



# **Report on Frauds and Forgeries in Nigerian Banks**

QUARTER 3, 2022

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# Overview

In Q3 2022, FITC received a total of sixty-two (62) returns on cases of fraud and forgery from twenty-two (24) deposit money institutions<sup>1</sup>. Analysis shows that twenty-two (22) returns were received in July, while sixteen (16) returns were received in August, and twenty-four (24) returns were received in September.

## Volume and Value of Fraud Cases

For Q3 2022 under review, the total number of frauds & forgeries cases reported was nineteen thousand three hundred and fourteen (19,314) as against the twenty-seven thousand three hundred and fifty-six (27,356) incidents reported in Q2 2022, this represents a 29.40% decrease between the periods. The figures show that the highest number of occurrences were recorded under computer/web fraud followed by mobile fraud which includes fraud activities through USSD transactions and ATM-related fraud. Appendices I and II present the various fraud activities that occurred throughout the period.

For Q3 2022, the data reveal that the total sum reported to be involved in fraud cases increased slightly by 9.50 per cent to N9.62 billion from N8.78 billion in Q2 2022. Also, for the total amount lost due to fraud incidences, there was a significant increase of 207.94 per cent from N1.17 billion in the second quarter of 2022 to N3.62 billion in the third quarter of 2022. Appendix I (A) represents the amount involved and lost due to fraud activities between the two quarters.

There was a notable decrease of 31.21 per cent in outsider involvement in fraud cases from 23,440 cases in the previous quarter to 16,125 cases in Q3 2022. On the other hand, staff involvement increased from 73 cases to 112 cases representing a 34.82 per cent increase.

An analysis of the magnitude-based ranking of Q3 2022 fraud categories reveal that Mobile Fraud has the highest-ranking accounting for N2.67 billion which is 27.75 per cent, and this is followed closely by the Computer/Web fraud category at N2.62 billion (27.26 per cent). This was followed by Fraudulent Withdrawals at 22.64 per cent accounting for N2.18 billion. The amount alleged to be involved in, and the actual amount lost to, frauds and forgeries over the third quarter of 2022 are shown in Appendix II (A).

Data from the total amount lost to frauds in Q3 2022 reveal that Mobile Fraud accounts for 33.74 per cent at N1.22 billion loss, followed by Fraudulent Withdrawals accounting for 26.19 per cent (N948 million) and Theft of Cash at 12.49 per cent (N452 million). For the Theft of cash, all cases reported were carried out by bank personnel. Appendices II (B), (C), (D), (E), and (F) graphically represent the amount involved in, and the actual amount lost to, fraud and forgery operations throughout the study period under review.

# Channels, Instruments and Personalities Involved in Perpetrating Fraud

For the 2022 third quarter under review, fraud activities were performed using a range of channels, including ATMs, Web, and Mobile Banking Platforms (including the eNaira channel), Bank branches, and POS (Point of Sale) terminals. Cards and cash account for the highest frequency of instruments used to carry out fraud activities in Q3 2022, while cheques recorded a lower frequency of the amounts involved in and lost to frauds. Appendix III (A) presents an analysis of frauds with regards to payment channels, revealing that there was a 37.36 per cent increase for ATM channels while there was a decrease in the volume of fraud associated with online, mobile channels, POS, and bank branches. The highest decrease was noted in the bank branch channel of fraud at 69.13 per cent this suggests that in Q3 2022 the channels of fraud were majorly electronic channels.

Appendix III (B) represents a comparison between Q2 and Q3 2022 showing an increase in the amounts involved in ATM, Bank Branch, Mobile, and POS Fraud channels from N203 million to 222 million (9.74%), from N3.07 billion to N3.71 billion (20.84%), from N1.57 billion to N1.67 billion (69.74%), from N310 million to N393 million (26.92%) respectively. On the other hand, a decrease was only noted for fraud through the web channel from N3.62 billion to N2.62 billion which is a 27.60% decrease from the previous quarter.

With regards to the returns by payment channel, the analysis shows that there was an increase in the amount lost to fraud across all the channels, this increase indicates that the bank was liable for a greater percentage of the frauds reported on which grounds they had to refund customers. The amount lost via the Web channel increased from N98.4million to N305 million (210.40%) while the amount lost via the ATM channel increased from N5.9 million to N16.7 million (183.38%). Likewise, the amount lost via the Bank Branch, Mobile fraud channels increased from N618.24 million to N1.86 billion (199.82%) and from N449.03 million to N1.22 billion (172.16%). The most significant increase was recorded for the POS fraud channel with the amount lost increasing from N4.55 million to N224 million (4820.17%).

Appendix IV (A) reveals that in Q3 2022 there was a decrease in the number of cases for two instruments of transactions (cards and cash) while there was an increase in the number of cases carried out using the cheques instrument. Card frauds decreased by 12.36% bringing the number to 18,816 from 21,469. Cash fraud decreased by 10.88% from 432 to 385 cases. However, there were no cases reported to have been carried out using the slip instrument of fraud.

Appendix IV(B) shows the data on the amount involved in cash, cheque, card and, slip frauds in the third quarter of 2022. For the amount involved in cash fraud, there was a 31.41 per cent increase, from N2.36 billion to N3.1 billion. On the other hand, a decrease was noted in the amount involved for cheque, card, and slip fraud. For cheque fraud, a 34.06 per cent decrease was recorded bringing the figure to N521 million from N790 million; for card fraud, there was a 26.62 per cent decrease bringing the figure from N5.63 billion to N4.13 billion. There was no fraud reported to have been executed using the slip instrument of fraud.

An analysis of the amount lost through the various instruments of fraud in Q3 2022 reveal that there was a considerable increase of 140.31% in the amount lost through cash fraud bringing the value to N1.72 billion from N715.38 million in Q2 2022. Similarly, a 94.44% increase was recorded for cards bringing the value to N913 million from N460 million. Appendices III (C) and IV (C) visually represent the channels and instruments utilized to commit fraud in Q3 2022.

In the third quarter of 2022, deposit money institutions reported the termination of the services of twenty (20) employees because of their involvement in fraud-related activities which represents a 5 per cent increase from the value reported in Q2 2022, where nineteen (19) bank staff had their employment terminated for the same reasons. This suggests a sustained involvement of staff in fraudulent activities.

## 4. Summary and Conclusion

The Q3 2022 Fraud & Forgeries Report within the Nigerian Banking system reveal that there was a decrease in the overall volume of cases recorded. Also, there was an increase reported for both the total amount involved in and the actual or expected amount lost to fraudulent activities. The e-Naira continues to be featured as an instrument of fraud within the banking system. For the period under review, there was a sustained increase in the amount involved in and lost in bank branch fraud. As a result of compromised personal banking details or misuse of service platforms, customers are increasingly vulnerable to fraud incidents in Q3 as in previous quarters.

In general, when compared to the twenty-seven thousand three hundred and fifty-six (27,356) incidents reported in Q2 2022, there were nineteen thousand three hundred and fourteen (19,314) fraud and forgery cases reported for Q3 2022, representing a 29.40% decrease between the periods.

## 5. Recommendation

Despite the overall decline in fraud incidences, the amount involved, and the amount lost, it is necessary for banks to improve internal control measures so that fraud activities are proactively prevented. It is commendable for the banking institutions that fraud incidences, the amount involved, and the amount lost have decreased.

There is also a need to review fraud control measures in place in the physical bank branches as there was a sustained increase in the amount involved in fraud activities and ultimately the increase in the amount lost in the bank branches. To reduce incidences of fraud within the branches of the bank, all fraud control touchpoints must be reviewed critically for loopholes and when these loopholes are identified, efforts must be made to close the gaps to avoid future occurrences.

As always, banks should continue the ongoing sensitization of their customers on the need to protect their personal details across various channels and banking platforms.

The appendices below show summaries of the cases of Fraud and forgeries covered in this report. A comparison was done between the second Quarter of 2022 and the third Quarter of 2022, as well as between the Third quarters of 2021 and 2022 on selected parameters.

### Notes:

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

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- Note 1: Commercial, Merchant, and non-interest banks.
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# Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

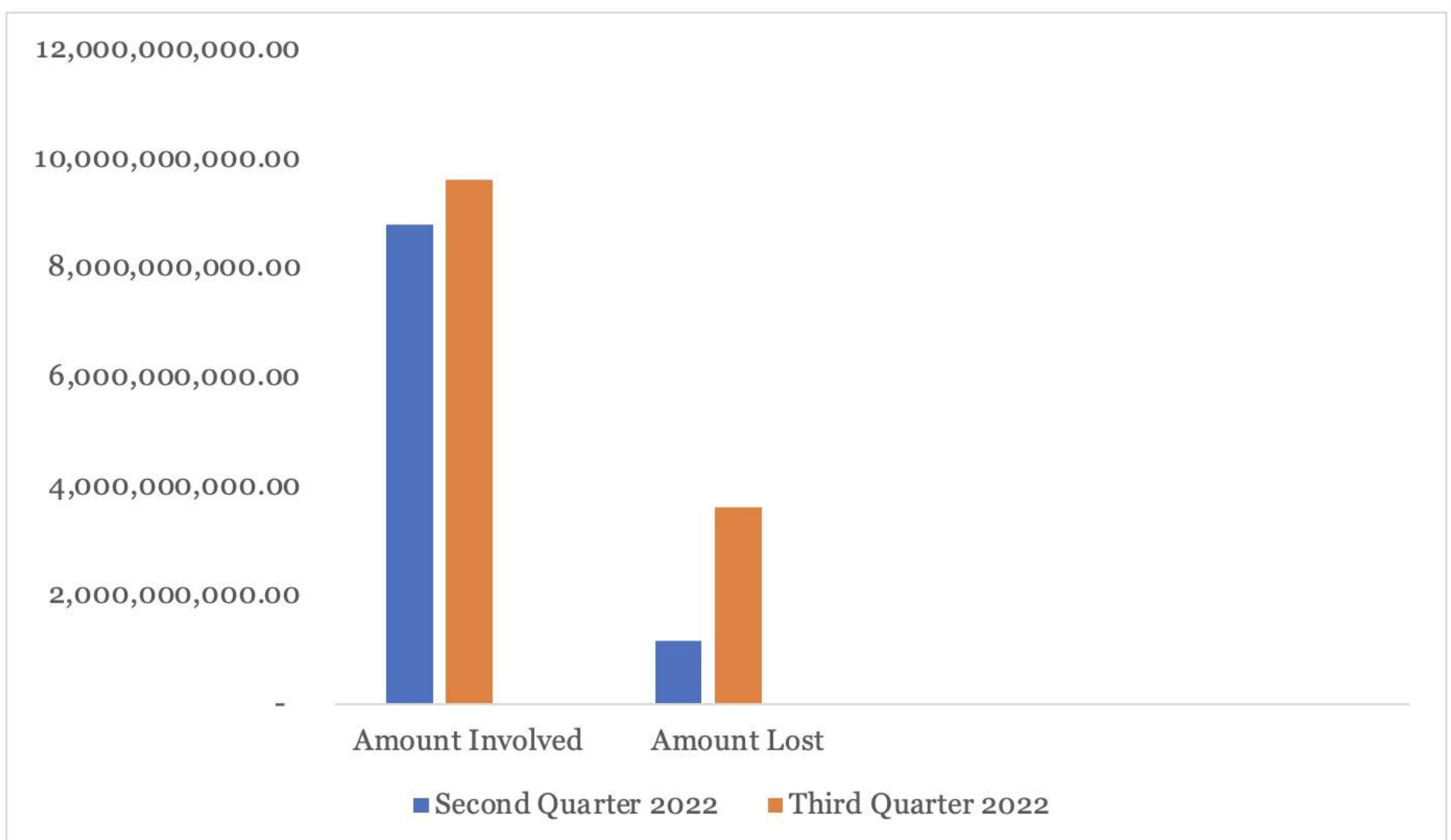
## Appendix I (A)

A Comparison of Fraud Activities between Second Quarter 2022 and Third Quarter 2022

S/N	Variables	Second Quarter, 2022	Third Quarter, 2022	Percentage (%) change
1	Total Cases Reported	27,356	19,314	29.40
2	Total Amount Involved	N8,784,587,569.59	N9,619,042,678.24	9.50
3	Total Amount lost	N1,176,131,800.42	N3,621,727,636.04	207.94
4	Outsider Involvement	23,440	16,125	31.21
5	Insider (Staff) Involvement	73	112	34.82
6	Appointments Terminated	19	20	5.00

## Appendix I (B)

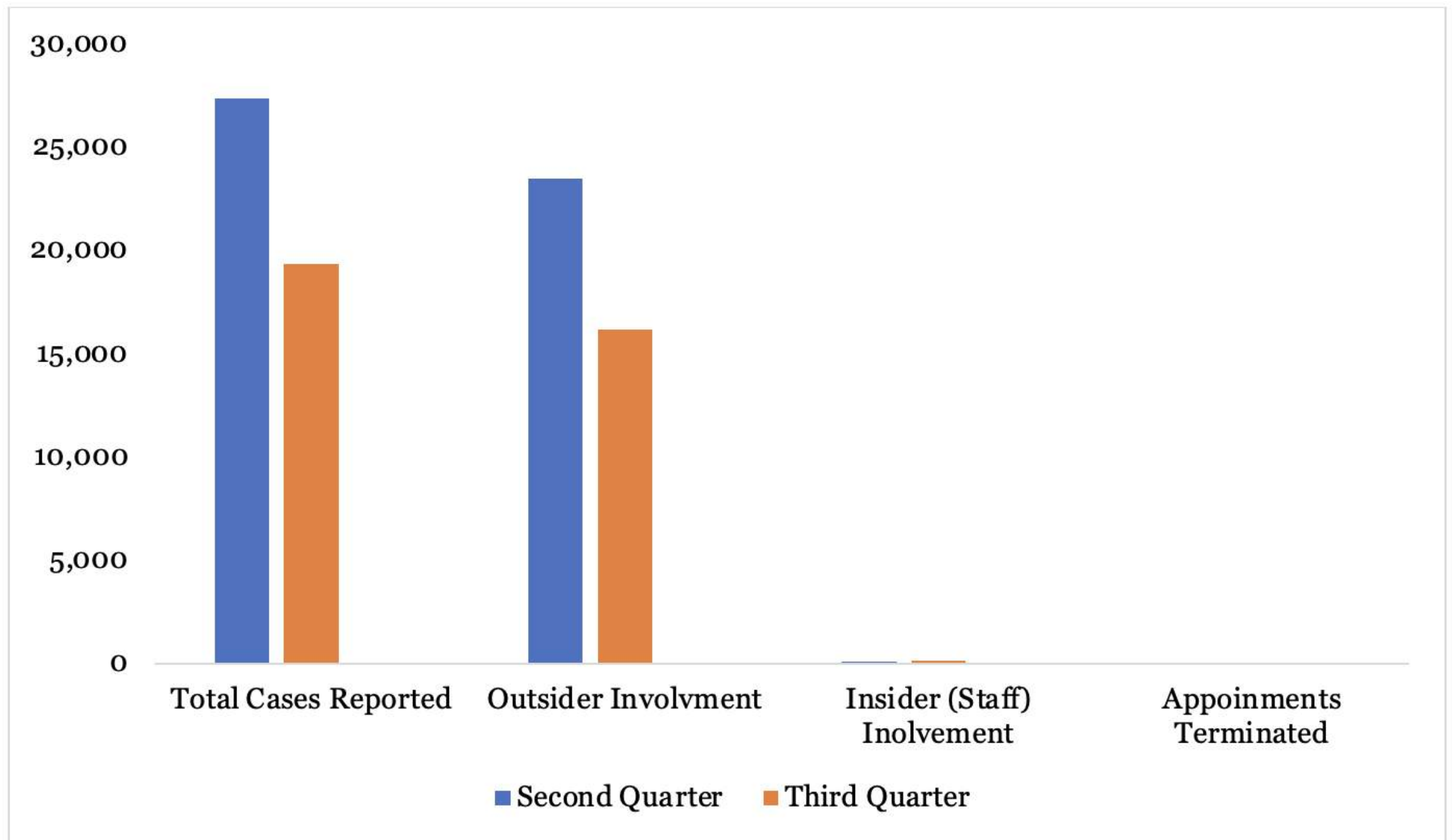
A Comparison of Amount Involved and Amount Lost to Frauds between Second Quarter 2022 and Third Quarter 2022



## Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

### Appendix I (C)

A Comparison of Fraud Activities between Second Quarter 2022 and Third Quarter, 2022



Note: the figures for insider involvement & appointments terminated are very small when compared to the figures for total cases reported and outsider involvement.

### Appendix I (D)

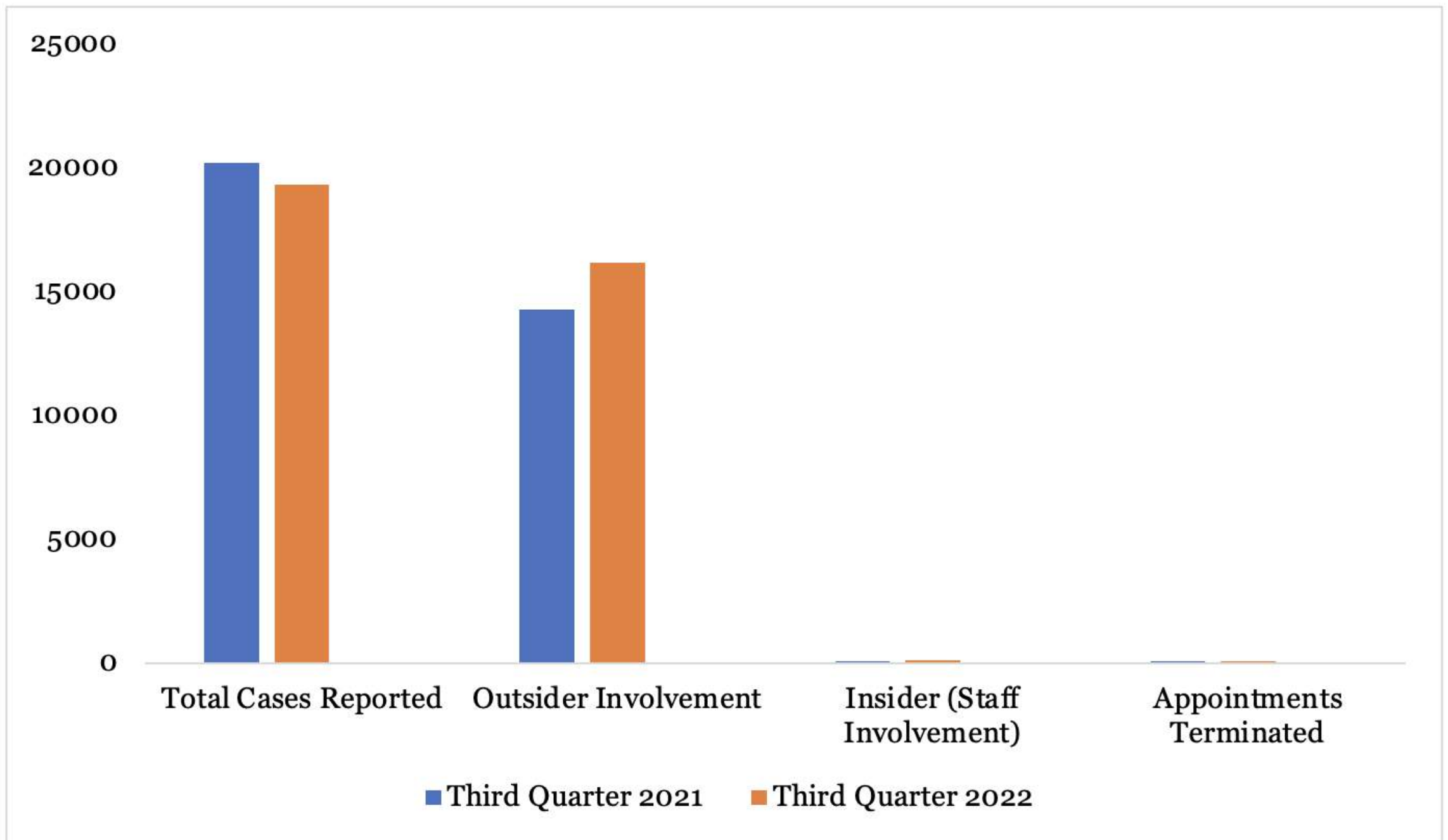
A Comparison of Frauds Activities between Third Quarter 2021 and Third Quarter 2022

S/N	Variables	Third Quarter 2021	Third Quarter, 2022	Percentage (%) change
1	Total Cases Reported	20,195	19,314	(4.36)
2	Total Amount Involved	N34,778,784,725.42	N9,619,042,678.24	(72.34)
3	Total Amount lost	N853,167,293.61	N3,621,727,636.04	324.50
4	Outsider Involvement	14,243	16,125	13.21
5	Insider (Staff) Involvement	32	112	250
6	Appointments Terminated	14	20	42.86

# Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

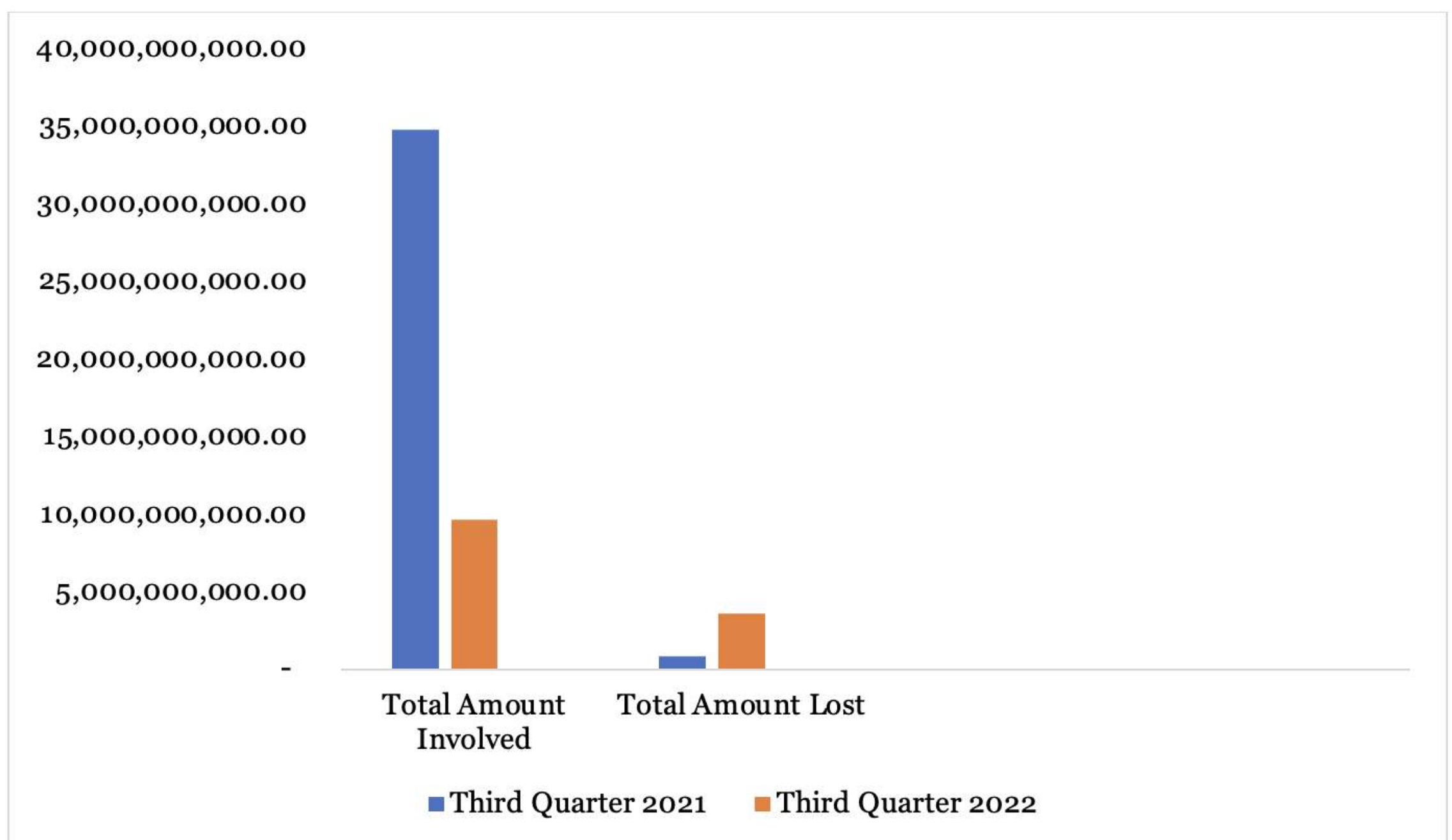
## Appendix I (E)

A Comparison of Frauds Activities between Third Quarter 2021 and Third Quarter, 2022



## Appendix I (F)

A Comparison of Amount Involved and Amount Lost to Frauds between Third Quarter 2021 and Third Quarter, 2022





## Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

### Appendix II (A): Frauds and Forgeries Activities in the Third Quarter, 2022

Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved Actual /Expected		Expected Loss/ Amount Involved (%)
						(N)	Loss (N)	
Teller Fraud	22 (0.11)	4 (3.57)	5 (0.03)	10 (90.91)	3 (0.17)	121,763,258.91 (1.27)	83,532,000 (2.31)	68.6
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	36 (0.19)	4 (3.47)	12 (0.07)	0 (0)	20 (1.15)	521,349,800.96 (27.26)	305,495,175.25 (0)	14.5
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Computer/Web Fraud	8830 (45.72)	6 (5.36)	8811 (55.64)	0 (0)	10 (0.58)	2,621,953,247.70 (27.26)	305,495,175.25 (8.44)	11.7
Mobile Fraud	6631 (34.33)	33 (29.46)	5194 (32.21)	0 (0)	86 (4.95)	2,669,417,856.44 (27.75)	1,222,095,081.99 (33.74)	45.8
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
Theft of Cash	16 (0.08)	16 (14.29)	0 (0)	0 (0)	0 (0)	569,590,750.92 (5.92)	452,188,261.90 (12.49)	79.40

## Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

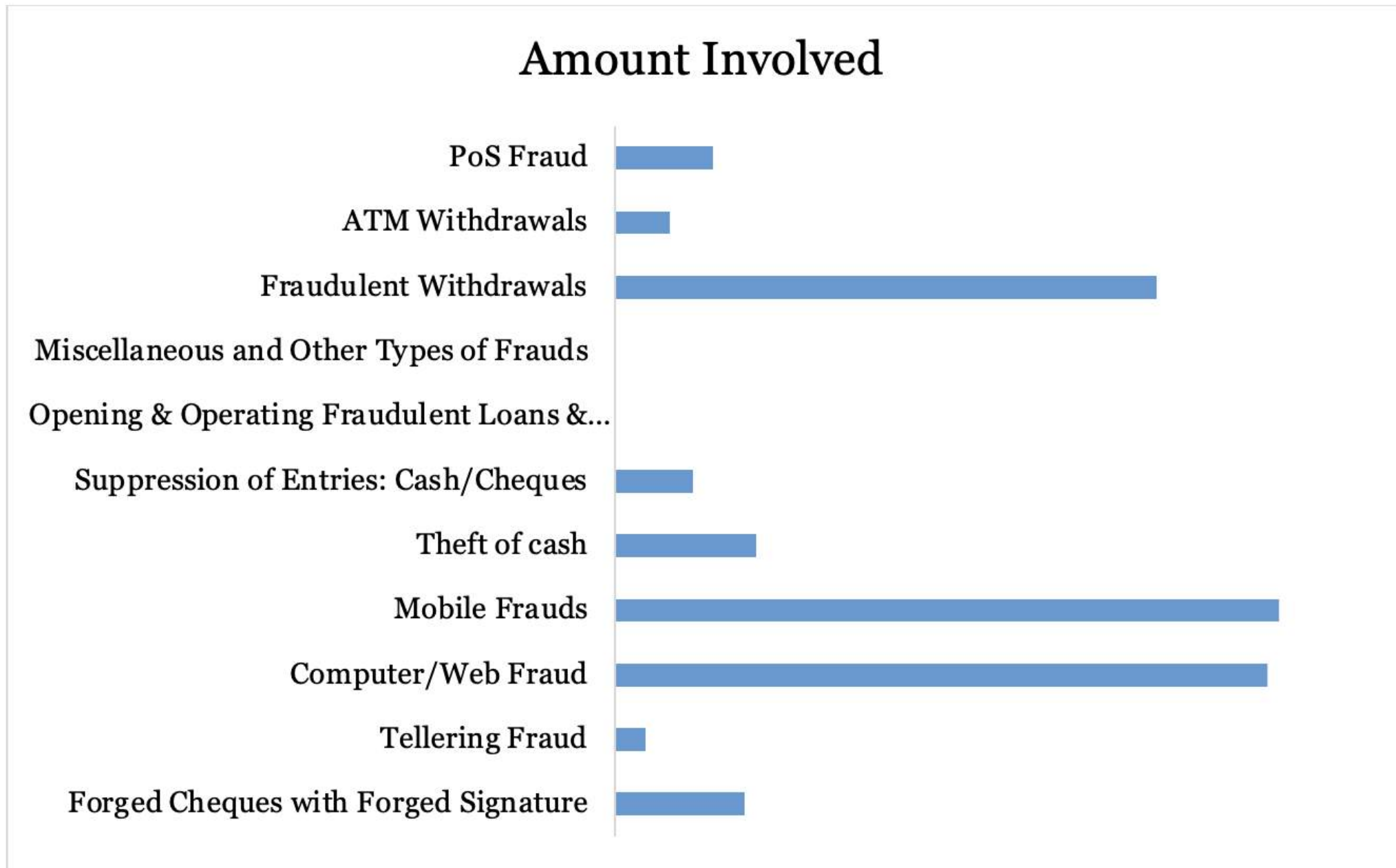
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved Actual /Expected		Expected Loss/ Amount Involved (%)
						(N)	Loss (N)	
Suppression of Entries: Cash/Cheques	27 (0.14)	25 (22.32)	1 (0.01)	1 (9.09)	0 (0)	315,445,220.14 (3.28)	290,295,031.14 (8.02)	92.0
Opening & Operating Fraudulent Loans & Accounts	2 (0.01)	2 (1.79)	0 (0)	0 (0)	0 (0)	508,000 (0.01)	0 (0.0)	0
Over-Invoicing of Service to the Bank	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Robberies (Armed)	3 (0.02)	3 (2.68)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
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	19 (0.10)	10 (8.93)	0 (0)	0 (0)	9 (0.52)	5,546,180.00 (8.12)	3,338,100.00 (0.45)	60.2
Fraudulent Withdrawals	13 (0.07)	5 (4.46)	8 (0.05)	0 (0)	0 (0)	2,177,953,827.40 (22.64)	948,529,080.53 (26.17)	43.6
ATM Withdrawals	2015 (10.43)	4 (3.57)	444 (2.75)	0 (0)	1566 (90.10)	221,976,700.15 (2.31)	16,713,096.51 (0.46)	7.5
PoS Fraud	1,694 (8.77)	0 (0)	1,650 (10.23)	0 (0)	44 (2.53)	393,537,836 (4.09)	223,815,863.52 (6.18)	56.9
<b>Total</b>	<b>19,314</b>	<b>112</b>	<b>16,125</b>	<b>11</b>	<b>1,738</b>	<b>9,619,042,678.24</b>	<b>3,621,727,636.04</b>	<b>37.7</b>

Note: All figures in parenthesis ( ) indicate percentages

# Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

## Appendix II (B)

### Amount Involved in Frauds and Forgeries Activities (Third Quarter, 2022)



## Appendix II (C)

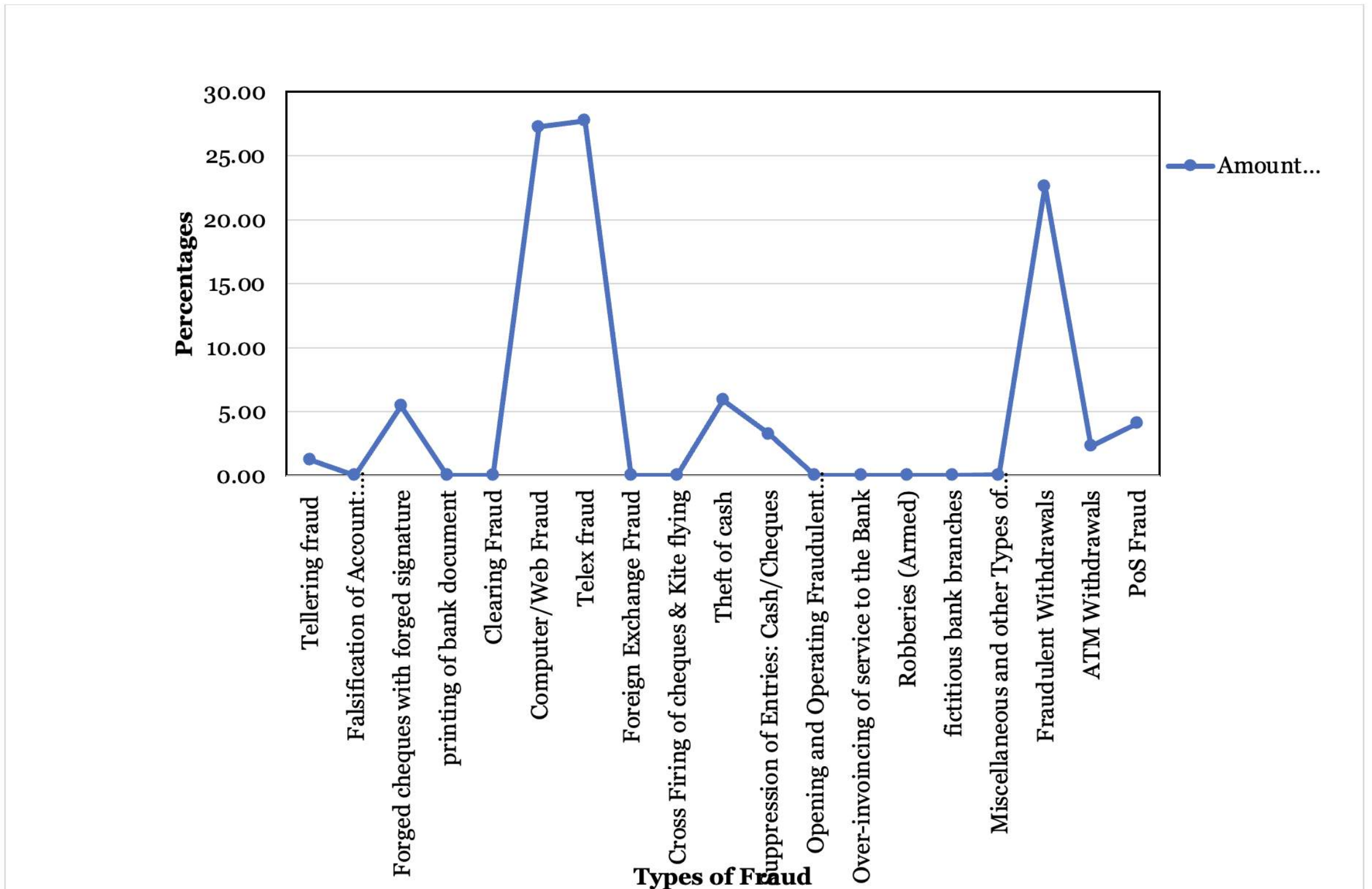
### Amount Lost to Frauds and Forgeries Activities (Third Quarter, 2022)



# Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

## Appendix II (B)

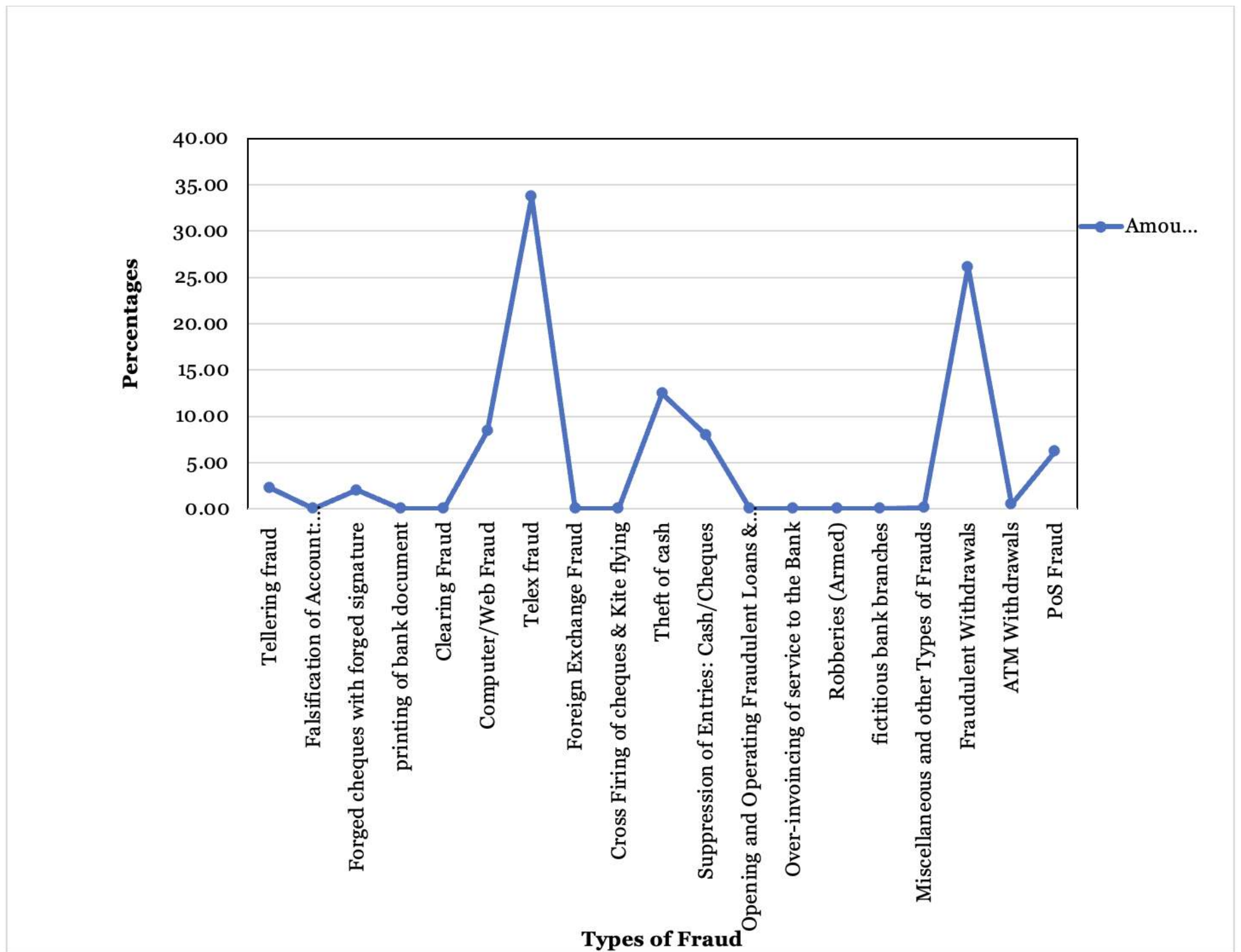
### Amount Involved in Frauds and Forgeries Activities (Third Quarter, 2022)



# Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

## Appendix II (E)

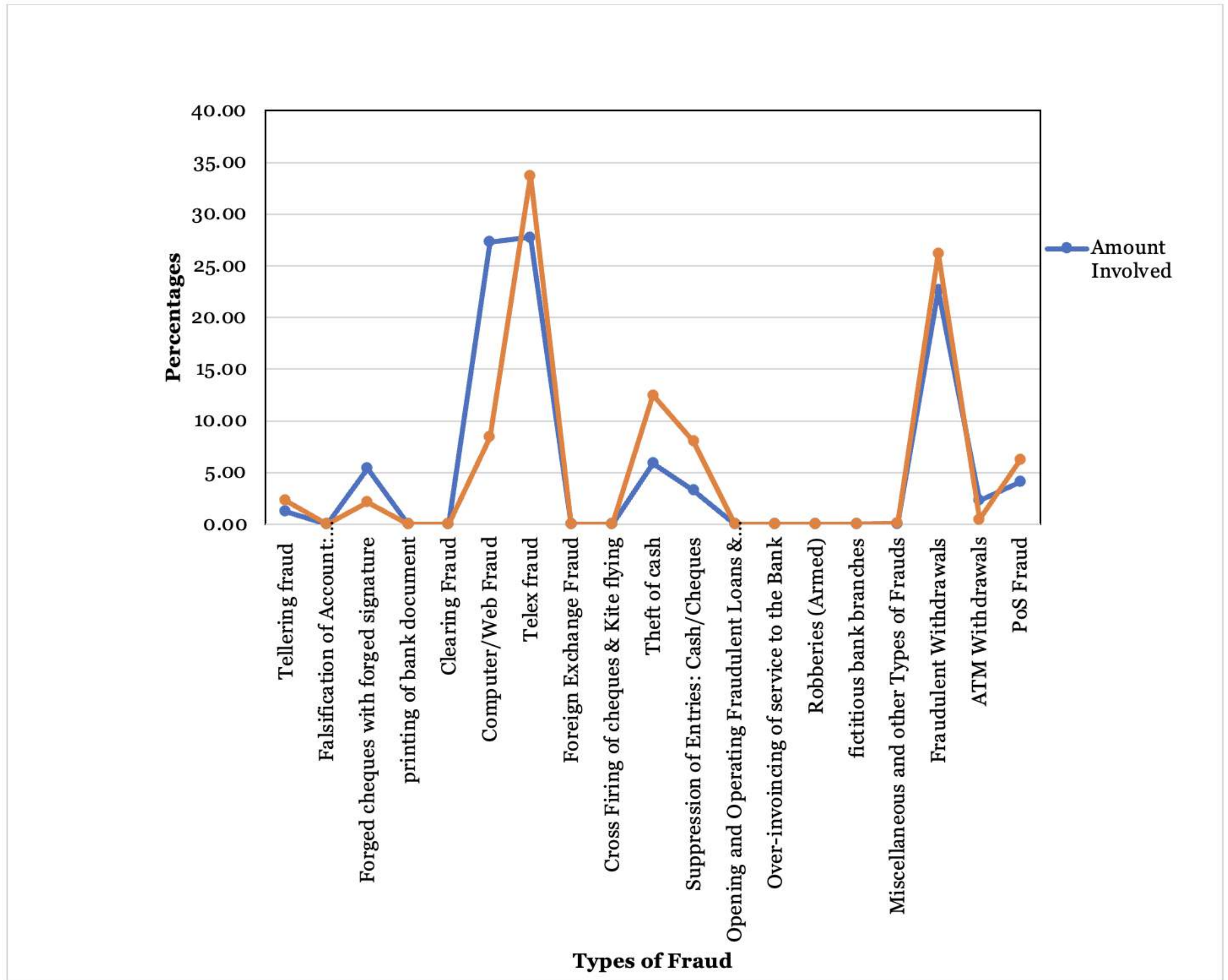
### Percentage Distribution of Amount Lost to Frauds and Forgeries (Third Quarter, 2022)



# Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

## Appendix II (F)

### Percentage Distribution of Amount Involved in and Amount Lost to Frauds and Forgeries (Third Quarter, 2022)



## Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

### Appendix III (A)

Frauds and Forgeries through various Payment Channels: A Comparison of Second Quarter 2022 and Third Quarter 2022

S/N	Channels	Cases: Second Quarter, 2022	Cases: Third Quarter, 2022	Percentage (%) change
1	Web	9199	8830	(4.01)
2	ATM	1,467	2015	37.36
3	Bank Branch	460	142	(69.13)
4	Mobile	8418	6631	(21.23)
5	POS	1803	1694	(6.05)
6	Van	-	-	-
7	Agent	2	2	0
<b>Total</b>		<b>21,347</b>	<b>19,314</b>	<b>9.52</b>

### Appendix III (B)

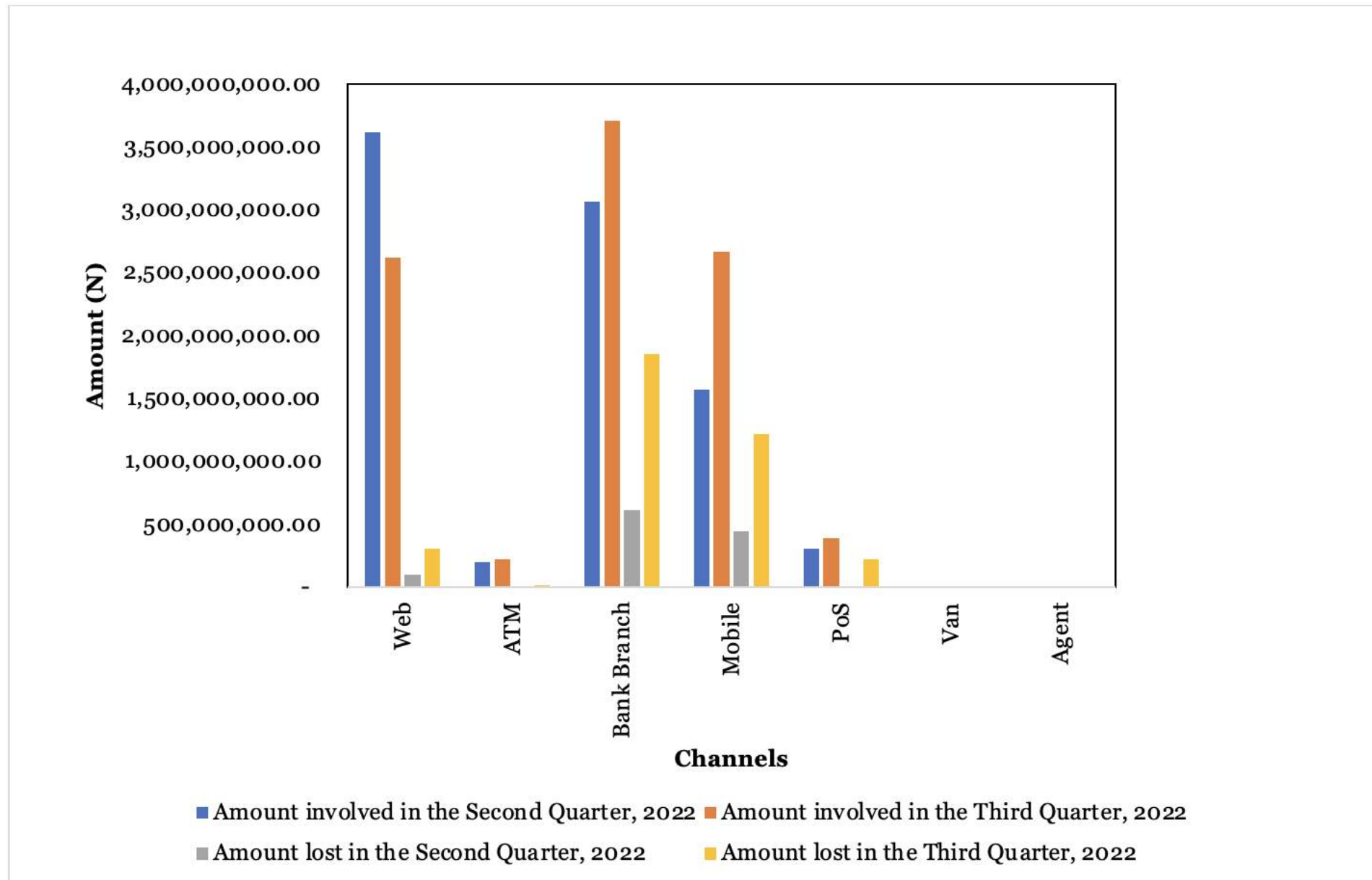
Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Second Quarter 2022 and Third Quarter 2022

S/N	Channels	Amount Involved, Second Quarter, 2022		Percentage (%) Change	Amount Lost, Second Quarter, 2022 (N)	Amount Lost, Third Quarter, 2022 (N)	Percentage (%) Change
		(N)	(N)				
1	Web	3,621,302,618.07	2,621,953,247.70	(27.60)	98,418,462.38	305,495,175.25	210.40
2	ATM	202,768,173.66	221,976,700.15	9.74	5,897,798.50	16,713,096.51	183.38
3	Bank Branch	3,069,506,267.51	3,709,242,538.33	20.84	618,236,827.88	1,853,608,418.77	199.82
4	Mobile	1,572,654,153.45	2,669,417,856.44	69.74	449,029,769.03	1,222,095,081.99	172.16
5	POS	310,057,136.90	393,537,835.62	26.92	4,548,942.63	223,815,863.52	4820.17
6	Van	-	-	-	-	-	-
7	Agent	2,914,500.00	2,914,500.00	0	-	-	-
<b>Total</b>		<b>8,784,587,569.59</b>	<b>9,619,042,678.24</b>		<b>1,176,131,800.42</b>	<b>3,621,727,636.04</b>	<b>207.94</b>

## Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

### Appendix III (C)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between Second Quarter 2022 and Third Quarter 2022



### Appendix IV (A)

Frauds and Forgeries through various Instruments:

A Comparison between Second Quarter 2022 and Third Quarter 2022

S/N	Instruments	Cases: Second Quarter 2022	Cases: Third Quarter 2022	Percentage (%) change
1	Cash	432	385	(10.88)
2	Cheques	26	36	34.46
3	Cards	21,469	18,816	(12.36)
4	Slips	2	0	100
	<b>Total</b>	<b>21,929</b>	<b>19,237</b>	<b>(12.28)</b>



## Appendices – Analysis of Fraud and Forgeries in the Nigerian Banking Industry

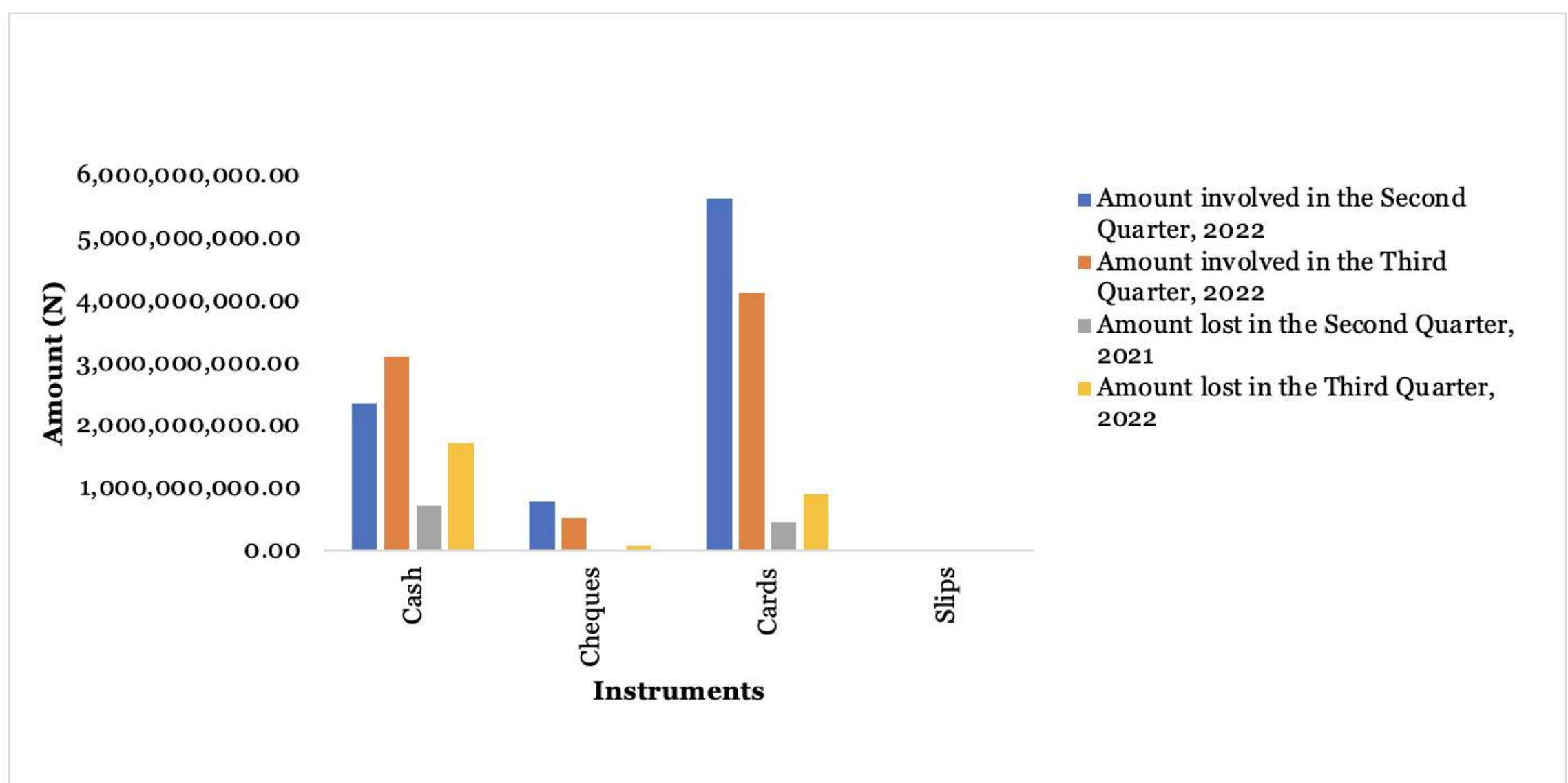
### Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Second Quarter 2022 and Third Quarter 2022


S/N	Instruments	Amount Involved, Second Quarter, 2022 (N)	Amount Involved, Third Quarter, 2022 (N)	Percentage (%) Change	Amount Lost, Second Quarter, 2021 (N)	Amount Lost, Third Quarter, 2022 (N)	Percentage (%) Change
1	Cash	2,357,927,294	3,098,638,978	31.41	715,388,328	1,719,150,474	140.31
2	Cheques	790,369,059	521,154,801	(34.06)	-	75,627,945	100
3	Cards	5,633,871,217	4,133,966,342	(26.62)	460,094,973	913,032,012	98.44
4	Slips	2,420,000	-	(100)	648,500	-	(100)
	<b>Total</b>	<b>8,784,587,569.59</b>	<b>7,753,760,120.99</b>	<b>(11.73)</b>	<b>1,176,131,800.42</b>	<b>2,707,810,430.38</b>	<b>130.23</b>

### Appendix IV (C)


Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between Second Quarter 2022 and Third Quarter 2022






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