

# North East

**AUTHOR INFO**



**Name:** Frank Nesbitt  
**Position:** Director,  
North East Fraud Forum

It is not necessarily the case that recession has caused an increase in fraud – it is more a case of the tightening of corporate belts during the economic downturn uncovering fraud which had been festering away for many years. During the boom and bonus times, many companies had refused to accept fraud as a true business risk, giving little more than lip service to fraud policies and staff awareness training. In the haste to reorganise and improve business efficiencies, the controls designed to protect the organisation were overlooked and were therefore at worst very weak, but in many cases were completely unable to cope with fraudsters targeting the assets.

The North East is not unduly rife with fraud and the number of reported frauds in the region hasn't really changed - but the value of the crimes has. There have been two major cases brought to court by Northumbria Police recently - Personal Property Portfolio and Engineering with Excellence - which were widely reported and there are also ongoing investigations centred upon a massive mortgage fraud involving at least 2000 mortgage applications by a company called North East Property Buyers.

Such frauds are often perpetrated with the assistance of professionals such as solicitors and the valuation of such a frauds will no doubt boost survey figures giving an illusion of alleged further increases in fraud.

The North East is one of the better places for crime detection and is not as bad as other areas of the country, such as the Midlands



# Sixty one per cent

61% have committed a crime against their employer, the government or a business Source: Keele University, June 2007

# 61%

and London. However, our region has suffered recent incidents of ATM attacks - when sophisticated false frontages are placed across the machines to record the personal details of a user. This type of fraud was once rife in London but, due in part to increased public awareness and police investigation, it is being squeezed northwards. We also have our fair share of procurement fraud, where controlling managers for instance have succumbed to pressure from suppliers and accepted honorariums in return for fictitious stock or product. This may be a symptom of the recession but I would suggest that it is in

**NORTH EAST (INCORPORATING YORKSHIRE & HUMBER)**

CASES BROUGHT TO TRIAL (BY YEAR)	
2002	10
2003	19
2004	23
2005	36
2006	42
2007	17
2008	33

VALUE OF CASES BROUGHT TO TRIAL (BY YEAR)	
2002	27,544,885
2003	14,310,796
2004	15,695,000
2005	15,695,000
2006	259,953,000
2007	5,342,000
2008	64,644,348

**NUMBER OF FRAUD CASES BROUGHT TO TRIAL IN THE NORTH EAST COMPARED TO OTHER REGIONS JAN-JUNE 09**



Figures have been taken from the KPMG Fraud Barometer 2009, these figures and examples are based upon cases which KPMG have taken to court.

fact an old practice discovered as the economic squeeze is felt by business.

The North East Fraud Forum, of which I am a director and member of the management board, has played its part in fraud prevention in the North East since 2005, by advising businesses and delivering professional training to its members through master classes and seminars.

**CASE FILE: NORTH EAST**

**Property tycoon disgraced**

**Case:** John Potts ran Tyneside-based Practical Property Portfolios, a property investment business which started out as genuine but through a combination of greed and mismanagement ended up as a fraudulent operation.

**Details:** At the time that the company was wound up investors' claims totalled £16m. Much of the money had been invested in properties which hadn't been refurbished or tenanted; some of the properties were even burnt out shells.

**Outcome:** Jailed for five years

**Care boss steals from disabled student**

**Case:** A university student who suffered from muscular dystrophy employed a care company to help him live in halls of residence. But, when he became too ill to study and had to quit the course, the company continued to take the money, some without even providing an invoice.

**Outcome:** The case is ongoing.