

Halifax Bank of Scotland Uses Carreker's FraudLink On-U's Solution in New Approach to Check Fraud Prevention

Director of Fraud Risk Management Colin Charnley knew that his bank, one of the largest clearing banks in the UK, would need a proactive approach when implementing check fraud prevention. In well under one year, this approach has rewarded Halifax Bank of Scotland (HBOS) with a substantial return on investment.

Charnley said, "As an organization we at HBOS take our obligations of reducing financial crime very seriously, and we are certainly committed to protecting our customers' as well as our own assets as vigorously as possible. That is why we have focused on front-end fraud prevention as a key part of our strategy."

Part of that strategy was selecting a proven fraud prevention solution to help the bank in its aggressive efforts to combat check fraud. HBOS has been using Carreker's FraudLink® On-U's fraud detection solution since November 2004.

FraudLink® On-U's is a comprehensive check fraud detection system that identifies counterfeit and forged checks with unmatched precision. The system compares each check's characteristics with account history and known criminal behaviors using rules which have been calibrated and set by the bank itself in order to identify suspected check fraud before losses occur. Transactions that violate the established rules are out-sorted daily for investigation before payment.

"The main reason we went with the Carreker solution was that they let the product speak for itself. We knew that they had a reputation for fraud prevention solutions within the industry but their name wasn't really well known in the UK. After our due diligence concluded, Carreker provided us with a list of comparable users and basically said to go and speak to them. We conducted on-site visits with existing clients and they gave Carreker's solution a glowing endorsement — so it was really a no-brainer," says Charnley.

According to the British Bankers' Association (March 11, 2005), losses by UK banks from non-plastic related fraud totalled £107.6 million in 2004. The figure represents an increase of eleven per cent over the previous year. In the same report, the BBA stated that potential losses from check fraud attempts had increased 20 percent to £665 million.

Charnley added, "One of the things we realized fairly quickly was that check fraud was a growing problem within the UK, particularly as credit cards are moving to more secure chip and PIN technology. We knew that fraud was eventually going to migrate into other channels such as check. So we tried to get ahead of the game."

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Case History

New Approach to Check Fraud Prevention

Although the Carreker system did not go into production until November 2004, HBOS actually began conducting live trials in September. Even during a four-week trial period the system prevented a significant number of fraud attempts.

“Return on investment was substantially quicker than we anticipated,” said Charnley. “As we were testing the system in September, it immediately paid dividends. We were realizing substantial fraud savings in the first week.”

Installed at more than 200 financial institutions worldwide, FraudLink On-U's has been proven to identify up to 80 percent of fraudulent on-us items, allowing most banks to realize a return on their investment within six months.

The detection rules used by FraudLink On-U's can be tailored for each financial institution's market and region to adapt to the varying fraud schemes that may operate in each region. This allows the system to achieve the highest level of fraud protection available.

“One of the main benefits of FraudLink is that we can customize rules as we see fit and move parameters around according to the kinds of fraud attempts we're experiencing,” added Charnley. “For example, we felt that some of the default value thresholds were not set at the optimum level for our clients, so by amending the value thresholds we were able to get a more accurate or realistic view of our customer base and their usage of checks. It cuts down the workload and increases efficiency. We are able to assign our analysts to the most important potential frauds and create a much more efficient process.”

Carreker provides complete implementation and support services to ensure that FraudLink is smoothly integrated into the bank's existing infrastructure. Charnley praised Carreker for their efforts in implementing the solution.

“We were extremely pleased with how painless the implementation process went. Carreker's representatives are not just technical people; they know fraud inside and out. It's a nice balance to have a good blend of both.”

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