

Businesses cautioned about fraud during festive season

With the festive season drawing nearer, Coface South Africa, the international credit insurer, has cautioned its clients about the dangers of fraud and specifically white collar crime in the December to January period.

In these months, when companies mostly operate with a smaller staff complement, credit control is sometimes relaxed. "The three major scams we are experiencing across industries are related to company identity fraud. The first type we have witnessed relates to false buyers requesting the delivery of goods posing as an existing client and then changing the delivery address of the established customer," says Coface operations manager Jacqui Jooste.

The supplier then delivers the goods to the new address, but when the supplier tries to collect payment from the established customer, they have no record of receiving the goods. "To avoid this type of fraud, it is important that suppliers set up additional checks and balances in the case of a buyer requesting changes to their account. This includes delivery details, bank account details and contact details," says Jooste.

Creating a duplicate company

The second type of company identity fraud targets organisations by creating a fraudulent duplicate company. Fraudsters misrepresent themselves as representing a well-known company. The credit application looks authentic and the supplier thinks they are opening up an account for a well known company. Goods are delivered and only when the supplier attempts to collect payment from the well-known company, is it established that the transaction was fraudulent. While the company name is well-known and valid, the fraudsters pose as representatives of that business and have disappeared with the goods.

The third type of fraud is where fraudsters send a letter of notification to a debtor changing the bank account details of one of their legitimate suppliers. The debtor is requested to make payment into this new bank account. "The documents Coface South Africa have seen are detailed and look almost identical to the supplier's official stationary. In addition to the design of the documents, the fraudsters have the correct signature and stamps of the supplier," says Jooste.

Procedures must be in place

As a result, the buyer dutifully makes payment into this new account. The fraud is often only picked up when the buyer's account is overdue with the real supplier. The buyer believes they have already 'paid' the money into the correct account, but in fact the supplier has not yet received payment. To avoid being defrauded in this manner, it is important to have procedures in place regarding changes to supplier details. This could include phoning the supplier's finance department or calling the bank where the new account is held.

"What is interesting about these scams is that the fraudsters seem to target well-known companies. This could be because

their documentation is easier to access and therefore easier to alter. It could also be that the brand reputation of the companies has created a sense of trust from their suppliers and therefore less questions are asked when changes are made. Regardless of the reason, we encourage companies to be alert if there are changes made to creditor details," says Jooste.

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