



Report on Frauds and Forgeries in Nigerian Banks

Quarter 4, 2021

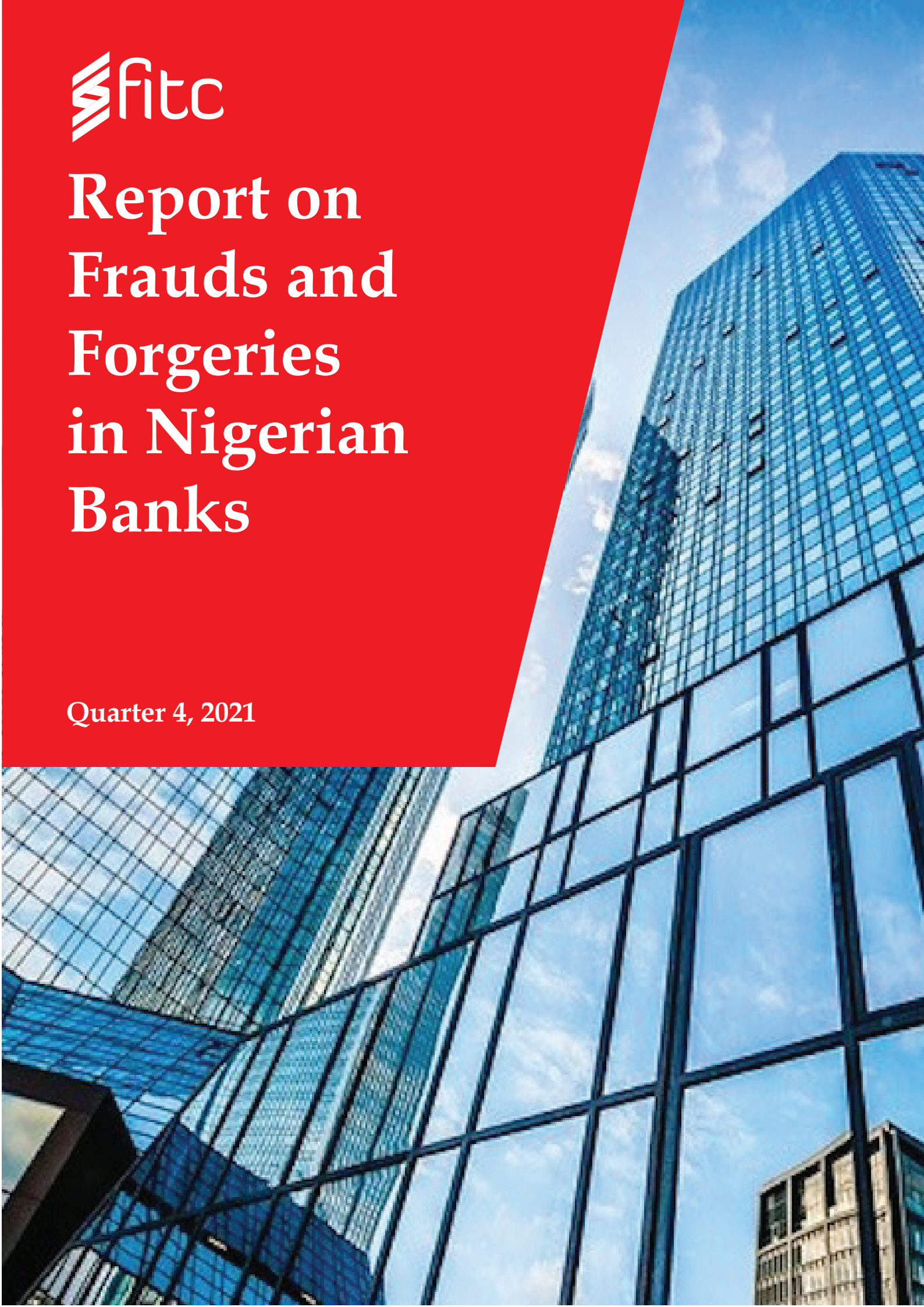


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1. Overview

FITC received sixty-four (64) returns on cases of fraud and forgery from twenty-two (22) deposit money institutions¹ in the fourth quarter of 2021. Twenty-one (21) returns were received in October 2021, Twenty-one (21) returns were received in November 2021, and another Twenty-two (22) returns were received in December 2021, according to an assessment of these returns.

2. Volume and Value of Fraud Cases

A total of twenty-six thousand, five hundred and sixty-six (26,566) incidents of Frauds and Forgeries were recorded in the fourth quarter of 2021, compared to twenty thousand, one hundred and ninety-five (20,195) recorded cases² in the third quarter of 2021, representing a 31.55 percent increase between the periods. Of the types of fraud observed during the periods, computer/web fraud, mobile banking fraud, and ATM withdrawals fraud had the highest occurrences. Appendices I and II show the fraud activities that occurred throughout the time period.

Looking at the quarter under review, the total sum reported to be involved in fraud cases decreased by 84.14 percent, from N34.78 billion to N5.51 billion. While the amount lost owing to fraud incidences decreased by 7.58 percent to N788.5 million in the fourth quarter of 2021 from N853.2 million in the previous quarter. The decrease in the amount involved in and lost to

frauds during the quarter under review might be due to the increase in misuse of accounts by account owners in which the bank is not liable for the loss.

According to a magnitude-based ranking of fraud categories, Fraudulent Withdrawals placed top at N2.19 billion (39.80 percent), followed by Computer/Web Fraud at 1.02 billion (18.47 percent). This was followed by ATM Withdrawal fraud and mobile fraud, with N807.2 million (14.63 percent) and N603.2 million (10.93 percent), respectively. The amount alleged to be involved in, and the actual amount lost to, frauds and forgeries over the period under review is represented in tabular form in Appendix II (A).

With regards to total amount lost to frauds in the quarter under review, mobile frauds accounted for N555.99 million (70.51 percent), followed by fraudulent withdrawals at N75.81 million (9.61 percent) and ATM withdrawal frauds at N60.62 million (7.69 percent). Appendices II (B), (C), (D), (E), and (F) graphically represent the amount involved in, and actual amount lost to, fraud and forgery operations throughout the study period under review.

3. Channels, Instruments and Personalities Involved in Perpetrating Fraud

During the fourth quarter of 2021, fraudulent activities were carried out using a range of channels, including ATMs, Web and Mobile Banking Platforms,

Bank branches, and POS (Point of Sale) terminals. Cards and cash had the highest frequency for instruments used to carry out fraudulent activities in Q4 2021, while cheques and slips accounted for a lower frequency of the amounts involved in and lost to frauds. Appendix III (A) provides an assessment of frauds with regards to payment channels, demonstrating that the volume of fraud associated with online, mobile channel, and POS decreased while ATM and bank branch grew.

Appendix III (B) statistics reveal that, a decrease was recorded in the amounts involved in web and mobile fraud by 66.07% and 14.02%, from N3.01 billion to N1.02 billion and from N707.6 million to N603.3 million respectively. Fraud recorded through bank branch decreased considerably by 91.61% bringing it down to N2.6 billion from N30.5 billion. Further analysis show that an increase of 104.63% and 79.85% was also recorded for ATM and POS frauds bringing it to N807.2 million and N124.9 million, from N394.5 million and N69.5 million respectively in the previous quarter. The amount involved in agent fraud increased by 100% in comparison with the previous quarter, from no agent related fraud to an involved amount of N2.9 million.

The trend analysis of the returns by payment channel reveals that the amount lost to fraud via ATM channel increased by over 161.07% from N23.14 million to N60.41 million. Furthermore, amount lost due to mobile fraud

increased by 13.5 percent from N487.9 million to N553.9 million. A decline of 78.05% and 86.64% was also noted for web and POS frauds reducing the amount to N21.3 million and N3.01 million from N96.9 million and N22.5 million in Q3 respectively. Also, bank branch fraud fell by 51.69% to N107.5 million from N222.6 million in the previous quarter.

Appendix IV (B) show that the amount involved in the three instruments of transactions (cheques, cards, and cash) decreased in the Q4 2021. Cheque and card fraud have decreased by 75.52.6% and 83.85%, respectively, to N239.6 million and N2.55 billion, from 978 million and N15.8 billion. In the same order, the amount related with cash fraud decreased by 87.11% from N17.99 billion to N2.32 billion.

An increase of 40.26% was recorded in the actual amount lost by card fraud from N452.7 million to N635 million in the previous quarter. On the other hand, a 73.01% decrease was recorded for cash fraud from N2.3 billion in the previous quarter to N107.5 million in the quarter on review. Also, no amount was lost for cheque frauds. Appendices III (C) and IV (C) visually depict further data on the routes and instruments utilized to commit fraud in the fourth quarter of 2021.

Deposit money institutions reported that the services of five (5) employees were terminated due to their participation in fraud-related operations during Q4 which represents a 64.29

percent decrease from the previous quarter, where fourteen (14) bank workers were dismissed for same reasons. In comparing this with the corresponding quarter of 2020, the number of staff who were dismissed owing to fraud-related incidences was twenty-one (21), representing a 76.19 percent decrease.

4. Summary and Conclusion

In the fourth quarter of 2021, there was an increase in case volume of fraud and forgery activities within the Nigerian banking system. However, the Q4 analysis reveals a decline in the total amount involved in the actual or expected amount lost to fraudulent activities which can be attributed to mostly attributed customer related negligence which the banks are not liable for.

Overall amount involved in fraud decreased by 84.14 percent to N5.52 billion from N34.78 billion, but the number of recorded fraud cases increased by 31.55 percent to 26,566 from 20,195. Furthermore, the real amount lost owing to fraud events decreased by 7.58 percent to N788.5 million from N853.2 million in the second quarter of 2021.

5. Recommendations

In the light of these findings, there's need for sensitization of customers on account security and usage as a greater percentage of amount lost due to frauds were customer dependent. Also, there's need to reinforce security on internet and mobile banking platforms in

order to checkmate the fraud incidences owing to channels of banking.

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

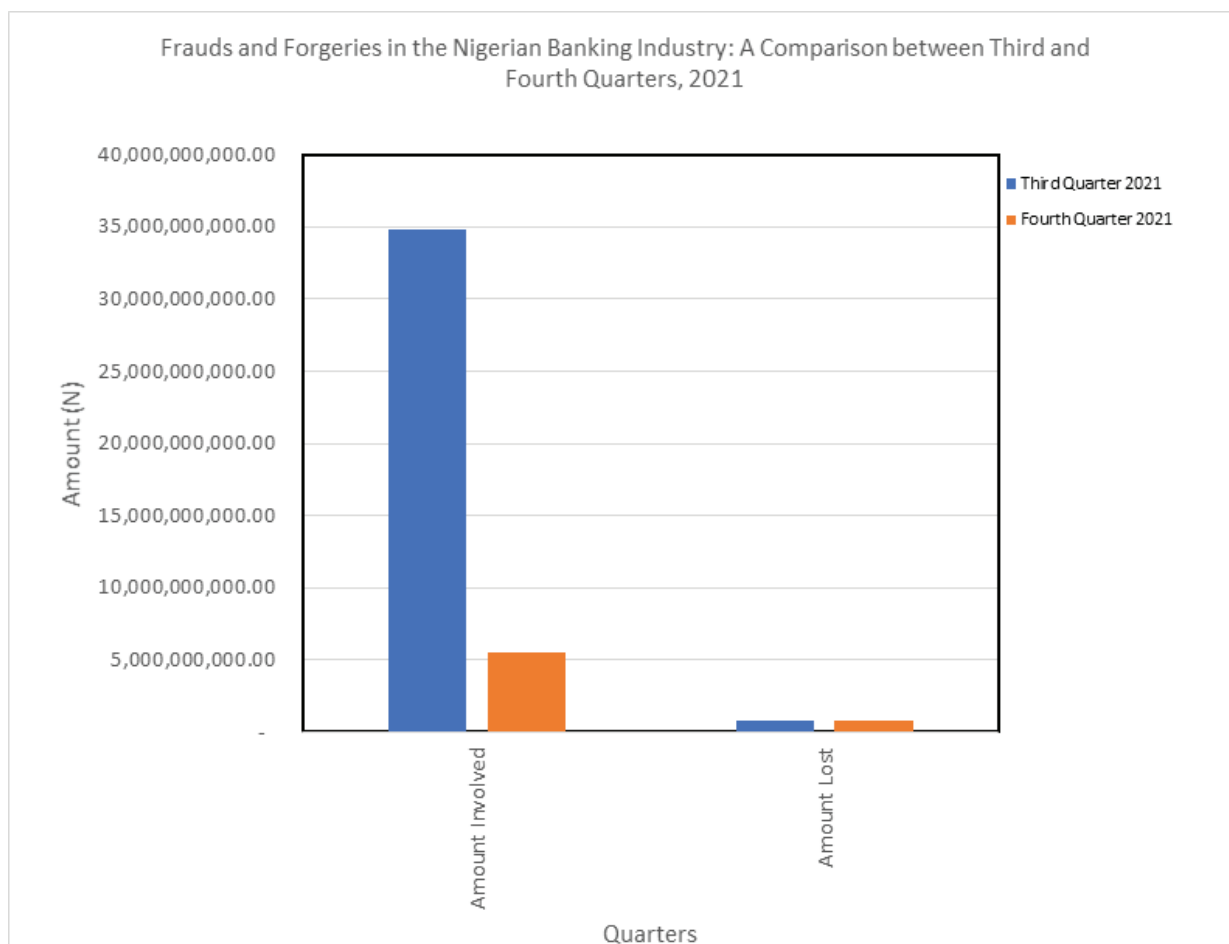
Note 4: Consisting of Computer/Web fraud, PoS fraud, Mobile Payment fraud, and ATM fraud

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

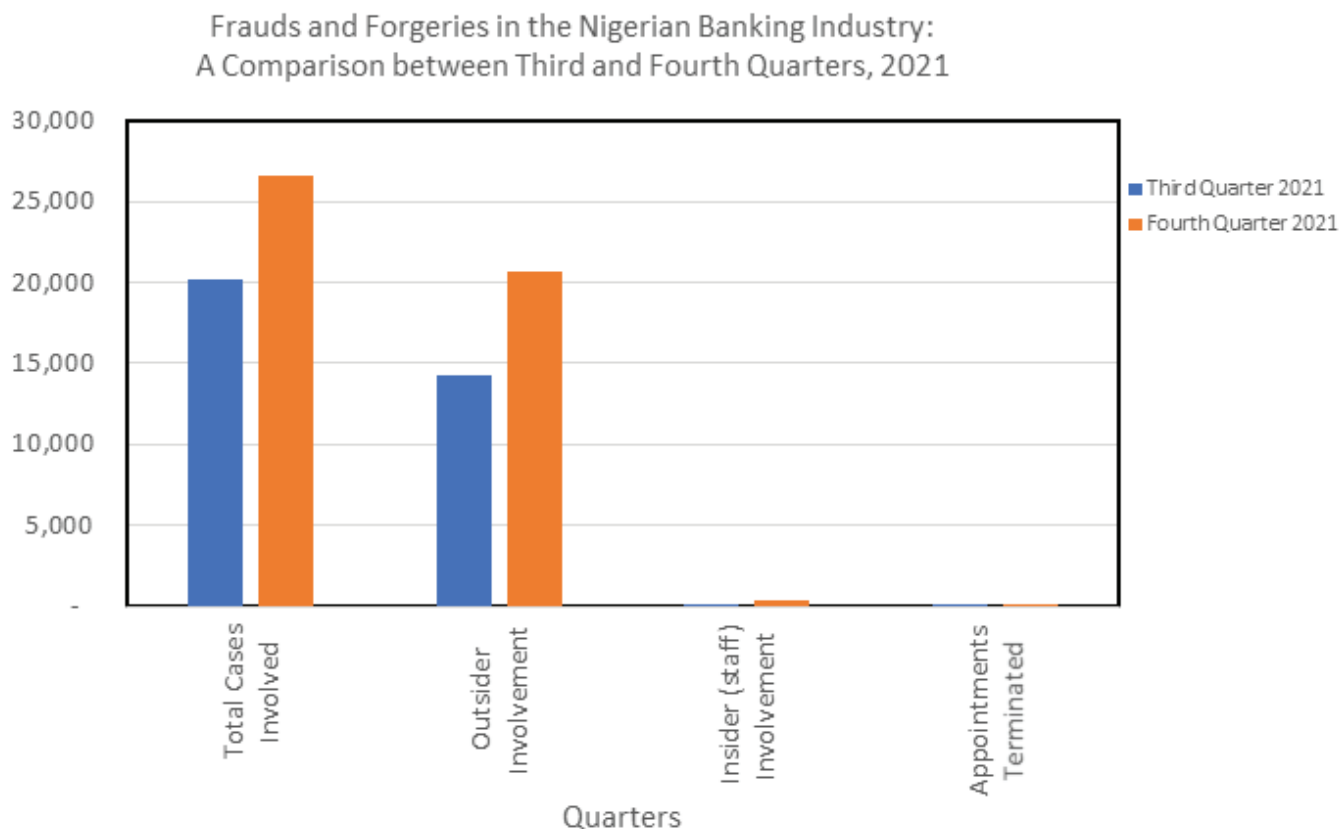
Appendix I (A)
A Comparison of Fraud Activities between Third Quarter 2021 and Fourth Quarter 2021

S/N	Variables	ThirdQuarter, 2021	Fourth Quarter, 2021	Percentage (%) change
1	Total Cases Reported	20,195	26,566	31.55
2	Total Amount Involved	N34,778,784,725.42	N5,516,790,712.75	(81.14)
3	Total Amount lost	N853,167,293.61	N788,528,523.95	(7.58)
4	Outsider Involvement	14,243	20,243	43.13
5	Insider (Staff) Involvement	32	410	1181.25
6	Appointments Terminated	14	5	(64.29)

Appendix I (B)
A Comparison of Amount Involved and Amount Lost to Frauds between Third Quarter 2021 and Fourth Quarter 2021



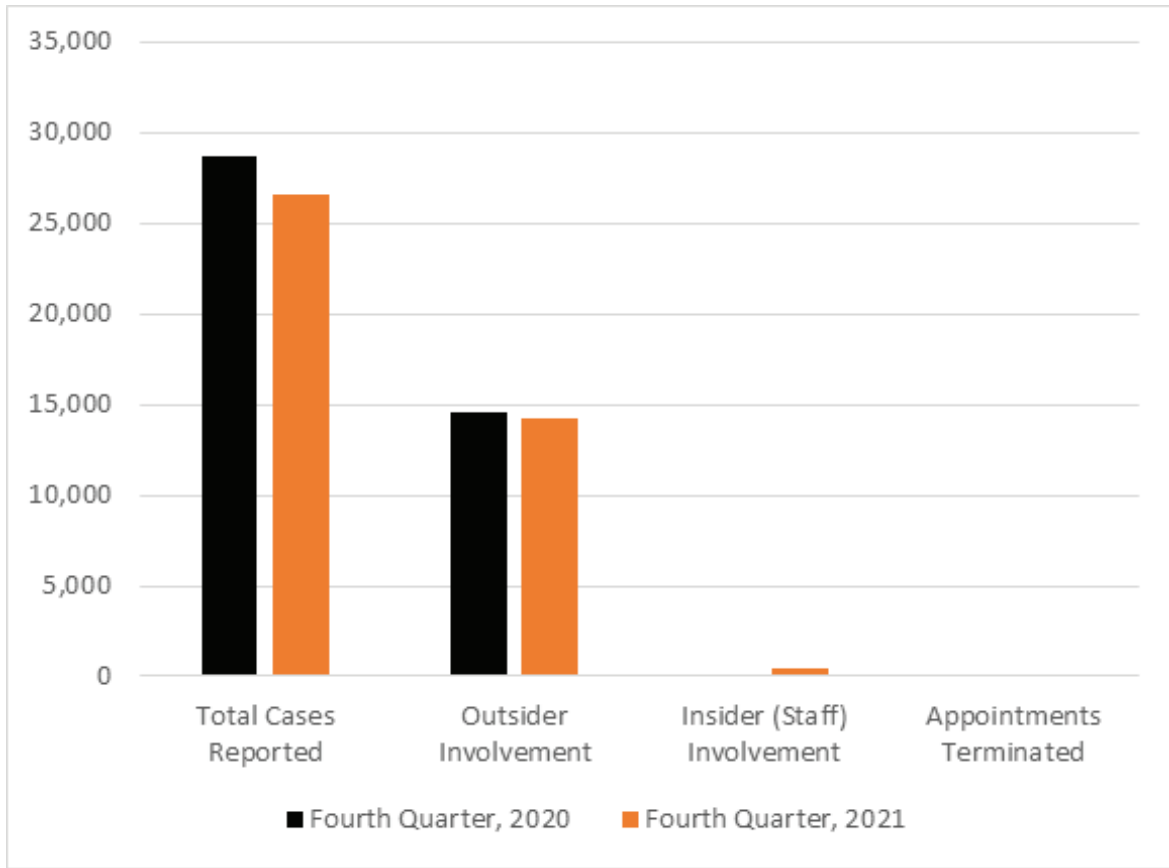
Appendix I (C)
A Comparison of Fraud Activities between Third Quarter 2021 and Fourth Quarter 2021



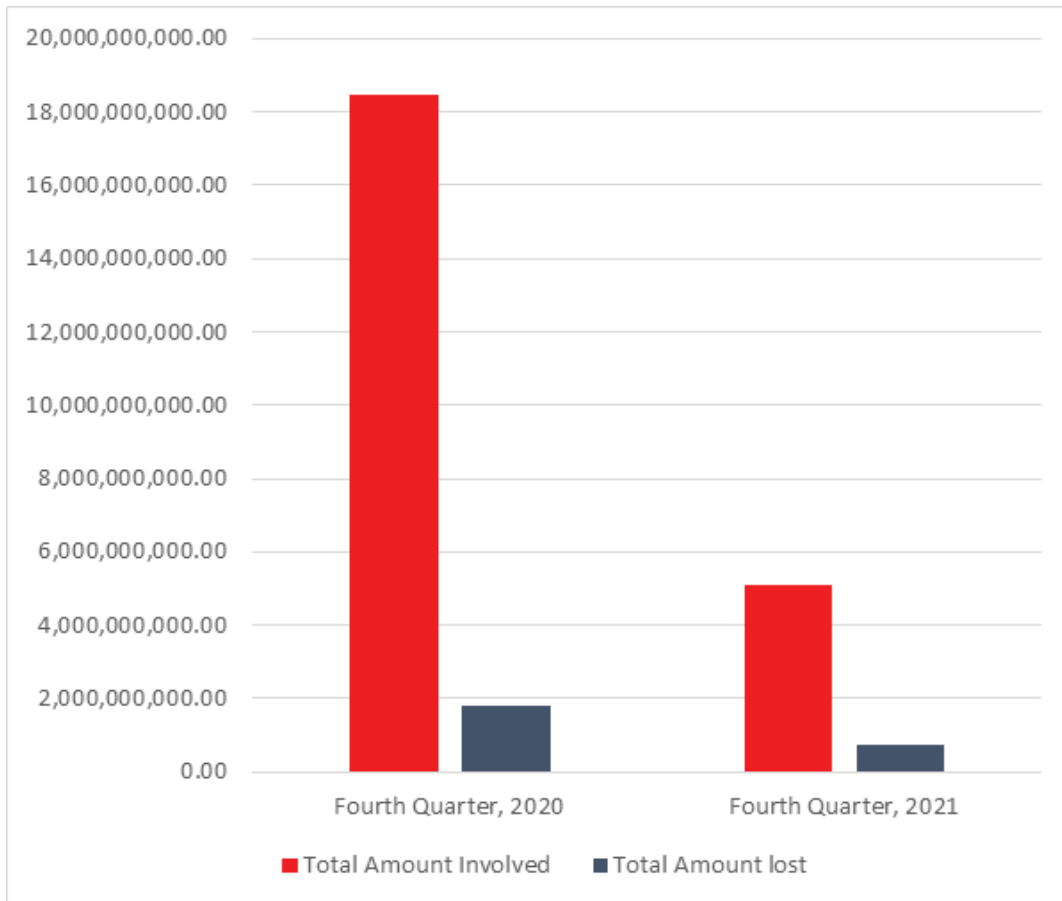
Appendix I (D)
A Comparison of Frauds Activities between Fourth Quarter 2020 and Fourth Quarter 2021

S/N	Variables	Fourth Quarter, 2020	Fourth Quarter, 2021	Percentage (%) change
1	Total Cases Reported	28,692	26,566	(7.14)
2	Total Amount Involved	N18,482,628,127.58	N5,516,790,712.75	(70.15)
3	Total Amount lost	N1,806,543,799.62	N788,528,523.95	(56.35%)
4	Outsider Involvement	13,383	20,243	51.26
5	Insider (Staff) Involvement	58	410	606.90
6	Appointments Terminated	21	5	(76.19)

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



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



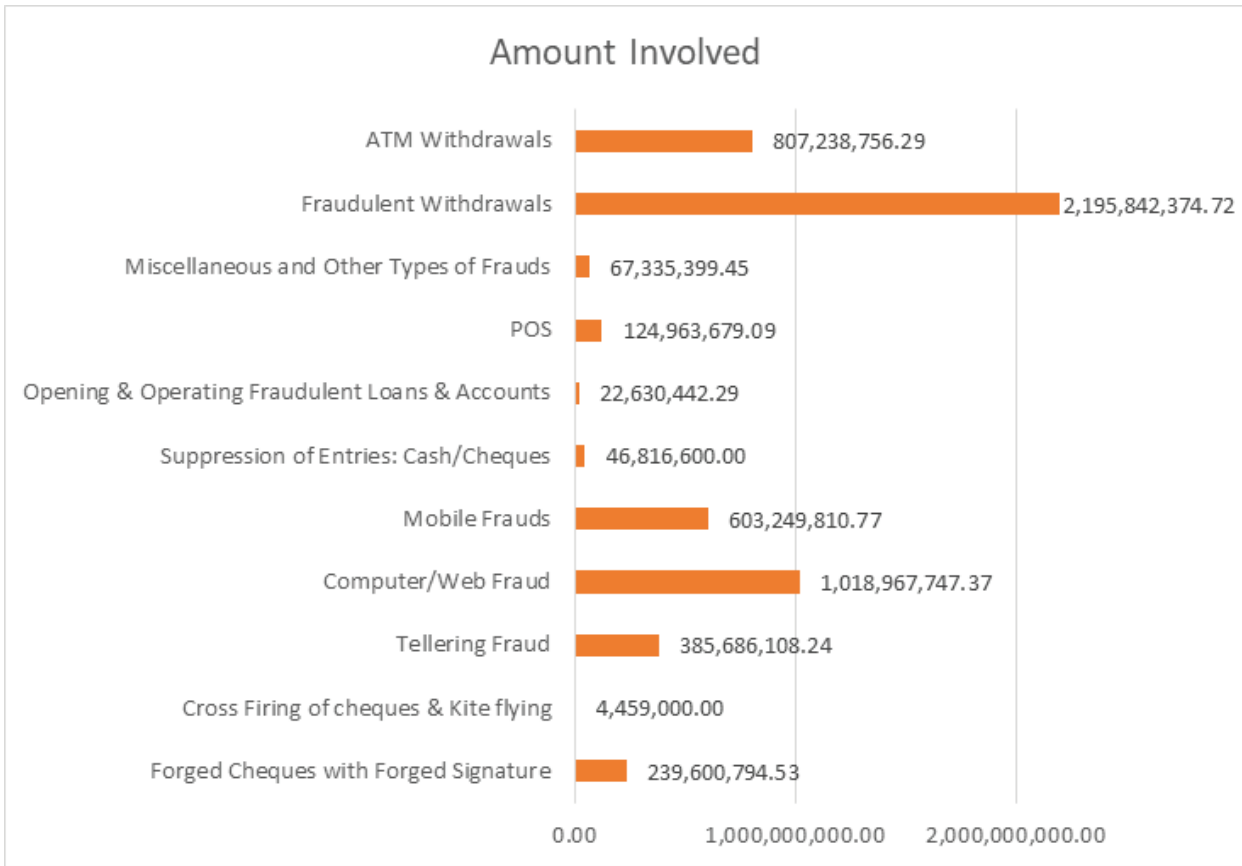
Appendix II (A): Frauds and Forgeries Activities in the Fourth Quarter, 2021

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	21 (0.08)	0 (0)	12 (0.06)	0 (0)	9 (0.013)	385,686,082.4 (6.99)	22,679,456.85 (2.88)	5.9
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	26 (0.1)	0 (0)	12 (0.03)	0 (0)	14 (0.93)	239,600,794.53 (4.34)	0 (0)	0.0
Printing of Bank Document Illegally	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0
Clearing Fraud	0 (0.00)	0 (0)	0 (0.00)	0 (0)	0 (0)	0 (0.00)	0 (0)	0
Computer/Web Fraud	9194 (34.61)	0 (0)	6668 (32.32)	0 (0)	143 (9.47)	1,018,967,747.37 (18.49)	21,541,062.84 (2.73)	2.1
Mobile Fraud	8107 (30.52)	0 (0)	5862 (28.41)	0 (0)	668 (44.24)	603,249,810.77 (10.93)	555,994,725.63 (70.51)	92.2
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	3 (0.01)	3 (0.73)	0 (0)	0 (0)	0 (0)	4,459,000 (0.08)	1,109,000 (0.14)	24.9

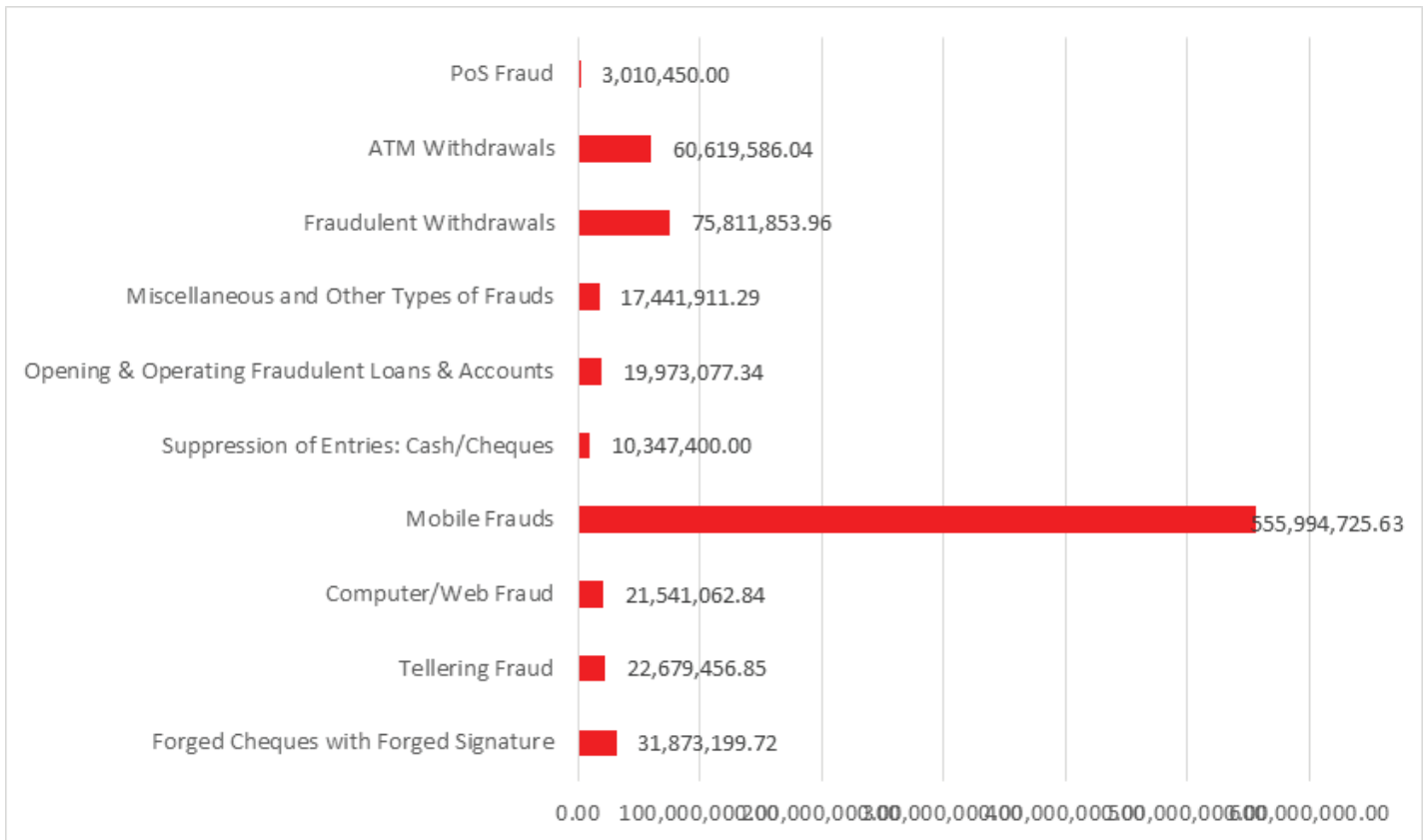
Types of Fraud	Total Number of Cases Reported	Involving Bank Staff Only	Involving Outside Persons Only	Collusion	Not Specified	Amount Involved (N)	Actual /Expected Loss (N)	Expected Loss/ Amount Involved (%)
Suppression of Entries: Cash/Cheques	22 (0.08)	18 (4.39)	4 (0.02)	0 (0)	0 (0)	46,816,600 (0.85)	10,347,400 (1.31)	22.1
Opening & Operating Fraudulent Loans & Accounts	2 (0.01)	1 (0.24)	1 (0)	0 (0)	0 (00)	22,630,442.29 (0.041)	19,973,077.34 (2.53)	88.3
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	243 (0.91)	12 (2.93)	219 (1.06)	10 (99.9)	2 (0.13)	67,335,399.45 (1.22)	17,441,911.29 (2.21)	25.9
Fraudulent Withdrawals	2890 (10.88)	5 (1.22)	2882 (13.97)	1 (9.1)	3 (0.2)	2,195,842,314.72 (39.8)	75,811,853.96 (9.61)	3.5
ATM Withdrawals	4820 (18.14)	290 (70.73)	4451 (21.6)	0 (0)	44 (2.91)	807,238,756.29 (14.63)	60,619,586.04 (7.69)	7.5
PoS Fraud	1238 (4.66)	81 (19.76)	523 (2.523)	0 (0)	634 (41.99)	124,963,679.09 (2.27)	3,010,450.00 (0.39)	2.4
Total	26566	410	20634	11	1510	5516790712	788528525.95	14.3

Note: All figures in parenthesis () indicate percentages

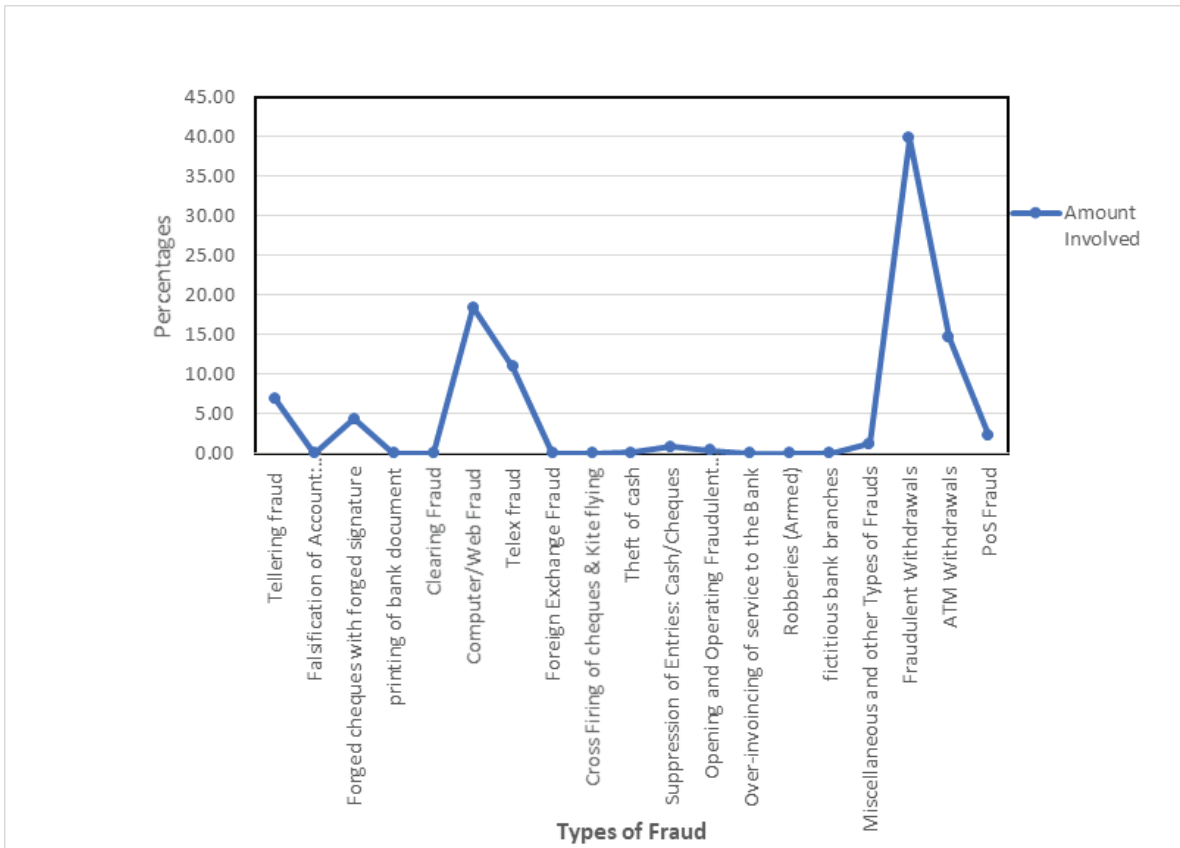
Appendix II (B)
Amount Involved in Frauds and Forgeries Activities (Fourth Quarter, 2021)



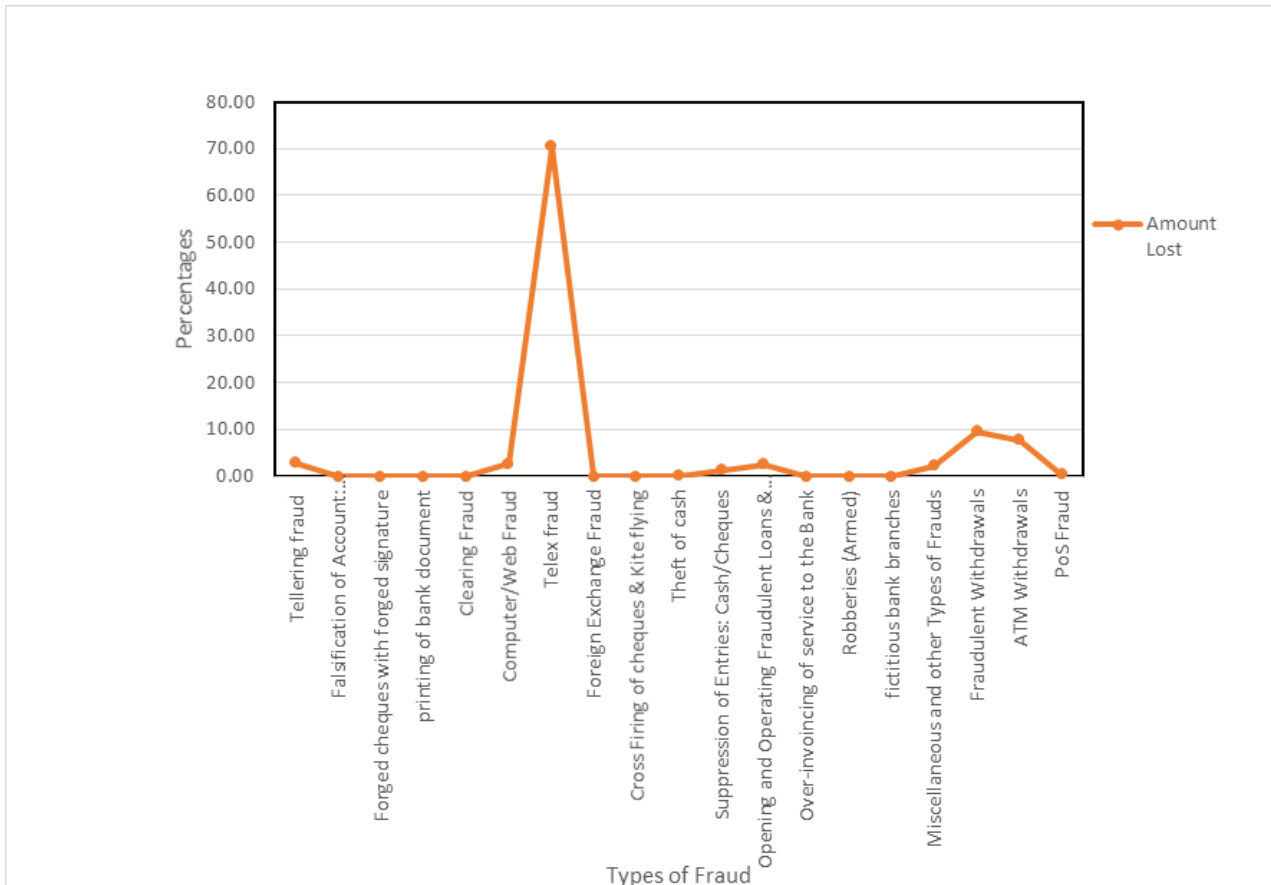
Appendix II (C)
Amount Lost to Frauds and Forgeries Activities (Fourth Quarter, 2021)



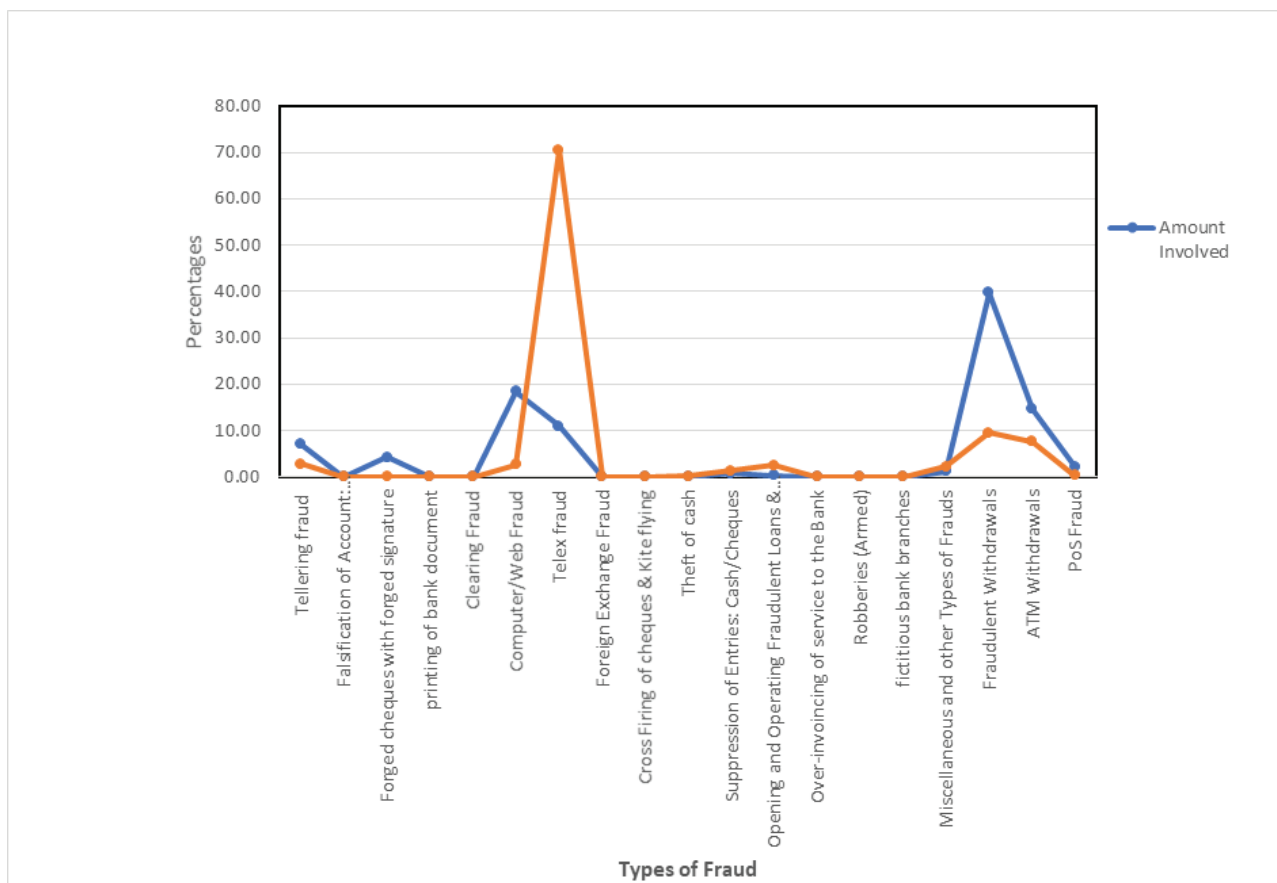
Appendix II (D)
 Percentage Distribution of Amount Involved in Frauds and Forgeries
 (Forth Quarter, 2021)



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



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



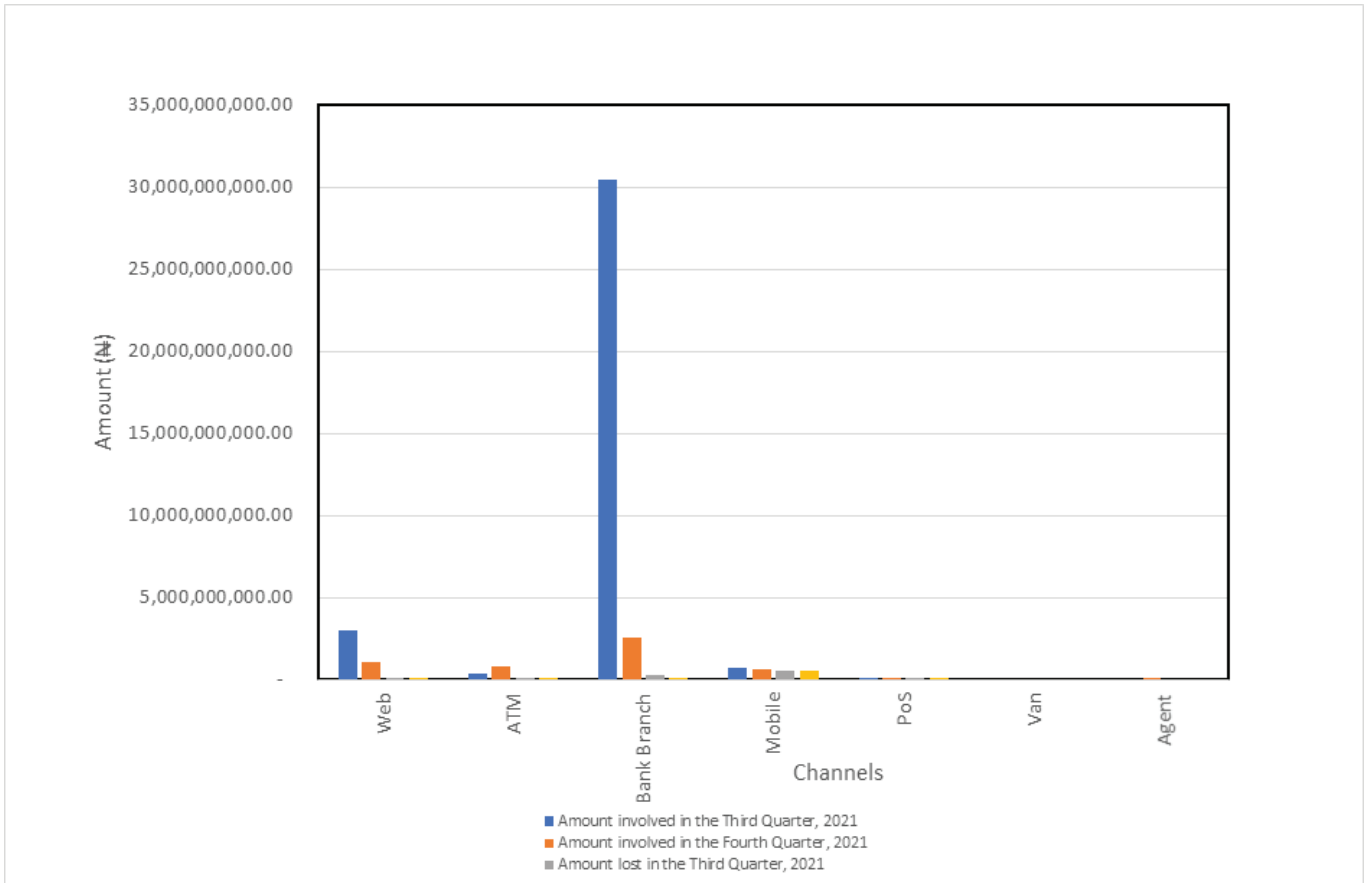
Appendix III (A)
Frauds and Forgeries through various Payment Channels:
A Comparison Third Quarter 2021 and Fourth Quarter 2021

S/N	Channels	Cases: Third Quarter, 2021	Cases: Fourth Quarter, 2021	Percentage (%) change
1	Web	7682	8833	14.98
2	ATM	7180	4,820	(32.87)
3	Bank Branch	1538	3192	107.54
4	Mobile	2816	8418	198.93
5	POS	977	1237	26.61
6	Van	0	0	-
7	Agent	0	2	100
Total		33,641	26,502	(21.22)

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

S/N	Channels	Amount Involved, Third Quarter, 2021 (N)	Amount Involved, Fourth Quarter, 2021 (N)	Percentage (%) Change	Amount Lost, Third Quarter, 2021 (N)	Amount Lost, Fourth Quarter, 2021 (N)	Percentage (%) Change
1	Web	3,003,561,393.98	1,018,967,747.37	(66.07)	96,975,381.04	21,285,684.24	(78.05)
2	ATM	394,480,048.40	807,238,756.29	104.63	23,140,330.25	60,412,086.04	161.07
3	Bank Branch	30,494,719,537.80	2,558,262,672.16	(91.61)	222,567,095.32	107,524,168.71	(51.69)
4	Mobile	701,631,689.68	603,249,810.77	(14.02)	487,951,006.03	553,891,825.63	13.5
5	POS	69,454,104.90	124,913,179.09	79.85	22,533,480.97	3,010,450.00	(86.64)
6	Agent	-	2,914,500.00	100.0	-	-	0.0
	Total	34,663,846,774.76	5,115,546,665.68	85.24	853,167,293.61	788,528,523.95	7.58

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



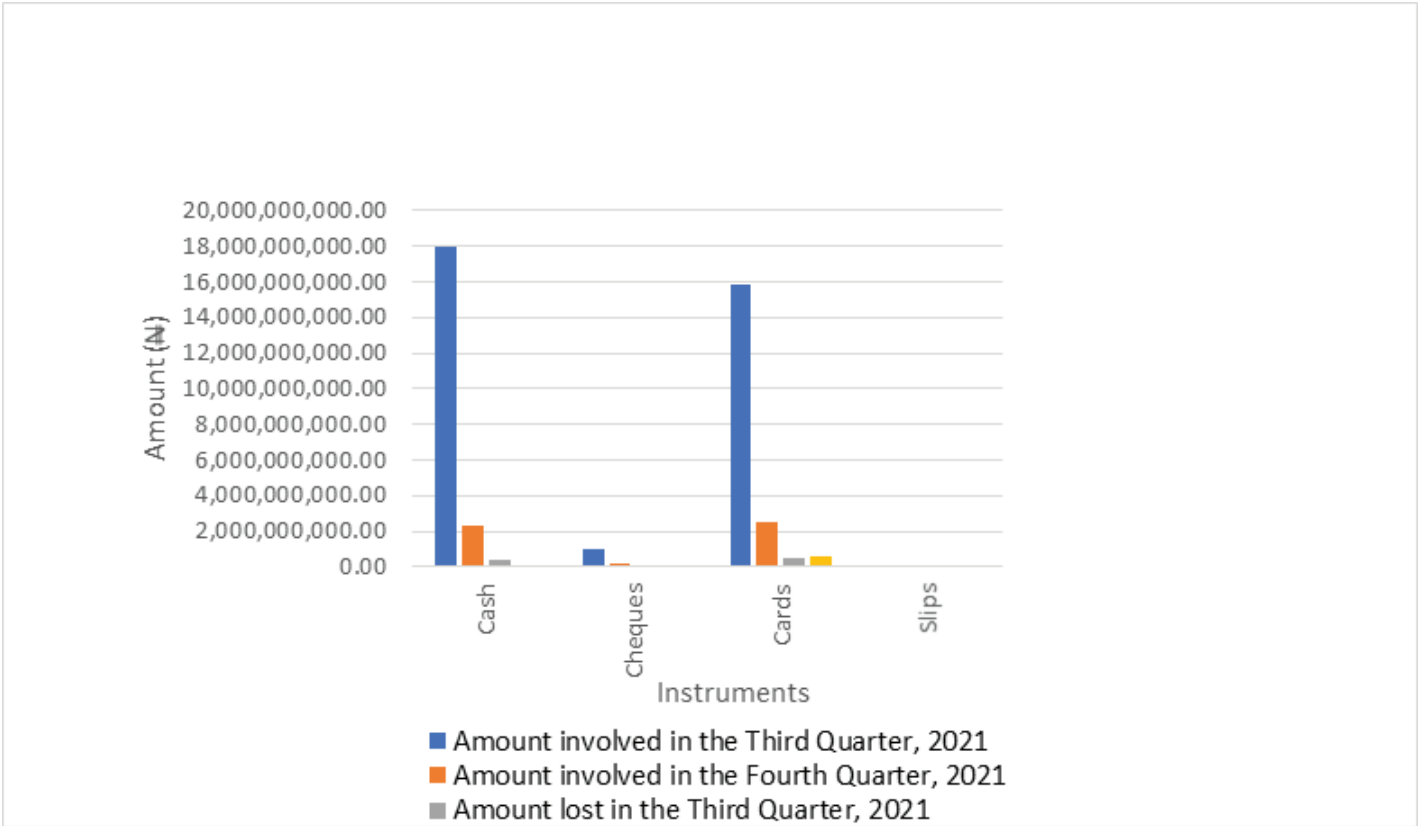
Appendix IV (A)
Frauds and Forgeries through various Instruments:
A Comparison between Third Quarter 2021 and Fourth Quarter 2021

S/N	Instruments	Cases: Third Quarter, 2020	Cases: Fourth Quarter, 2021	Percentage (%) change
1	Cash	7608	3,166	(58.39)
2	Cheques	34	26	(23.53)
3	Cards	12,541	21,469	71.19
4	Slips	12	-	(100)
Total		20,195	24,661	22.11

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

S/N	Instruments	Amount Involved, Third Quarter, 2021 (₦)	Amount Involved, Fourth Quarter, 2021 (₦)	Percentage (%) Change	Amount Lost, Third Quarter, 2021 (₦)	Amount Lost, Fourth Quarter, 2021 (₦)	Percentage (%) Change
1	Cash	17,987,642,000	2,318,661,877.63	38.2	398,348,739.85	107,524,168.71	38.2
2	Cheques	978,662,000	239,600,795	62.66	2,072,334.20	-	62.66
3	Cards	15,812,351,802.70	2,554,369,493.52	42.38	452,746,219.56	635,014,837.73	42.38
4	Slips	128,922.50	-	-	-	-	-
Total		34,778,784,725	5,115,546,665.68	85.24	853,167,293.61	788,528,523.95	7.58

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





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