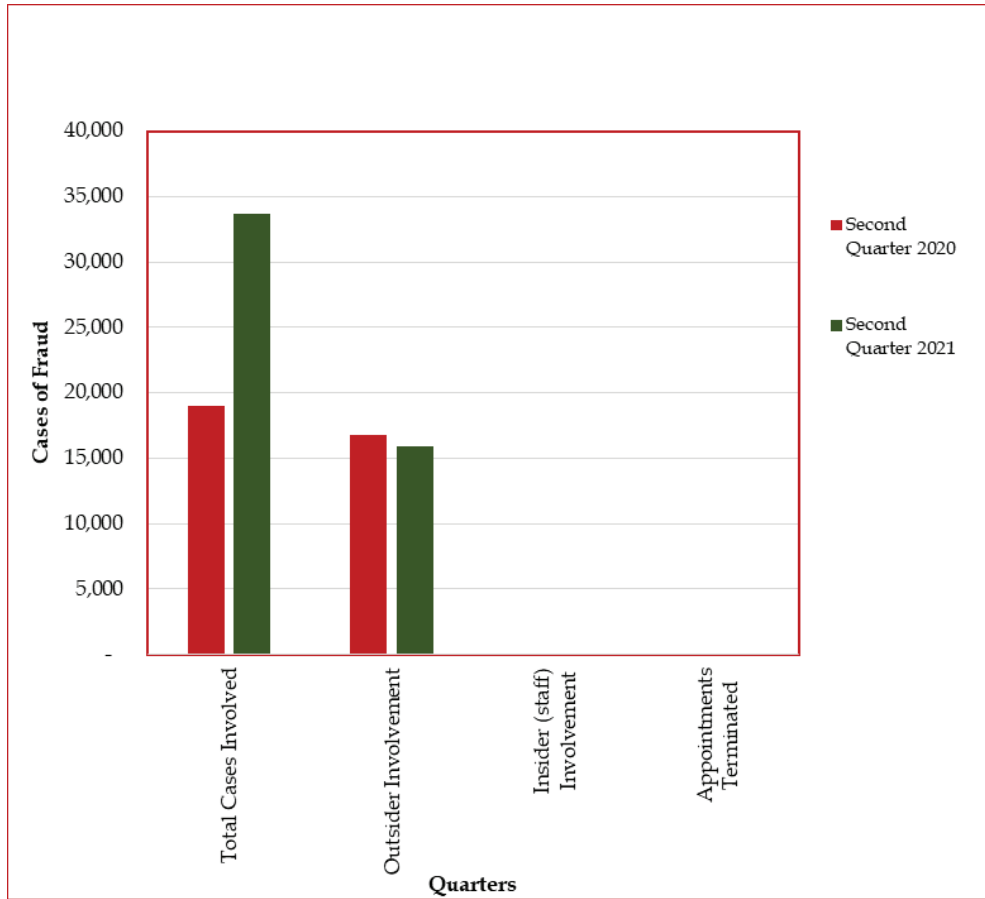
Appendix I (C)  
A Comparison of Fraud Activities between First Quarter 2021 and Second Quarter 2021



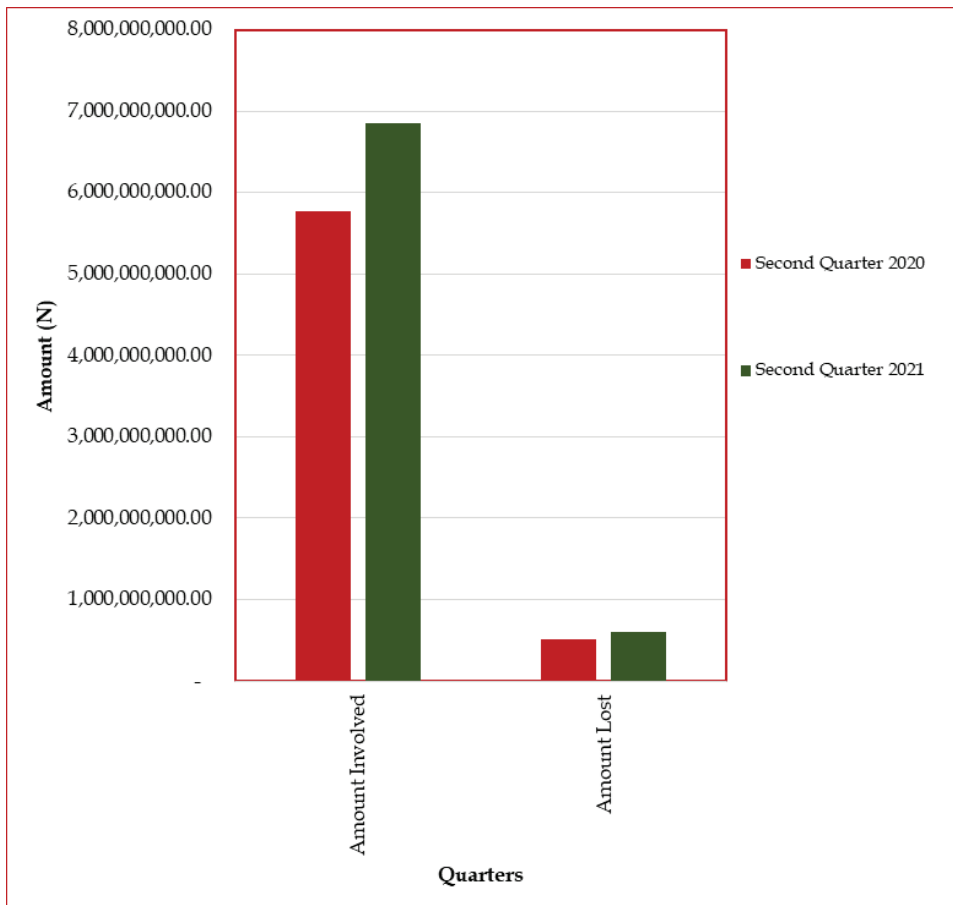
Appendix I (D)  
A Comparison of Frauds Activities between Second Quarter 2020 and Second Quarter 2021

S/N	Variables	First Quarter, 2020	First Quarter, 2021	Percentage (%) change
1	Total Cases Reported	19,007	33,641	76.99
2	Total Amount Involved	N5,768,499,321.41	N6,845,823,280.49	18.68
3	Total Amount lost	N511,312,137.60	N594,182,105.77	16.27
4	Outsider Involvement	16,787	15,913	(5.21)
5	Insider (Staff) Involvement	77	82	6.49
6	Appointments Terminated	14	4	(71.43)

Appendix I (E)  
A Comparison of Frauds Activities between Second Quarter 2020 and Second Quarter 2021



Appendix I (F)  
A Comparison of Amount Involved and Amount Lost to Frauds between Second Quarter 2020 and Second Quarter 2021



## Appendix II (A): Frauds and Forgeries Activities in the Second Quarter, 2021

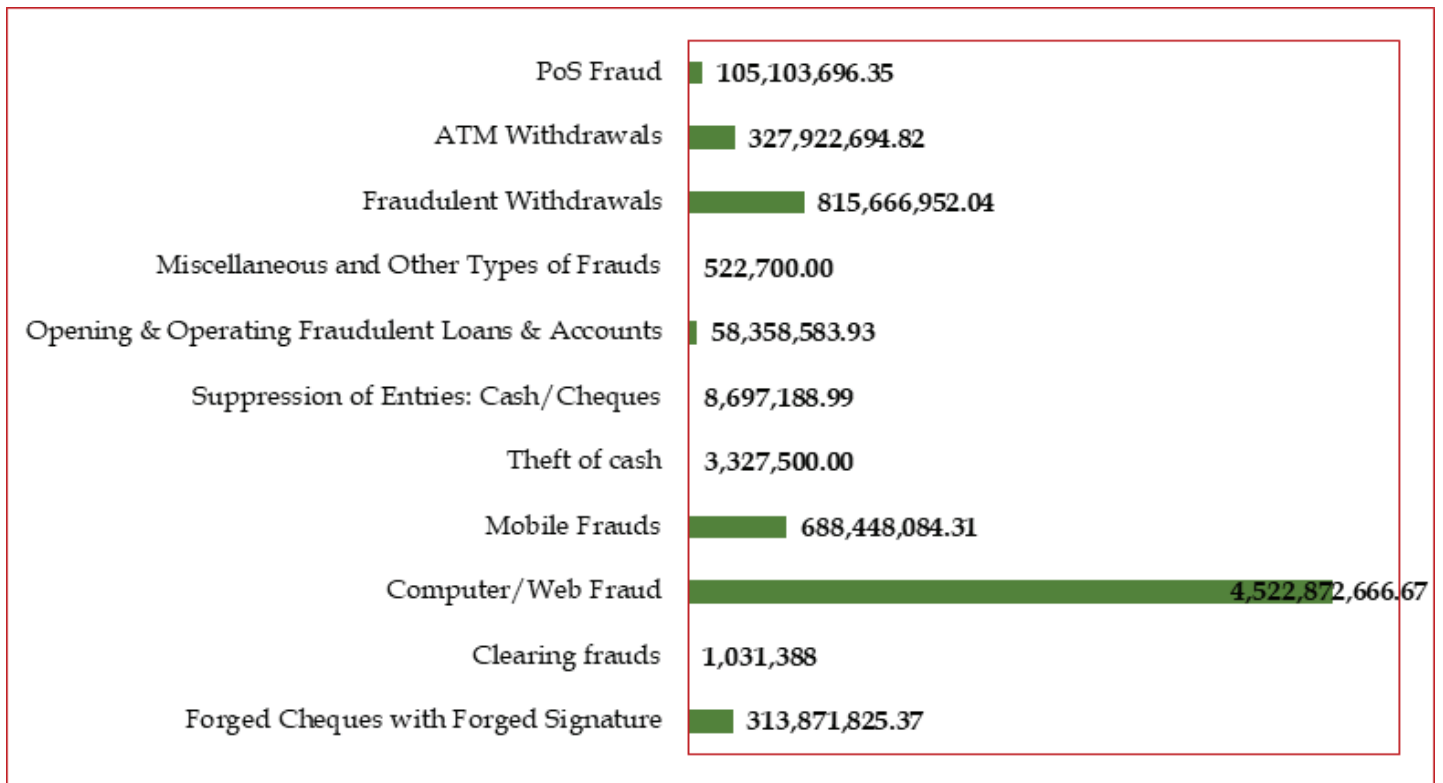
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Teller Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Falsification of Accounts: Current/Cheque, Savings/Deposits, Suspense Accounts	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Forged Cheques with Forged Signature	40 (0.12)	3 (3.66)	21 (0.13)	0 (0)	16 (0.09)	313,871,825.37 (4.58)	138,352,725.37 (23.28)	44.1
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	2 (0.01)	0 (0)	2 (0.01)	0 (0)	0 (0)	1,031,388 (0.02)	0 (0)	0
Computer/Web Fraud	8,685 (25.82)	0 (0)	3,887 (24.43)	0 (0)	4,798 (27.19)	4,522,872,666.67 (66.07)	25,918,829.02 (4.36)	0.6
Mobile Fraud	5,965 (17.73)	1 (1.22)	3,201 (20.12)	0 (0)	2,763 (15.66)	688,448,084.31 (10.06)	132,803,245.57 (22.35)	19.3
Foreign Exchange Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (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
Theft of Cash	5 (0.01)	5 (6.10)	0 (0)	0 (0)	0 (0)	3,327,500.00 (0.05)	1,537,500.00 (0.26)	46.2



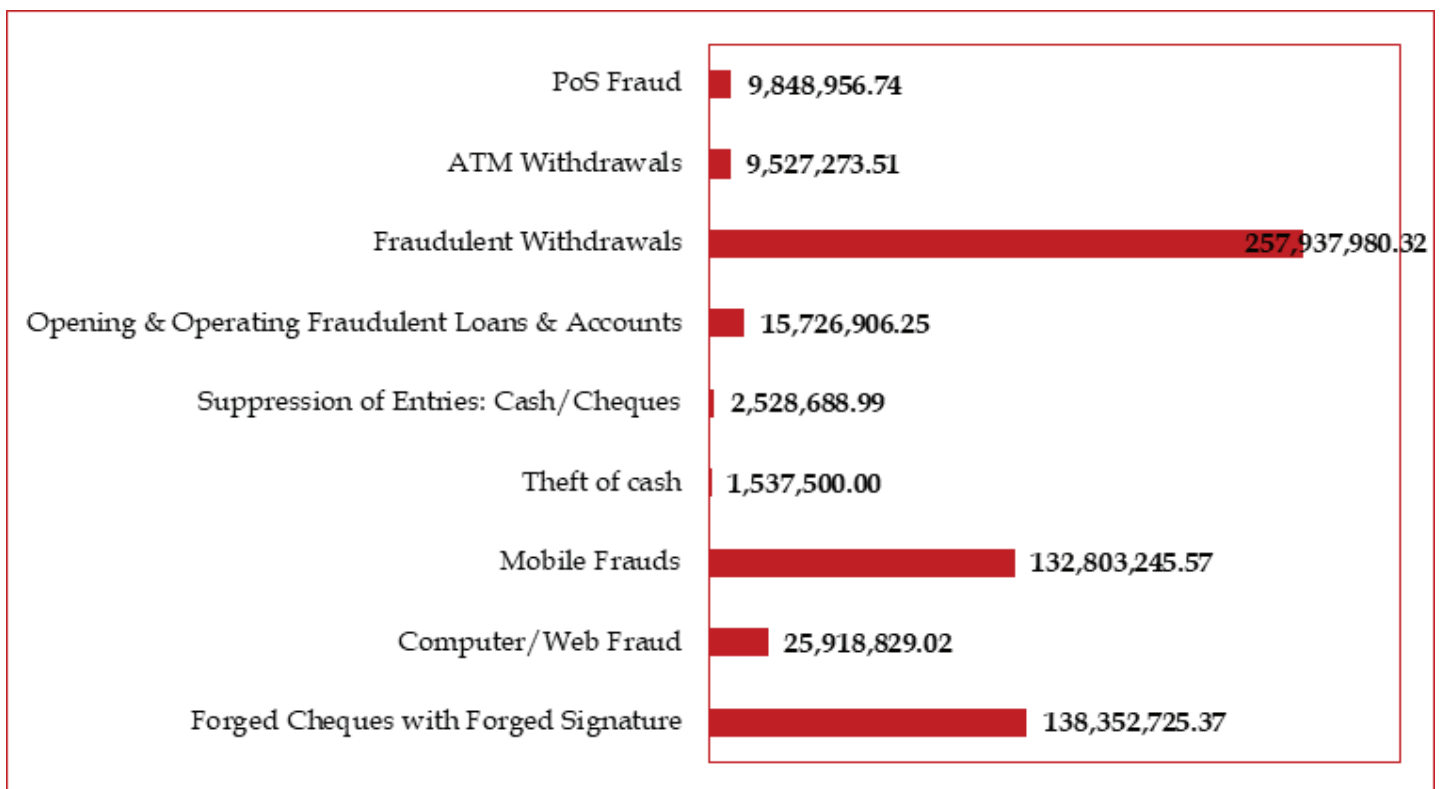
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (₦)	Actual/Expected Loss (₦)	Expected Loss/Amount Involved (%)
Suppression of Entries: Cash/Cheques	22 (0.07)	22 (26.83)	0 (0)	0 (0)	0 (0)	8,697,188.99 (0.13)	2,528,688.99 (0.43)	29.1
Opening & Operating Fraudulent Loans & Accounts	169 (0.5)	5 (6.10)	163 (1.02)	0 (0)	1 (0.01)	58,358,583.93 (0.85)	15,726,906.25 (2.65)	26.9
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)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.00
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	7 (0.02)	2 (2.44)	2 (0.01)	0 (0)	3 (0.02)	522,700.00 (0.01)	0 (0)	0.00
Fraudulent Withdrawals	11,956 (35.54)	43 (52.44)	2,975 (18.70)	0 (0)	8,938 (50.65)	815,666,952.04 (11.91)	257,937,980.32 (43.41)	31.6
ATM Withdrawals	5,725 (17.02)	1 (1.22)	4,748 (29.84)	0 (0)	976 (5.53)	327,922,694.82 (4.79)	9,527,273.51 (1.60)	2.9
PoS Fraud	1,065 (3.17)	0 (0)	914 (5.74)	0 (0)	151 (0.86)	105,103,696.35 (1.54)	9,848,956.74 (1.66)	9.4
<b>Total</b>	<b>33,641</b>	<b>82</b>	<b>15,913</b>	<b>0</b>	<b>17,646</b>	<b>6,845,823,280.49</b>	<b>594,182,105.77</b>	<b>210.1</b>

Note: All figures in parenthesis ( ) indicate percentages

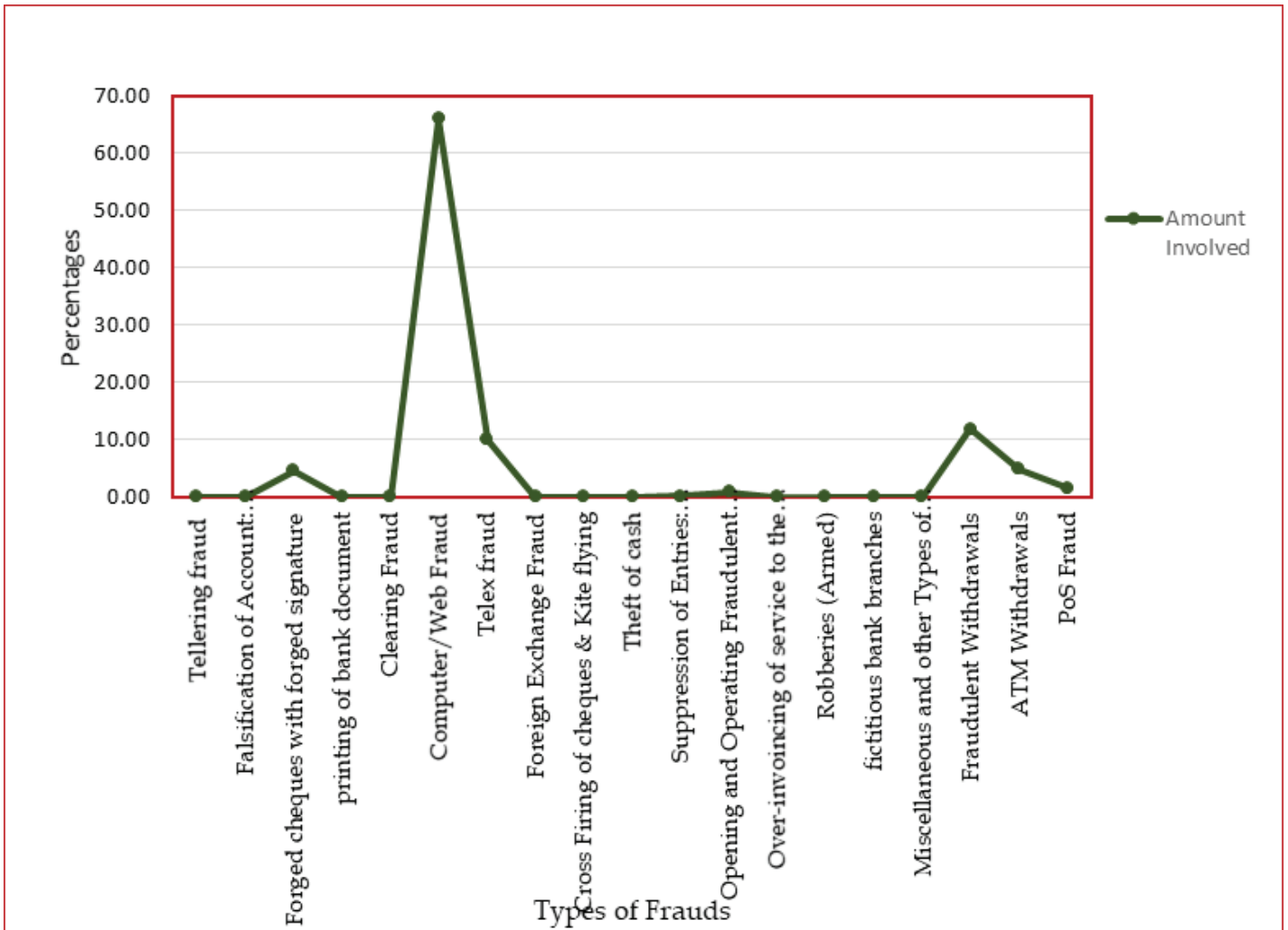
Appendix II (B)  
Amount Involved in Frauds and Forgeries Activities (Second Quarter, 2021)



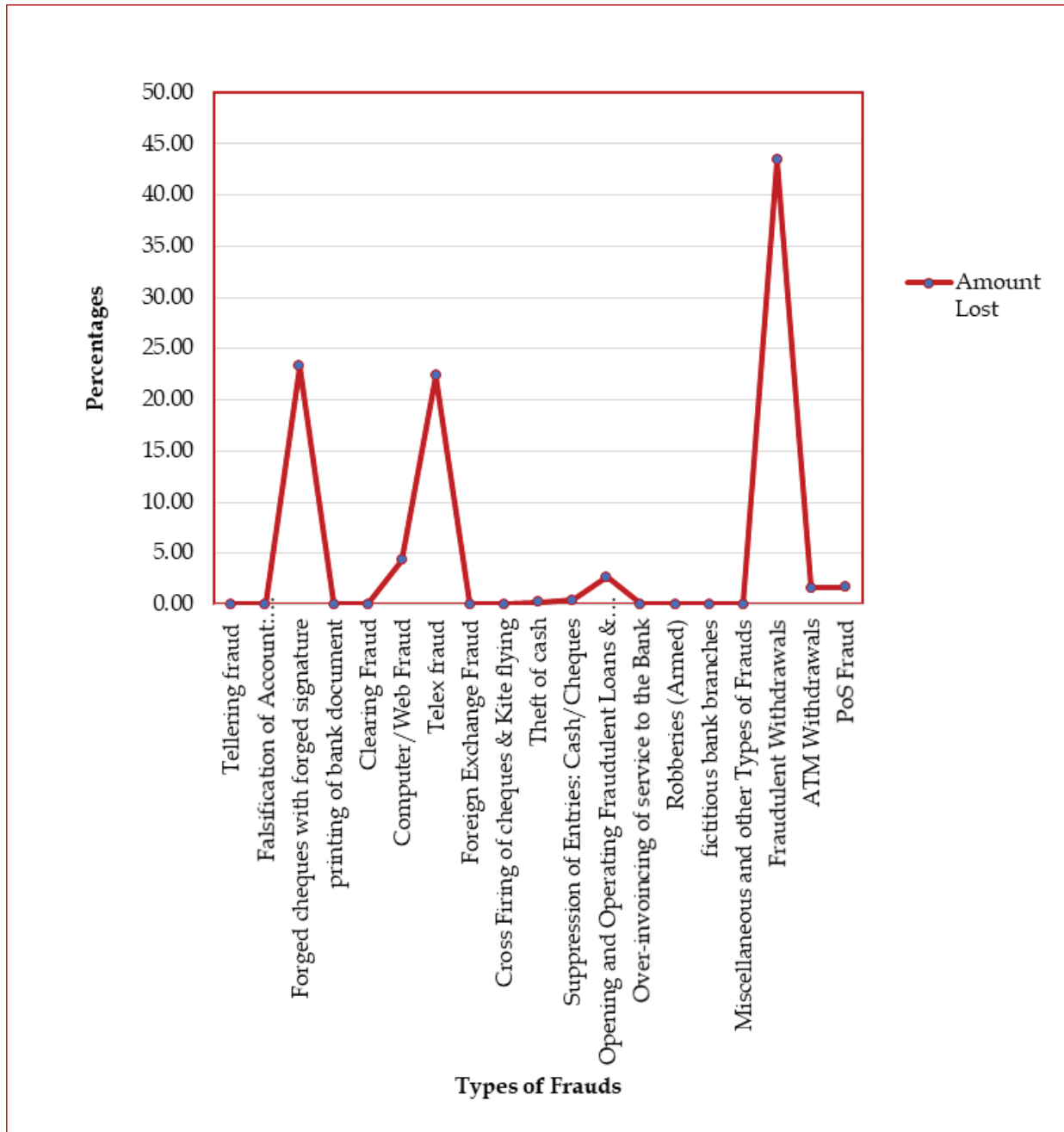
Appendix II (C)  
Amount Lost to Frauds and Forgeries Activities (Second Quarter, 2021)



Appendix II (D)  
 Percentage Distribution of Amount Involved in Frauds and Forgeries  
 (Second Quarter, 2021)

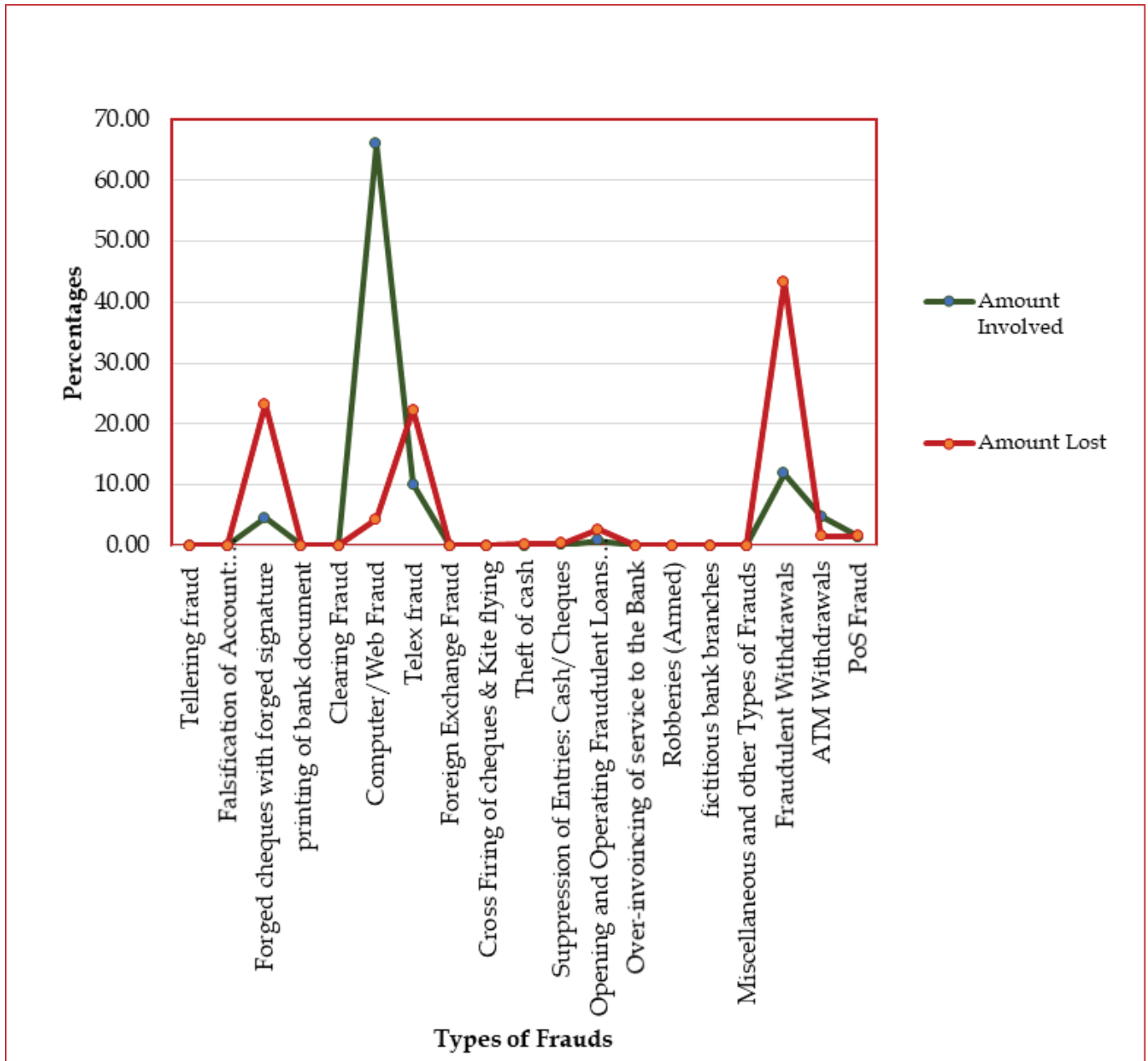


Appendix II (E)  
 Percentage Distribution of Amount Lost to Frauds and Forgeries (Second Quarter, 2021)



Appendix II (F)

Percentage Distribution of Amount Involved in and Amount Lost to Frauds and Forgeries (Second Quarter, 2021)



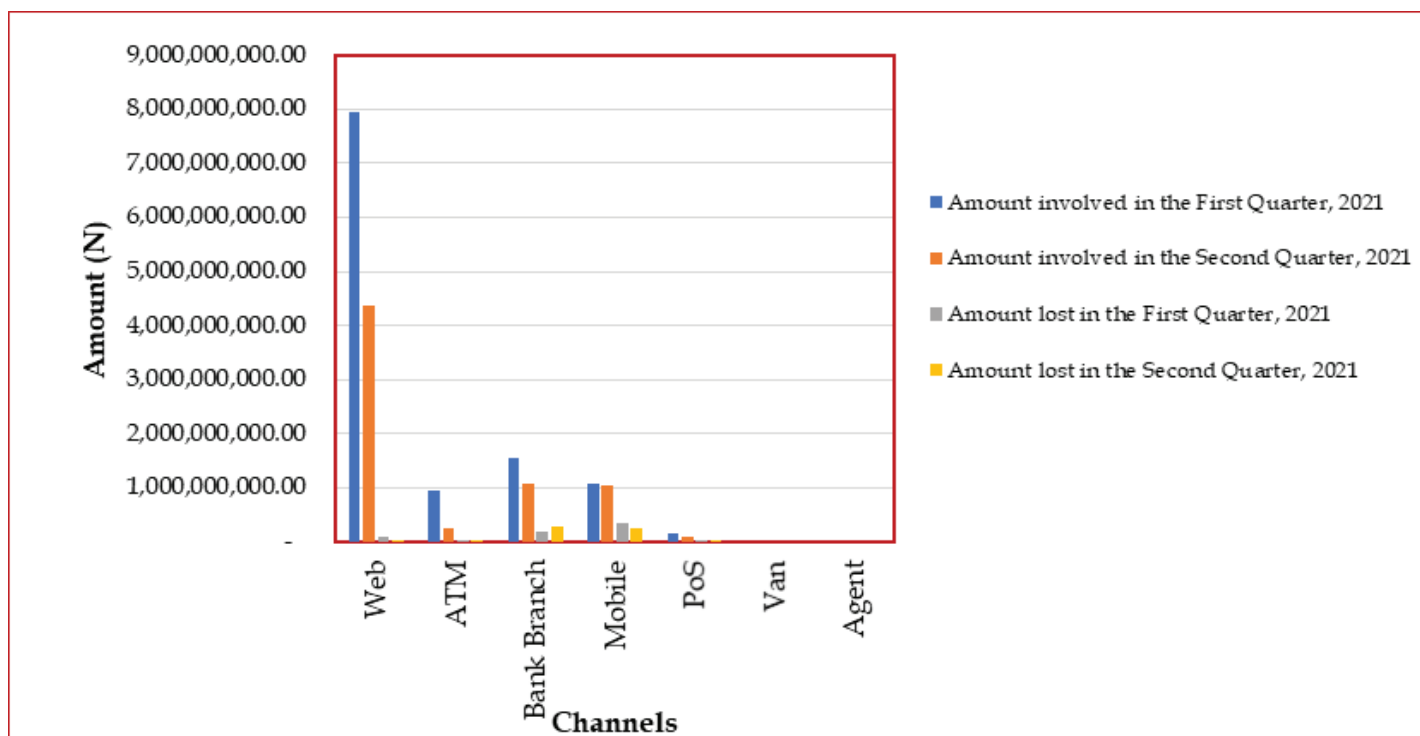
**Appendix III (A)**  
**Frauds and Forgeries through various Payment Channels:**  
**A Comparison First Quarter 2021 and Second Quarter 2021**

S/N	Channels	Cases: First Quarter, 2021	Cases: Second Quarter, 2021	Percentage (%) change
1	Web	8,233	7,289	(11.47)
2	ATM	12,308	4,697	(61.84)
3	Bank Branch	25,925	12,172	(53.05)
4	Mobile	11,348	8,418	(25.82)
5	POS	1,631	1,065	(34.70)
6	Van	0	0	-
7	Agent	0	0	-
<b>Total</b>		<b>59,445</b>	<b>33,641</b>	<b>(43.41)</b>

**Appendix III (B)**  
**Amount Involved and Amount Lost to Fraud through various Payment Channels:**  
**A Comparison between First Quarter 2021 and Second Quarter 2021**

S/N	Channels	Amount Involved, First Quarter, 2021 (₦)	Amount Involved, Second Quarter, 2021 (₦)	Percentage (%) Change	Amount Lost, First Quarter, 2021 (₦)	Amount Lost, Second Quarter, 2021 (₦)	Percentage (%) Change
1	Web	7,961,551,546.32	4,376,498,106.46	(45.03)	106,027,738.95	21,643,603.38	(79.59)
2	ATM	952,980,512.93	246,185,255.83	(74.17)	4,305,848.70	4,330,880.97	0.58
3	Bank Branch	1,544,329,582.88	1,072,518,160.80	(30.55)	198,533,190.35	290,025,823.40	46.08
4	Mobile	1,088,246,708.00	1,045,518,061.04	(3.93)	368,045,915.42	268,332,841.28	(27.09)
5	POS	149,871,565.41	105,103,696.35	(29.87)	49,526,079.11	9,848,956.74	(80.11)
<b>Total</b>		<b>11,696,979,915.54</b>	<b>6,845,823,280.49</b>	<b>(41.47)</b>	<b>726,438,772.53</b>	<b>594,182,105.77</b>	<b>(18.21)</b>

**Appendix III (C)**  
**Amount Involved and Amount Lost to Fraud through various Payment Channels:**  
**A Comparison between First Quarter 2021 and Second Quarter 2021**



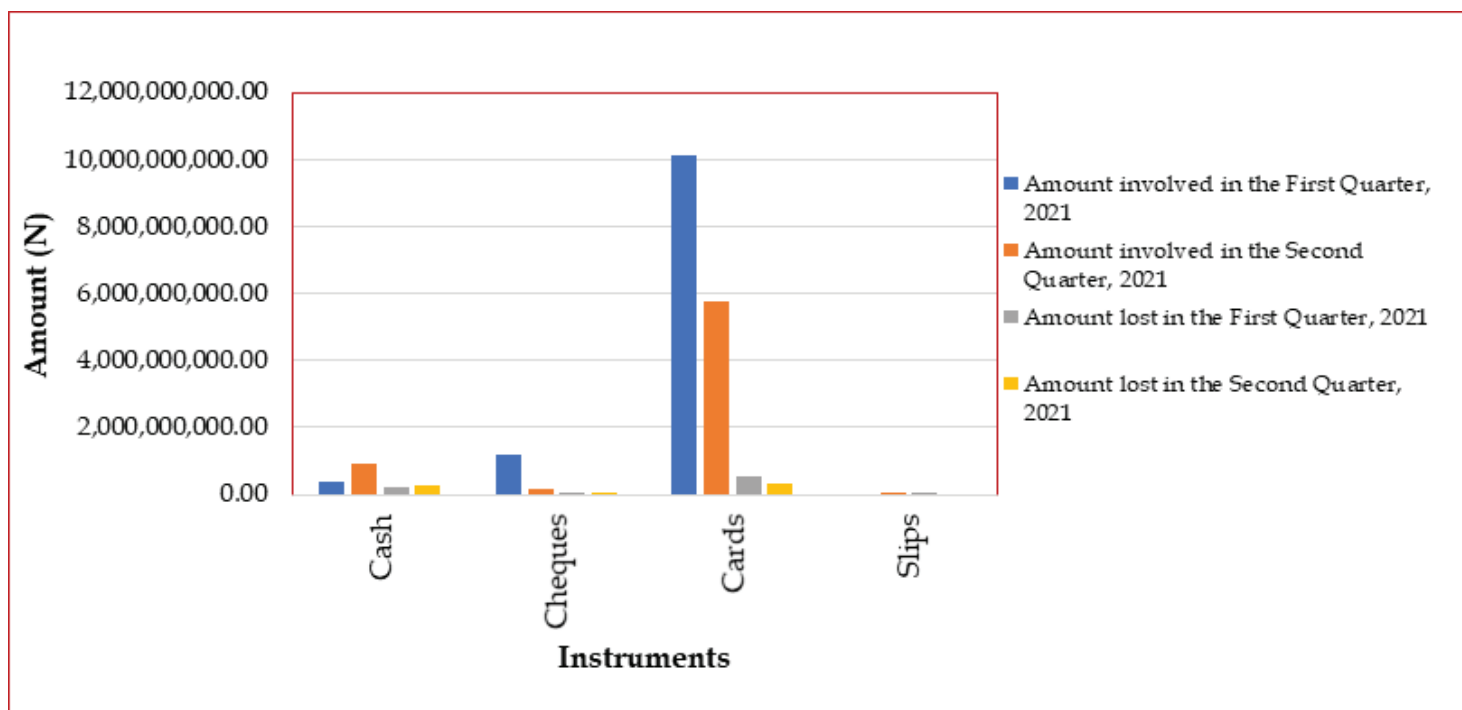
**Appendix IV (A)**  
**Frauds and Forgeries through various Instruments:**  
**A Comparison between First Quarter 2021 and Second Quarter 2021**

S/N	Instruments	Cases: First Quarter, 2020	Cases: Second Quarter, 2021	Percentage (%) change
1	Cash	25,894	12,134	(53.14)
2	Cheques	29	37	27.59
3	Cards	33,520	21,469	(35.95)
4	Slips	2	1	(50)
<b>Total</b>		<b>59,445</b>	<b>33,641</b>	<b>107.18</b>

**Appendix IV (B)**  
**Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:**  
**A Comparison between First Quarter 2021 and Second Quarter 2021**

S/N	Instruments	Amount Involved, First Quarter, 2021 (₦)	Amount Involved, Second Quarter, 2021 (₦)	Percentage (%) Change	Amount Lost, First Quarter, 2021 (₦)	Amount Lost, Second Quarter, 2021 (₦)	Percentage (%) Change
1	Cash	371,825,026.31	896,657,060.80	141.15	192,774,190.35	288,136,823.40	49.47
2	Cheques	1,171,354,557.00	175,836,100.00	(84.99)	5,059,000.00	1,889,000.00	(62.66)
3	Cards	10,152,650,332.00	5,773,305,119.69	(43.13)	527,905,582.60	304,156,282.56	(42.38)
4	Slips	1,150,000.00	250,000.00	(78.26)	700,000	-	(100)
	<b>Total</b>	<b>11,696,979,914.88</b>	<b>6,845,823,280.49</b>	<b>(41.47)</b>	<b>726,438,772.95</b>	<b>594,182,105.77</b>	<b>(18.21)</b>

**Appendix IV (C)**  
**Amount Involved and Amount Lost to Fraud through various Instruments of Transaction:**  
**A Comparison between First Quarter 2021 and Second Quarter 2021**







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