

THE HIDDEN ECONOMY

White collar crime revisited

Last March, the Guardian newspaper carried the news that white-collar criminals are increasingly less likely to be sent to prison or even incur a suspended sentence (Atkinson 1994). The fact that such offending never became significantly correlated with substantial periods in prison leaves the reader constantly bemused by the differential 'criminal justice life-chances' between the corporate criminal and the mass of convicted petty criminals who make up our prison population.



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It seems that the spirit of the 1991 Criminal Justice Act that recommended a prison sentence should be considered only in the most serious cases, when other options would not be appropriate, works to the advantage of the fraudster, whose 'sharp business practice' will often involve many millions of pounds. Indeed, whereas 1992 saw 29% of those convicted by the DTI or the Official Receiver, being sentenced to non-custodial penalties, this had risen to 45% for 1993.

Local government fraud

The recent Audit Commission Report on Fraud and Corruption in Local Government, revealed that such activities have risen by £9 million to a new high of £34 million. This is seen by many experts in the field as the tip of an iceberg so big that it is almost impossible to comprehend. As housing benefit fraud alone accounts for 98% of the Audit Commission's total, it doesn't take a complete sceptic to query the remaining 2% as hardly representing all the other opportunities for fraud and corruption within local government. The current Lambeth case alone involves a local authority with over 10,000 employees and an annual budget of £500 million pounds. With the forthcoming re-organisation of local government, who knows what additional opportunities might be possible. Ironically, the recent change

that ensured direct payments of housing benefits to landlords as a means of preventing rent arrear problems by claimants, has led to a surge in organised landlord fraud.

Claims for tenants who have moved on or who are figments of the landlord's fraudulent imagination are constantly being uncovered by local fraud investigators. The sums involved can be very substantial. For example a typical London landlord can be responsible for 300 tenants and be in receipt of over £25,000 of housing benefit per week on their behalf. The London Borough Fraud Investigators Group acknowledge that there is big money to be made through organised housing benefit fraud and regard these activities as serious financial crime. Indeed, some experts in the field have commented that committing fraud in this way is a soft means of raising cash compared to a bank or post office robbery and, as a means of raising money for more serious crimes such as drug trafficking. (BBC Radio 4) A recent case revealed that one landlord made housing benefit claims for 72 fictitious tenants.

With the government seeking clawback targets for such fraud from local authorities, there is concern that local investigators will resort to policing the small time operators and ignore the complexities of organised, large-scale landlord crime which will prove more difficult to locate and prosecute successfully.

Staying with large-scale operations, it was recently reported that of the 55 cases being dealt with by the Serious Fraud Office, a mere three of them each involved sums of money millions of pounds in excess of the published annual total for burglary in England and Wales. Cruelly dubbed 'the Seriously Flawed Office' by some (Gibb 1994), the fact that it was unable to secure convictions in some key cases (eg: Guinness/Blue Arrow/Nat West) together with the recent acquittal of George Walker, has led to a reassessment of how best to ensure a successful future for such high level fraud investigations.

Computer fraud

SFO apart, and lest we forget, 'trap doors' & 'back windows' are still a growing and crucial feature of criminal activities for those who operate their scams in the increasingly electronic world. Not forgetting Trojan horses, logic bombs, masquerades and piggy-backs. There are some 25 million Internet users - the world's largest

computer network contains many whose intentions are less than honourable.

The Audit Commission reported earlier this year a 300% increase over the past 3 years in all known types of computer abuse, particularly fraud and hacking. Their estimate of hacking was set at approx. £28,000 per crime. The British Computer Misuse Act (1993) stipulates a jail sentence of up to 5 years for 'unauthorised modification' of computer material. Given that many large companies recently surveyed showed that approx. one third either did not report nor investigate breaches of computer security it seems unlikely that we shall see many successful prosecutions under the 1993 Act. On the contrary, in Amsterdam, for example, rather than commission a professional computer consultancy at considerable expense to set up a city-wide Internet link, the authorities recruited a team of hackers known as the Hacktic Club. Turning a blind eye to their criminal hacking activities, they commissioned them to set up the network which they did successfully thereby saving the City Council a great deal of local taxpayers money. Who says crime doesn't pay?

References

- Atkinson, D *Easier time for City criminals*, Guardian 4/3/94.
BBC Radio 4, File on Four *Local Government Fraud* 9/12/94
Gibb, R *Jury out on the SFO* Sunday Telegraph. 30/10/94

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Potholes in the information super-highway...

TRAP DOORS AND BACK WINDOWS:

sections of software written to allow security to be compromised.

TROJAN HORSES:

system following covert instructions to perform unauthorised tasks

LOGIC BOMBS:

trigger activities at a later date

MASQUERADES OR PIGGY-BACKS:

fraudulent terminals masquerading as legitimate ones.