

## SUMMARY

The aim of the financial-economic crime project, which falls under part 3 of the action plan 'Safe Entrepreneurship', is to enable citizens and businesses to protect themselves better and increase their knowledge of the steps they can take themselves to prevent falling victim to fraud and swindle (prevention). As the development of preventive measures requires knowledge of the different types of fraud and swindle, the Research and Documentation Centre (WODC) of the Ministry of Justice asked INTRAVAL bureau for research and consultancy to explore measures that can help prevent businesses falling victim to different types of horizontal fraud.

The research was carried out in two phases: The first phase consisted of studying the nature and the extent of (a few) types of fraud and preventive measures. The second phase consisted of presenting the results of the first phase to the stakeholders and representatives of businesses and government agencies in the form of a so-called practical test. Rational choice theory was used to make the complex results of the research accessible.

### **Phase one**

In view of the wide range of types of horizontal fraud businesses can fall victim to, the research into their nature and extent was limited to only a handful of types, namely: bankruptcy fraud, insurance fraud and identity fraud. In-depth information on the nature and the background of the selected types was obtained from literature and interviews. The measures and tips that are currently taken and have proved useful for each of the selected types were mapped out, and the issues that need to be addressed in the future approach identified. The results for each type of fraud were examined and then classified according to the rational choice theory.

### **Phase two**

The results of the practical test are described in the second part of the report. The practical test consisted of presenting the results of the first phase – the (possible) preventive measures for the selected types of fraud – to several focus groups, which consisted of both stakeholders and entrepreneurs. The fraud prevention measures that are currently in place and the options for future preventive measures that still need to be developed were discussed in several focus groups (for the different types of fraud as well as for horizontal fraud in general). The discussions and descriptions focused on those measures that businesses can take themselves to prevent falling victim to (different types of) horizontal fraud.

### **Results**

Our study revealed that it is very difficult, if not impossible, to formulate preventive measures that can be applied to all types of horizontal fraud. This means that the specific vulnerabilities and preventive measures must be identified and described individually for each type of fraud, and possibly for each sector.

The involved stakeholders indicated that they had identified a few general practical measures that could be used to prevent horizontal fraud. These measures could be further refined for each of the types of fraud. On the one hand, the measures require investing in goods and knowledge such as: improving the collaboration and communication with the other parties involved; improving customer screening and increasing the screening frequency; and raising awareness about fraud in businesses and the rest of society. On the

other hand, the stakeholders believe that potential measures should be aimed at increasing the (perceived) chance of catching perpetrators. Examples of such measures are: the implementation of a clear and consistent fraud policy; drawing attention to (the successes of) combating fraud (with the help of the media and naming and faming); and the development of a clear set of practical (legal) instruments (including protocols and covenants). The involved stakeholders also believe that businesses and government agencies need to systematically focus on detecting and suppressing the different types of horizontal fraud.

This study revealed that collaboration is essential for the prevention of horizontal fraud. All of the parties involved indicated that collaboration is fundamental to addressing horizontal fraud. Collaboration is currently far from optimal. It is clear that good collaboration needs to be established and guaranteed before any kind of prevention can be implemented.