

SHARE DATA TO STOP FRAUD – THE EUROPEAN CHALLENGE

The European Commission is seeking to promote better information exchange and cooperation to help combat fraud
By Mike Bradford

THE latest Global Fraud Survey, commissioned by Kroll and carried out by the Economist Intelligence Unit, polled more than 800 senior executives worldwide from a broad range of industries and functions in July and August 2010.

Of the respondents, 88% reported that they had been hit by at least one type of fraud in the year under review, a figure broadly similar in every region and consistent with those of previous years.

Fraud among the credit community is a well-trodden path – and increasingly it is becoming global, or certainly on a European scale, as individuals move between member states. Eurofinas members across the EU saw this pattern developing back in 2007 at their Discussion Day on Fraud.

With criminals often operating across borders, the possibility to be able to share such data was seen to be essential.

European Commission proposals

In most countries there is a common acceptance that data sharing drives significant benefits at a macro-economic, organisational and consumer level.

As far back as 2004, the European Commission outlined its views on combating fraud on non-cash based means of payments in its Fraud Prevention Action Plan 2001-2003. It subsequently updated this in 2008 with the outcomes of its 2004-2007 Action Plan.

The Commission sees itself as a catalyst in the fraud prevention process, promoting better information exchange and stronger cross-border cooperation.

The Commission regards the impossibility of exchanging data at an EU level on high-risk and fraudulent merchants as a problem, and it wants

data protection rules in the EU to be clarified and harmonised.

In its view, stakeholders should be able to exchange information with a view to early detection and notification of fraud attempts, whilst respecting the rights and freedoms of individuals, and the competition rules.

At an EU level, there is still ongoing work-in-progress around clarifying, in co-operation with national data protection authorities, the limits and conditions for exchanging information related to fraud prevention.

A related Commission initiative was the establishment of the Expert Group on Credit Histories (EGCH) which published its final report in June 2009.

The core objective of the EGCH was to identify solutions to optimise the circulation of consumers' credit data within the EU, taking into account, in particular, data protection, privacy and consumer protection considerations.

As a reflection of EU-level activity and thinking this report and the subsequent response of the Commission is very current in terms of its recommendations.

The need for harmonisation

Two very relevant observations were that data protection authorities should work towards more convergence or harmonisation in the interpretation of data protection rules, and, critically, that fraud prevention was a legitimate purpose for sharing data, subject to consumer transparency.

Again the implementation of these recommendations is still work-in-progress but there is a clear appetite and acceptance that proportionate data sharing is seen as being critical to the establishment of a single European market.

In total, 21 million European companies cater to 175 million jobs and supply

500 million consumers. The single market must, in the eyes of the Commission, encourage companies to expand, buy, sell, create, invest and hire throughout the EU and beyond, because Europe is poised to think and act globally.

Single market proposals

The Single Market Act sets out 50 proposals to be enforced by 2012 to make the single market work better, and calls for action to make the lives of all market participants – companies, consumers and workers – easier.

The real challenge lies in the detail at specific country level and the legal as well as social, cultural and attitudinal approaches in particular, of data protection and privacy regulators.

Although both credit bureaux and independent solutions providers have built a number of fraud data sharing products and services, the overly strict conditions for data processing in some countries and fragmentation of the national data protection legislation impacting on cross-border data flows (physical or virtual) remain the primary legal obstacles to fraud data sharing. So while these products may be as good as they can be, they can only be as good as the regulators enable them to be.

Going back to the Eurofinas analysis mentioned earlier, it was noted that, in terms of fraud data sharing, the UK was ahead of many countries – but the main obstacle cited by members was their local data protection laws, with some countries even requiring the consent of the fraudster to the sharing of their data! **CCR-2**



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