

Report on Frauds and Forgeries in Nigerian Banks

QUARTER 3, 2023



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1. Overview

In Q3 2023, a total of sixty-six (66) returns on cases of fraud and forgery were received by FITC from twenty-four (24) deposit money institutions¹. A closer analysis show that eighteen (18) returns were received in July, while Twenty-Five (25) returns were received in August, and twenty-three (23) returns were received in September.

2. Volume and Value of Fraud Cases

For the third quarter of 2023, a total of twelve thousand and sixty-six (12,066) cases were reported and when compared to the eleven thousand six hundred and seventy-nine (11,679) cases recorded in the Q2, a 3.31 per cent increase is noted. The data for the third quarter of 2023 indicates that mobile fraud, computer/web fraud, and fraudulent withdrawals were the three most prevalent types of fraud, continuing the trend observed in the first 2 quarters of 2023. Appendices I and II show all fraud activities that occurred throughout the period.

The data reveal a significant 47.197 per cent reduction in the total amount involved in fraud cases during Q3 2023 compared to the previous quarter. The sum declined from N9.75 billion to N5.15 billion. Likewise, for amount lost there was a substantial decline of 79.63% from N5.79 billion in Q2 2023 to N1.18 billion in Q3 2023. Appendix I (A) provides a representation of the amount involved and lost due to fraud activities between the two quarters.

In Q3 2023, there was a 3.49 percent rise in outsider involvement in fraud cases, with the number increasing from 11,561 cases in the second quarter to 11,964 cases. However, staff involvement in fraud declined by 36.36 per cent, dropping from 88 cases in Q2 to 56 cases in Q3 2023. Conversely, the number of terminated appointments related to fraudulent activities increased by 79.63 per cent, going from 11 cases in Q2 to 19 cases in Q3.

In the review of Q3 2023, an analysis of the magnitude-based ranking of fraud categories reveals that Mobile Fraud had the highest ranking, accounting for N1.3 billion (25.28 percent) of the total amount. It was followed by the Fraudulent Withdrawals at N1.19 billion (23.05 percent). Computer Web Fraud came next which amounted to N1.17 billion (22.78 percent). The alleged amounts involved in, and the actual amounts lost to frauds and forgeries during the third quarter of 2023 are displayed in Appendix II (A).

According to the data on the total amount lost to frauds in the third quarter of 2023, Fraudulent Withdrawals accounted for the highest loss at 46.22 percent, with a value of N544.76 million. Next is Mobile Fraud which represents 22.23 percent of the total, at N262.02 million, then, tellering Fraud which accounted for 15.72 percent, totalling N185.26 million. Appendices II (B), (C), (D), (E), and (F) provide graphical representations of the amount involved in and the actual amount lost to fraud and forgery operations throughout Q3 2023.

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

In Q3 2023, fraudulent activities occurred across multiple channels, including ATMs, online platforms like web and mobile banking, bank branches, and point-of-sale (POS) terminals. During this quarter, cards were the most used methods in fraudulent activities, while cash and the use of cheques in such activities were significantly lower even though they also recorded an increase when compared with Q2. Appendix III (A) contains a detailed analysis of frauds by payment channels, revealing an increase in the usage of POS terminals and web platforms, but a decrease in ATM, bank branch, mobile, and agent channels. Specifically, there was a 22.42% increase in web-based fraud cases, rising from 4,684 cases in Q2 to 5,734 cases in Q3 2023. Similarly, the number of fraud cases through the POS channel increased by 6.27%, going from 1,994 cases in Q2 to 2,119 cases in Q3 2023. The ATM channel recorded 233 cases, indicating a 55.02% decrease from the 518 cases in the second quarter. However, bank branch and mobile channels experienced declines of 57.48% and 1.62%, respectively, with fraud cases dropping from 769 to 327 in the web channel and from 3,713 to 3,653 in the mobile channel.

Appendix III (B) provides a comparison between the second and third quarters of 2023 concerning the amounts related to and lost due to fraudulent activities. In terms of the monetary sums involved, mobile fraud and POS fraud saw an increase. Mobile fraud witnessed a substantial rise of 73.4%, going from N751 million to N1.3 billion. Similarly, POS fraud experienced a significant increase of 72.6%, with the involved amount increasing from N428.07 million to N738.9 million. In contrast, ATM fraud, Web Fraud, and Bank branch-related fraud saw a decrease in the monetary value involved, declining by 72.6%, 20.3%, and 72.7%, respectively. ATM fraud decreased from N111 million to N30.528 million, Bank branch-related fraud decreased from N6.98 billion to N1.90 billion, and web fraud decreased from N1.47 billion to N1.17 billion in Q3 2023.

The examination of losses incurred through different payment channels unveils the following trends related to fraud. There was an overall increase in the amount lost via the ATM channel, and mobile channels, while the amount lost via the web, bank branch and POS channel decreased. Specifically, the amount lost through the web channel decreased by 67.9 per cent, reducing in value to N19.11 million when compared to N59.49 million lost in Q2 while bank branches experienced an 84 per cent decline from N5.51 billion to N884.98 million naira. POS fraud also witnessed a reduction in the amount lost, by 68.9 per cent from N10.1 million to N7.5 million. However, for Mobile fraud, the amount lost increased significantly by 33.6 per cent, rising from N196 million to N262 million. ATM frauds also experienced a slight increase of 13.3 per cent, with the amount lost increasing from N5.75 million in the previous quarter to N4.99 billion in Q3 2023.

In the third quarter of 2023, Appendix IV (A) provides information on Frauds and Forgeries using different instruments. During this period, there was a rise in all categories: cheque, card fraud, and cash-related fraud cases. The cash fraud increased by 133.33 per cent, going from 57 cases to 133 cases. Card fraud experienced an increase of 7.67 per cent, with the number of cases rising from 10,909 to 11,746 in Q3 2023. Also, there was a notable increase of 357.69 per cent in cheque fraud, which escalated from 26 cases to 119 cases.

Appendix IV(B) contains data regarding the monetary value associated with fraudulent activities involving cash, cheques, and cards in the third quarter of 2023. Notably, there was a substantial increase in fraudulent incidents related to checks and cards, while cash-related frauds decreased significantly by 96.98%, with the amount involved dropping from N6.76 billion to N203.82 million.

When examining the losses incurred from different fraudulent methods in the third quarter of 2023, significant changes were observed. The losses stemming from cash fraud decreased by 97.34%, declining from N5.5 billion in Q2 2023 to N146.58 million in Q3 2023. Conversely, losses due to card fraud surged by 203.49%, increasing from N276.2 million in Q2 2023 to N838.39 million in Q3 2023.

In Q3 2023, deposit money institutions reported the termination of nineteen (19) employees due to their involvement in fraudulent activities. This represents an increase of 72.73 percent compared to the number of terminations in the previous quarter, where eleven (11) bank staff members had their employment terminated for similar reasons.

4. Summary and Conclusion

In summary, during the third quarter of 2023, there were 12,066 reported cases, showing a 3.31 per cent rise compared to the 11,679 cases in the second quarter. The data, however, indicates a significant decline in the total amount involved in fraud cases. The amount declined from N9.75 billion in the previous quarter to N5.15 billion in Q3, representing a 47.197 per cent variance. Additionally, the amount lost also saw a substantial decline, reducing from N5.79 billion in Q2 2023 to N1.18 billion in Q3 2023, which corresponds to a 79.63 per cent decrease. This decline might be attributed to the fact that banks have put in place security measures to mitigate control and reduce fraud cases.

5. Recommendation



Considering the current fraud cases and the amount lost in the third quarter, Nigerian banks should invest significantly in modernizing and strengthening its digital infrastructure. This includes implementing state-of-the-art cybersecurity measures, robust identity verification systems, and real-time transaction monitoring. Regular security audits and penetration testing should be conducted to identify and rectify vulnerabilities in their systems. Additionally, banks should not relent in its customer and employee education activities, there is need for continuous awareness focused programs across all communication channels and media outlets about common fraud schemes and best practices for prevention.

Also, banks should foster closer collaboration with law enforcement agencies to enhance their capacity to investigate and prosecute fraud cases effectively. Quick response to fraud incidents and the recovery of stolen assets can act as a strong deterrent to potential fraudsters. Additionally, establishing an internal fraud detection and prevention team responsible for monitoring suspicious activities and coordinating with authorities.

Furthermore, regulatory compliance should be a top priority. Nigerian banks should be up to date with the evolving regulations related to fraud prevention and data security. Compliance not only ensures adherence to legal standards but also demonstrates a commitment to safeguarding customers' financial assets. By following these recommendations, commercial and merchant banks in Nigeria can better protect themselves and their customers against frauds and forgeries.

The appendices below show summaries of the cases of Fraud and forgeries covered in this report. A comparison was done between the first Quarter of 2023 and second quarter of 2023, as well as between the second quarters of 2022 and 2023 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

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

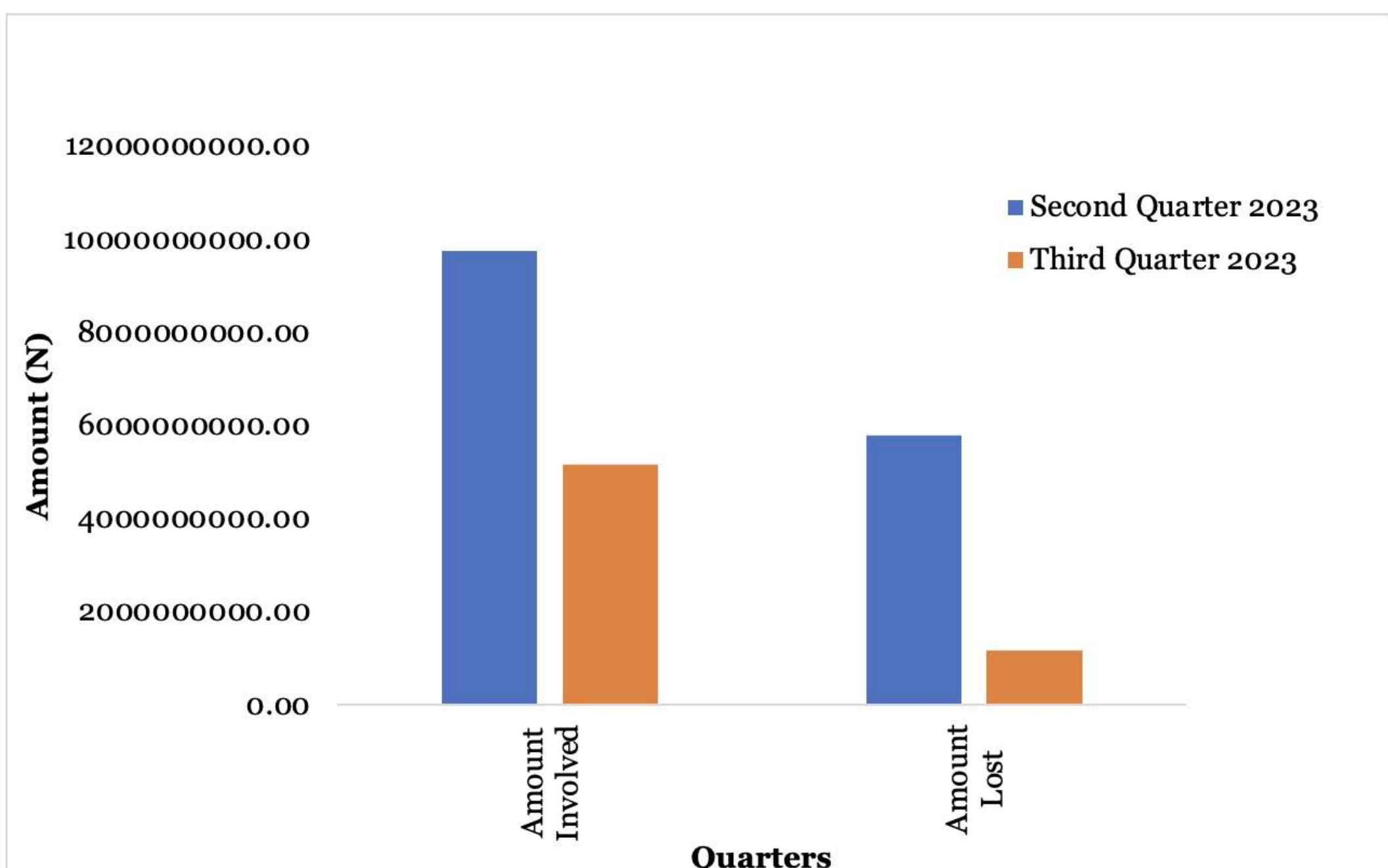
Appendix I (A)

A Comparison of Fraud Activities between Second Quarter 2023 and third Quarter 2023

S/N	Variables	Second Quarter, 2023	Third Quarter, 2023	Percentage (%) change
1	Total Cases Reported	11,679	12,066	(3.31)
2	Total Amount Involved	N9,753,787,229.54	N5,150,256,253.26	47.197
3	Total Amount lost	N5,785,592,169.24	N 1,178,598,547.97	79.63
4	Outsider Involvement	11,561	11,964	(3.49)
5	Insider (Staff) Involvement	88	56	36.36
6	Appointments Terminated	11	19	(73.73)

Appendix I (B)

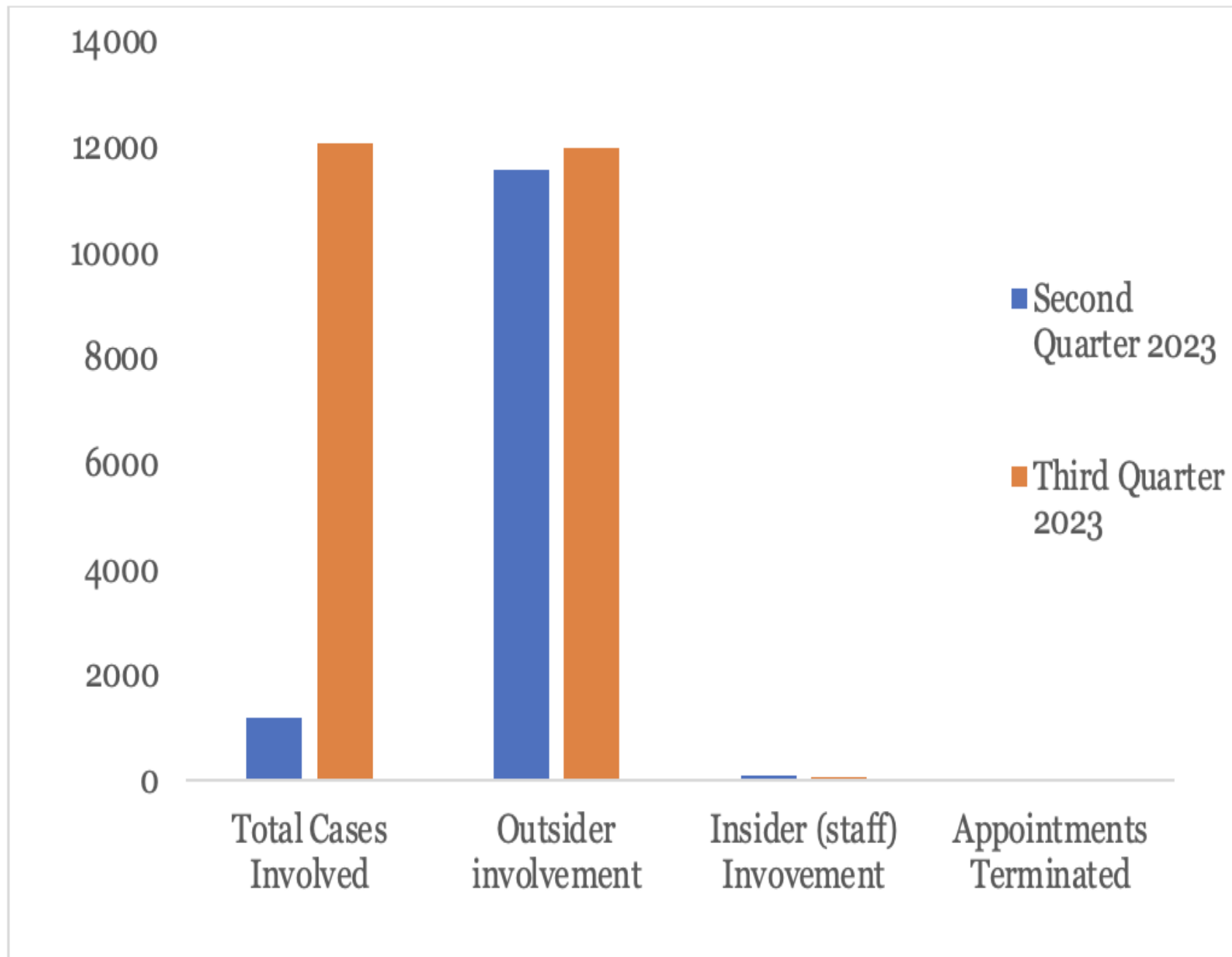
A Comparison of Amount Involved and Amount Lost to Frauds between First Quarter 2023 and Second Quarter 2023



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

Appendix I (C)

A Comparison of Fraud Activities between Second Quarter 2023 and Third Quarter 2023



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)

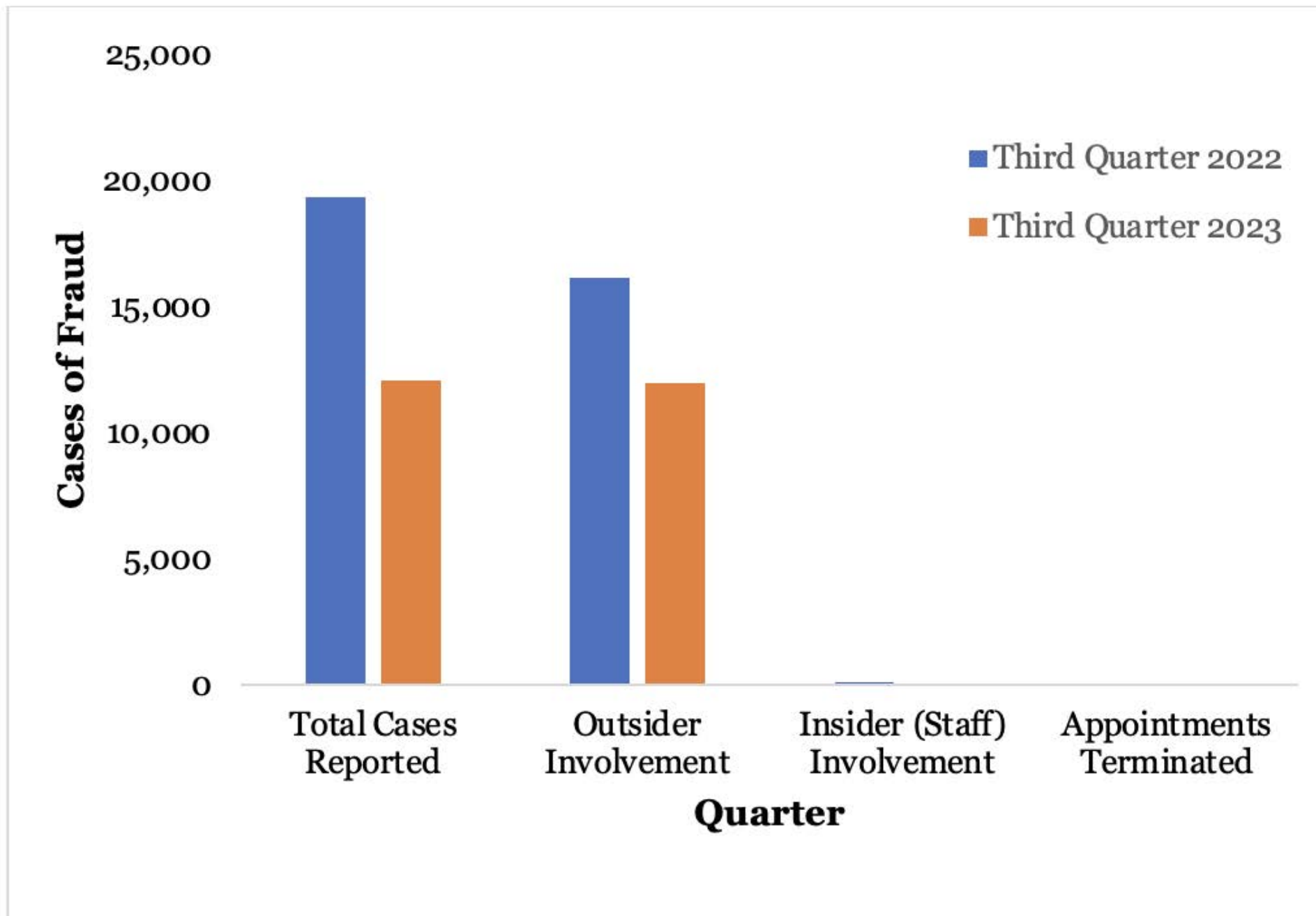
A Comparison of Frauds Activities between Second Quarter 2022 and Second Quarter 2023

S/N	Variables	Third Quarter 2022	Third Quarter, 2023	Percentage (%) change
1	Total Cases Reported	19,314	12,066	(37.53)
2	Total Amount Involved	N9,619,042,678.24	N5,150,256,253.26	(46.46)
3	Total Amount lost	N3,621,727,636.04	N 1,178,598,547.97	(67.46)
4	Outsider Involvement	16,125	11,964	(25.80)
5	Insider (Staff) Involvement	112	56	(50.00)
6	Appointments Terminated	20	19	(5.00)

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

Appendix I (E)

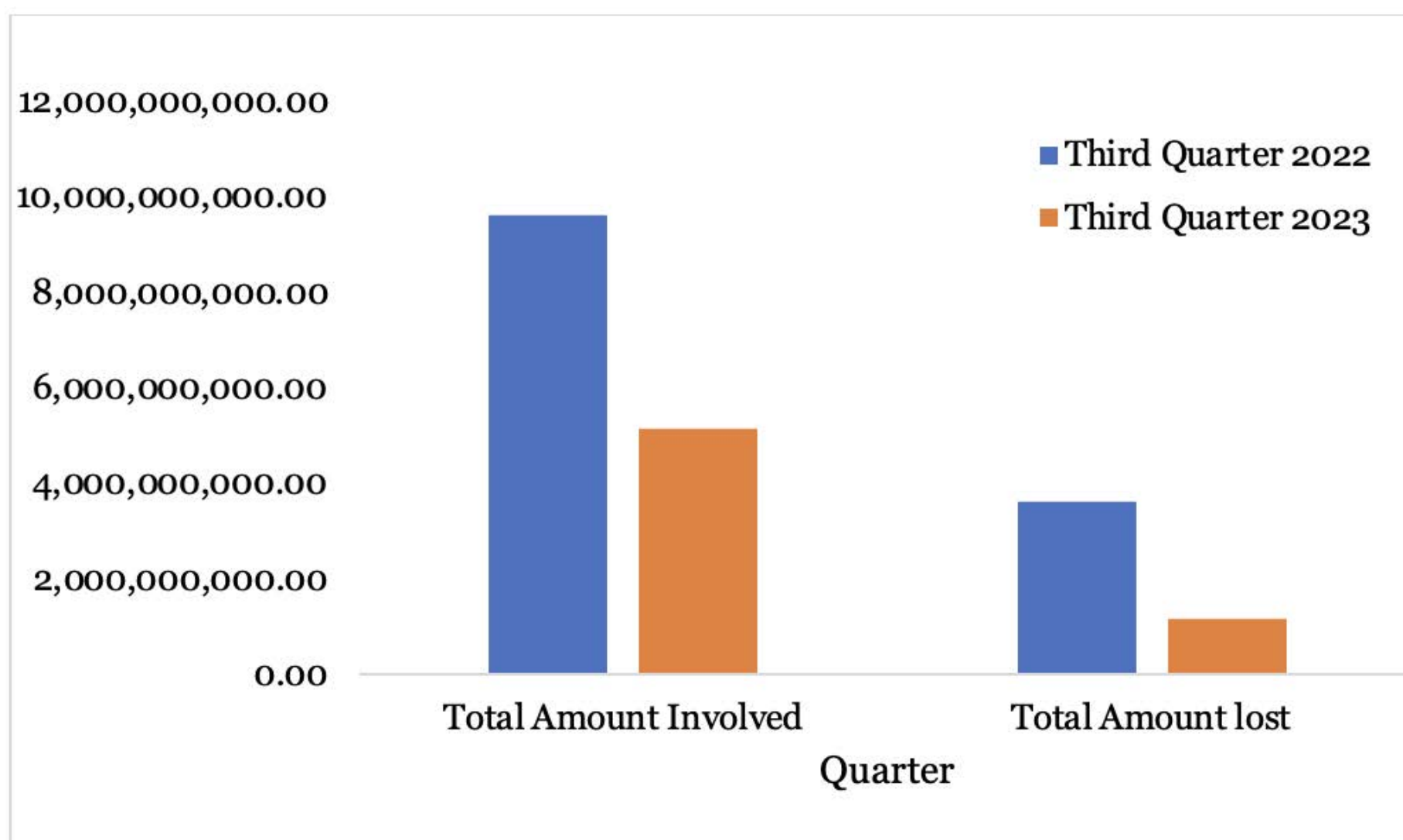
A Comparison of Frauds Activities between Third Quarter 2022 and Third Quarter, 2023



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 (F)

A Comparison of Amount Involved and Amount Lost to Frauds between Third Quarter 2022 and Third Quarter, 2023



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

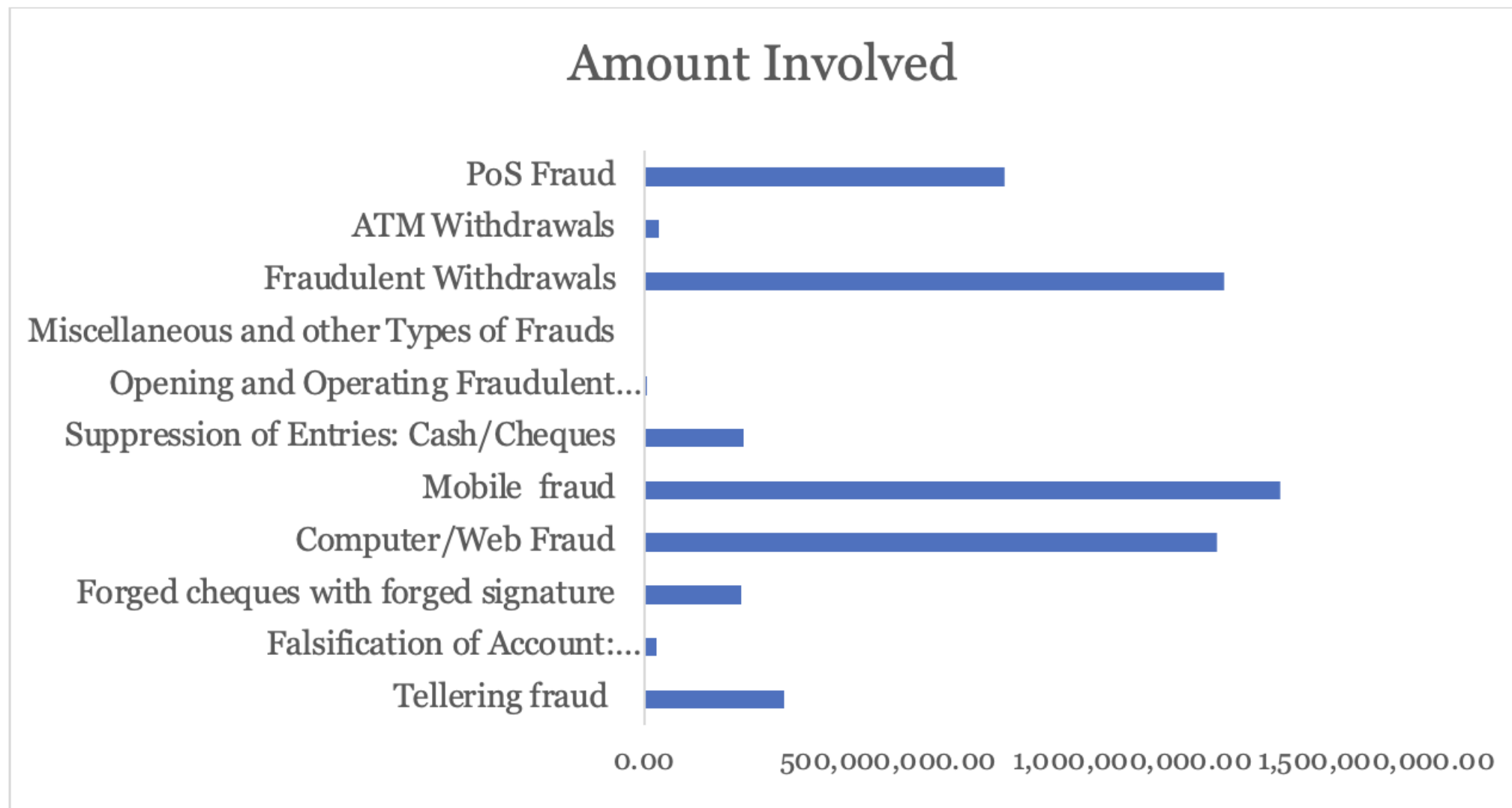
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual /Expected Loss (N)	Expected Loss/ Amount Involved(%)
Suppression of Entries: Cash/Cheques	133 (1.10)	32 (57.14)	101 (0.84)	0 (0)	0 (0)	203,820,520.39 (3.96)	146,580,711.00 (12.44)	71.9
Opening & Operating Fraudulent Loans & Accounts	1 (0.01)	1 (1.79)	0 (0)	0 (0)	0 (0)	5,000,000.00 (0.10)	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)	0 (0)	0 (0)	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	1 (0.01)	0 (0)	1 (0.01)	0 (0)	0 (0)	800,000.00 (0.02)	0 (0)	0.00
Fraudulent Withdrawals	7 (0.06)	0 (0)	3 (0.03)	0 (0)	4 (0)	1,187,298,059.60 (23.05)	544,764,454.12 (46.22)	45.9
ATM Withdrawals	233 (1.93)	0 (0)	233 (1.95)	0 (0)	1284689 (100)	30,528,257.63 (0.59)	4,989,054.00 (0.42)	16.3
PoS Fraud	2,119 (17.56)	0 (0)	2,117 (17.69)	0 (0)	2 (0)	738,922,679.64 (14.35)	7,495,250.02 (0.64)	1.0
Total	12,066	56	11,964	34	1284702	5,150,256,253.26	1,178,598,547.97	22.9

Note: All figures in parenthesis () indicate percentages

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

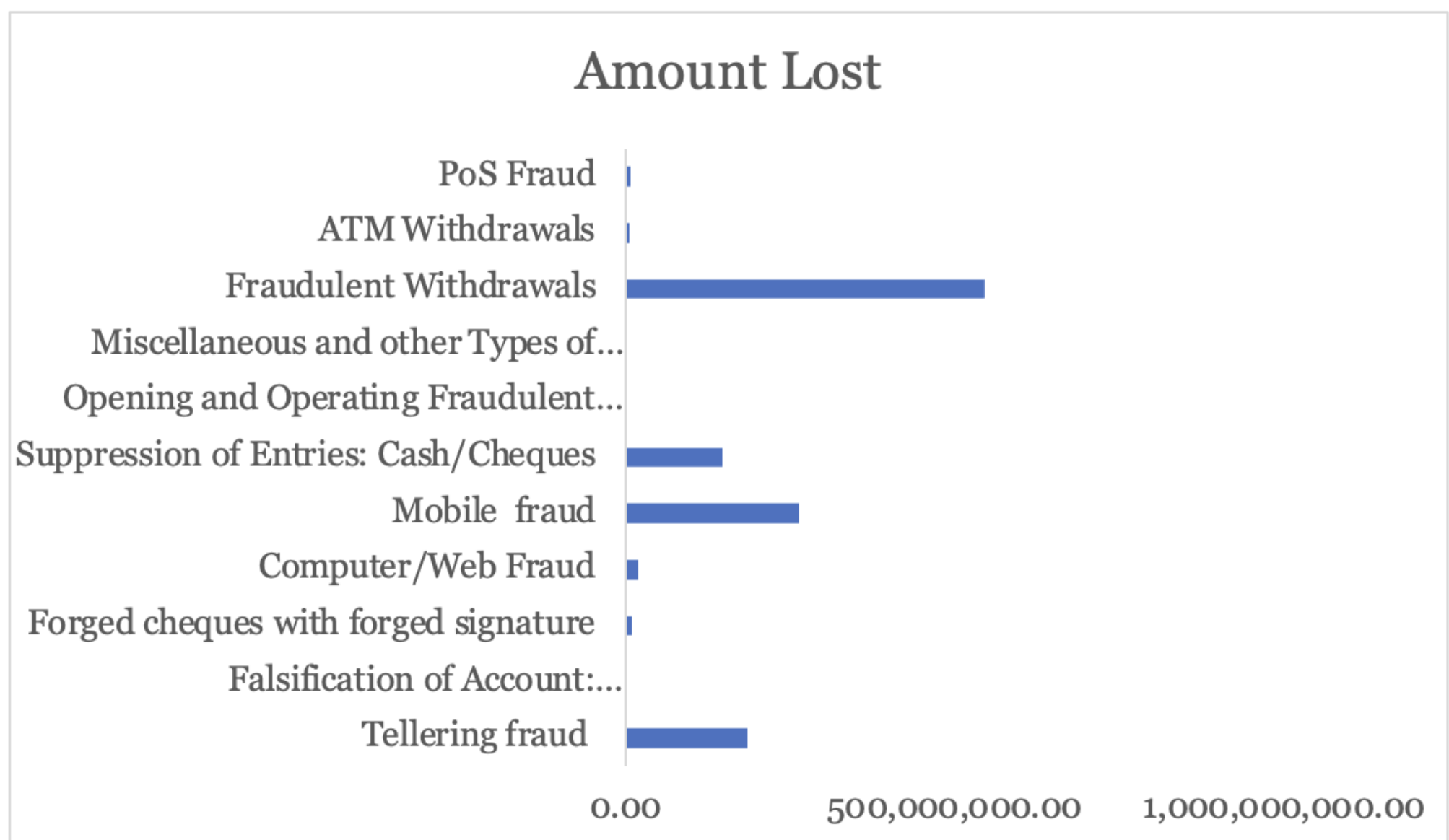
Appendix II (B)

Amount Involved in Frauds and Forgeries Activities (Third Quarter, 2023)



Appendix II (C)

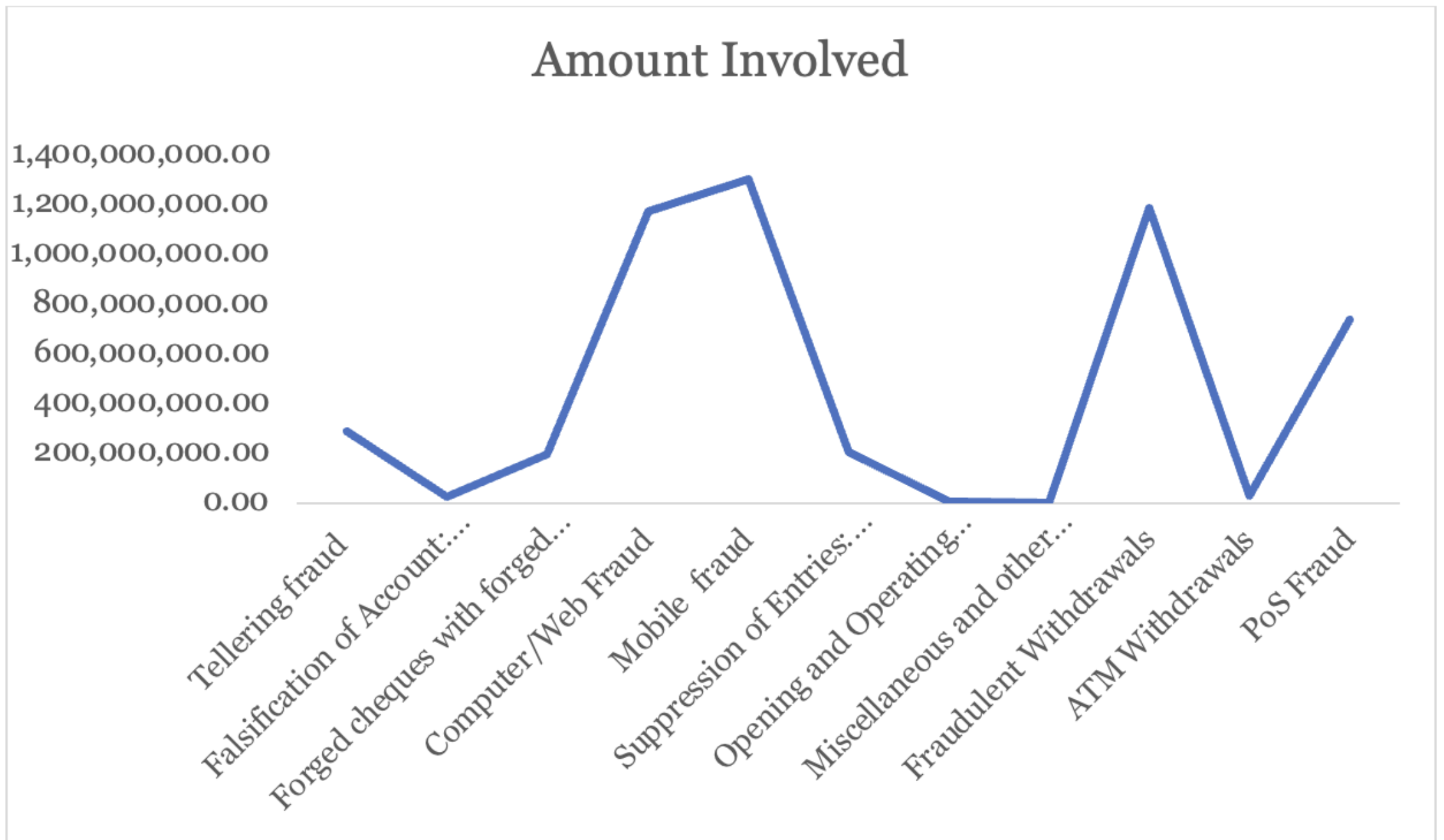
Amount Lost to Frauds and Forgeries Activities (Third Quarter, 2023)



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

Appendix II (D)

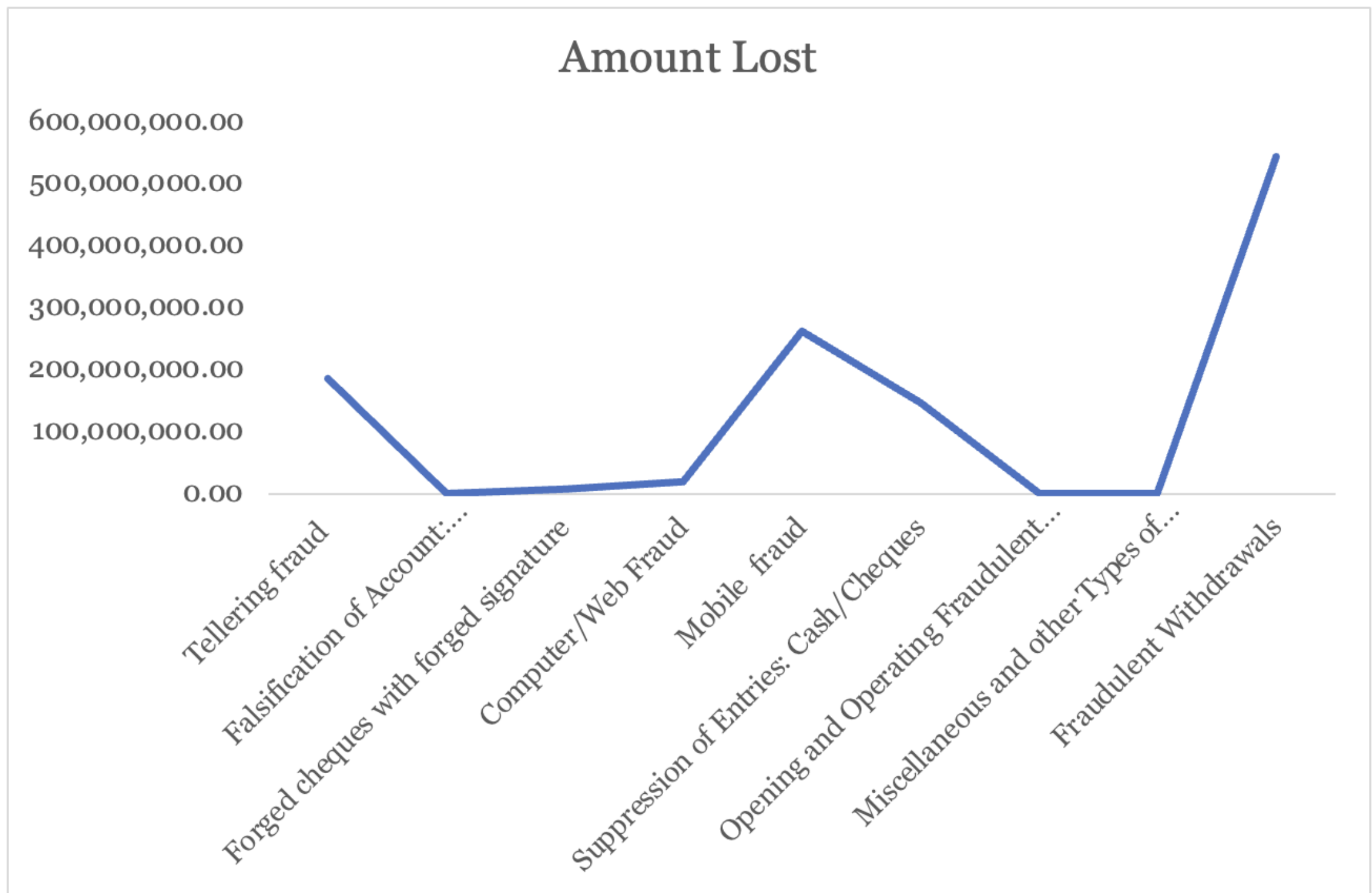
Percentage Distribution of Amount Involved in Frauds and Forgeries (Third Quarter, 2023)



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

Appendix II (E)

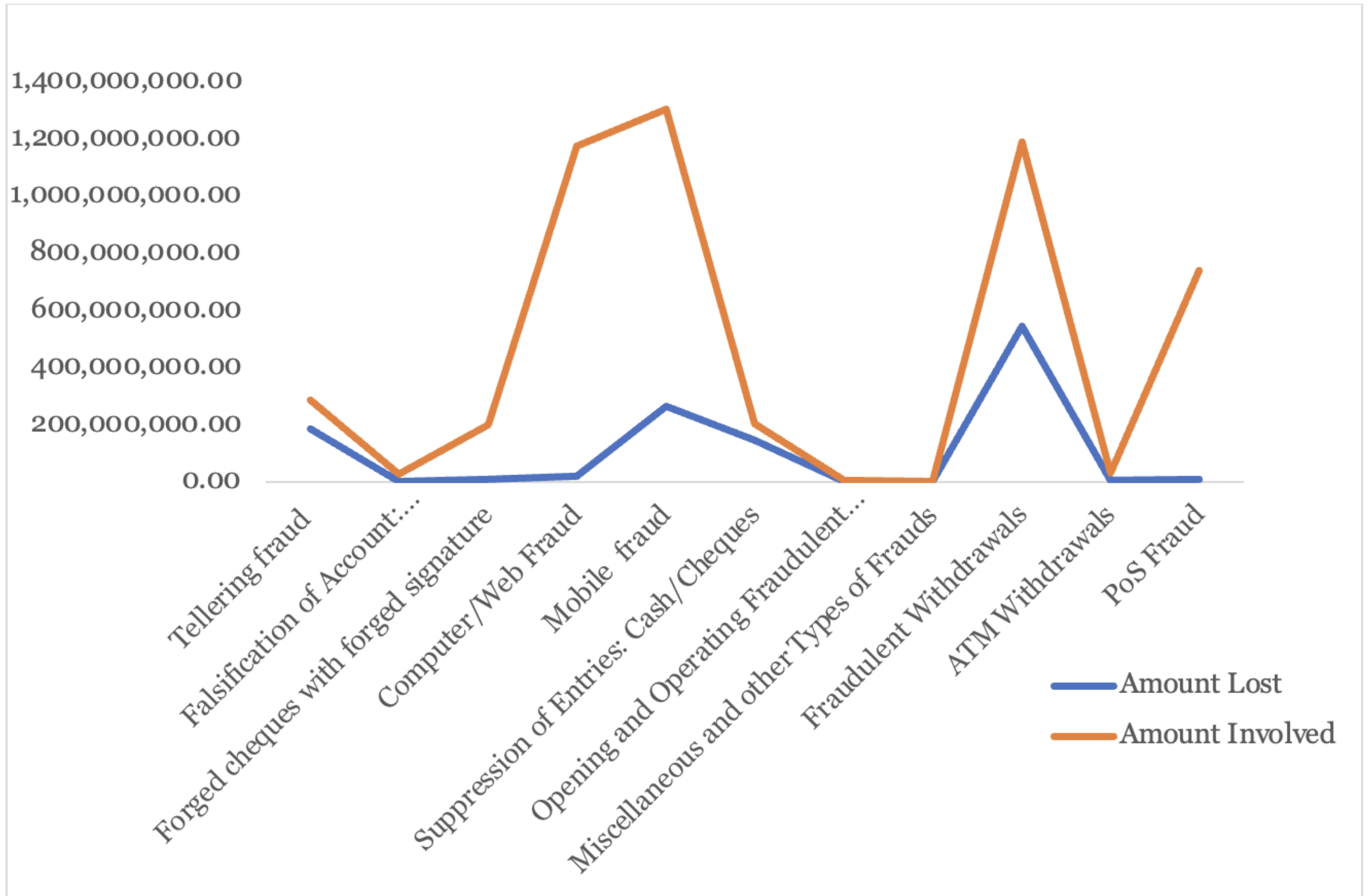
Percentage Distribution of Amount Lost to Frauds and Forgeries (Third Quarter, 2023)



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, 2023)



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 2023 and Third Quarter 2023

S/N	Channels	Cases: Second Quarter, 2023	Cases: Third Quarter, 2023	Percentage (%) change
1	Web	4684	5734	22.42
2	ATM	518	233	(55.02)
3	Bank Branch	769	327	(57.48)
4	Mobile	3713	3653	(1.62)
5	POS	1994	2119	6.27
6	Van	0	0	-
7	Agent	1		(100)
Total		11679	12066	3.31

Appendix III (B)

Amount Involved and Amount Lost to Fraud through various Payment Channels: A Comparison between First Quarter 2023 and Second Quarter 2023

S/N	Channels	Amount Involved, Second Quarter, 2023 (N)	Amount Involved, Third Quarter, 2023 (N)	Percentage (%) Change	Amount Lost, Second Quarter, 2023 (N)	Amount Lost, Third Quarter, 2023 (N)	Percentage (%) Change
1	Web	1,472,790,314.78	1,173,330,175.73	(20.3)	59,488,176.59	19,114,649.75	(67.9)
2	ATM	111,428,163.31	30,528,257.63	(72.6)	5,754,548.08	4,989,054.00	13.3
3	Bank Branch	6,989,452,707.78	1,905,236,502.27	(72.7)	5,514,212,198.93	884,975,075.12	(84.0)
4	Mobile	751,114,393.49	1,302,238,637.99	73.4	196,068,878.50	262,024,519.08	33.6
5	POS	428,077,650.18	738,922,679.64	72.6	10,068,367.14	7,495,250.02	(68.9)
6	Van	-	-	-	-	-	-
7	Agent	924,000.00		0			
Total		9,753,787,229.54	5,150,256,253.26	(47.2)	5,785,592,169.24	1,178,598,547.97	(79.42)

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

Appendix IV (A)

Frauds and Forgeries through various Instruments:

A Comparison between First Quarter 2023 and Second Quarter 2023

S/N	Instruments	Cases: Second Quarter 2023	Cases: Third Quarter 2023	Percentage (%) change
1	Cash	57	133	133.33
2	Cheques	26	119	357.69
3	Cards	10,909	11,746	7.67
4	Slips	0	0	0
Total		10,992	11,998	9.15

Appendix IV (B)

Amount Involved and Amount Lost to Fraud through various Instruments of Transaction: A Comparison between First Quarter 2023 and Second Quarter 2023

S/N	Instruments	Amount Involved, Second Quarter, 2023 (N)	Amount Involved, Third Quarter, 2023 (N)	Percentage (%) Change	Amount Lost, Second Quarter, 2023 (N)	Amount Lost, Third Quarter, 2023 (N)	Percentage (%) Change
1	Cash	6,756,130,295	203,820,520.39	(96.98)	5,503,575,790	146,580,711	(97.34)
2	Cheques	162,224,044.05	221,715,124.00	36.67	0	8,370,000.00	100
3	Cards	2,629,070,415	4,432,317,811	68.59	276,244,970.31	838,387,926.97	203.49
4	Slips	-	-	(0)	0	0	0
Total		2,369,234,726.32	9,547,424,754	49.12	459,532,066.03	993,338,638	(82.81)

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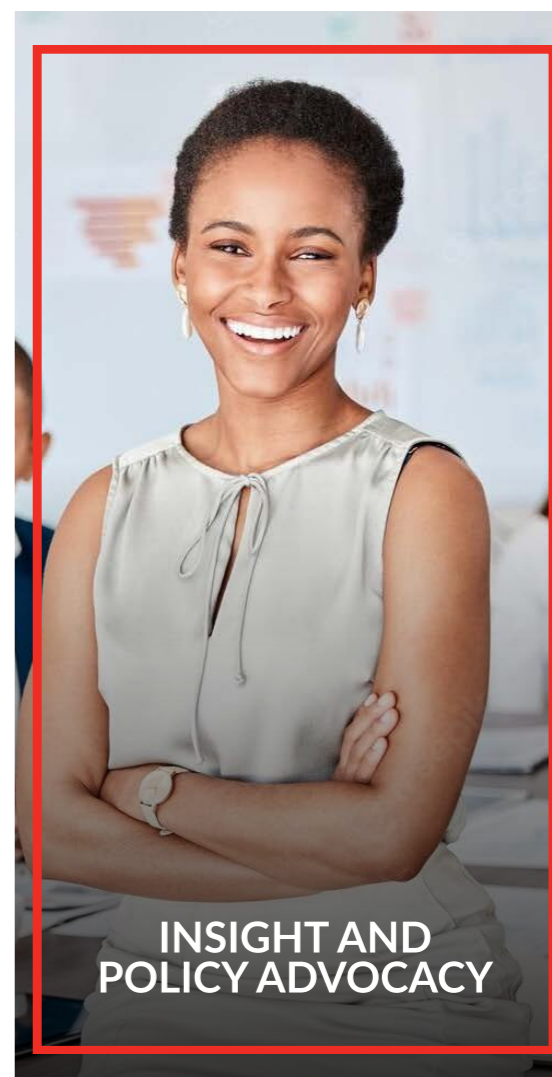
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