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# Learning from fraudsters' accounts of their offending

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**While an adverse economic climate may well lead to a rise in fraud levels this may be due to more offences being discovered in a recession rather than more taking place, and the lack of credit, very much a feature of the current recession, may result in less credit related frauds taking place rather than more.<sup>1</sup> In order to find out a little more on the likely impact of an adverse economic climate on fraud, sixteen fraudsters were interviewed in prison about their own reasons for committing fraud and the extent to which they felt the climate would have affected them<sup>2</sup> and might affect others.**

Determining what motivates someone to commit an offence is a complex task and under-researched.<sup>3</sup> There will often be a range of reasons including distal factors, such as the influence of family background, schooling and education, as well as proximal factors such as those occurring at the scene of the offence.<sup>4</sup> Social and psychological factors may be influential. Indeed, early work by Sutherland<sup>5</sup> focussed on white collar offenders contended that crime occurred because of differential

association, the proximity of too many negative influences over positive ones. While another major influence on thinking in this area inspired by Cressey's<sup>6</sup> work was that fraud occurs because people have problems that they cannot share.

More recent work has included a consideration of the reasons why people commit fraud for a wide range of fraud types, for example, long firm fraud,<sup>7</sup> insurance fraud,<sup>8</sup> benefit fraud,<sup>9</sup> medical fraud,<sup>10</sup> employee fraud,<sup>11</sup> identify fraud<sup>12</sup>, credit card fraud<sup>13</sup>, to name but a few. And while autobiographies have their limitations as accurate sources of data,<sup>14</sup> at least some written by those with fraud convictions<sup>15</sup> appear to provide insights that are consistent with other research.<sup>16</sup> One summary of motivations for fraud has suggested that they can be classified into three general groups, that is people commit fraud because of economic rationality (they weigh up the pros and cons and decide that fraud is worthwhile); because individuals are under pressure and fraud is a way of releasing them from that stress; and because there is an opportunity and people decide to exploit it.<sup>17</sup>

1. See, Gill, M. (forthcoming) Fraud and Recessions: Views from Fraudsters and Fraud Manager. *International Journal of Crime, Law and Justice*.
2. The interviews took place during 2009 and the offences discussed in interviews were pre recession.
3. See, Gobert, J. And Punch, M. (2007) Because They Can: Motivations and Intent of White-Collar Criminals. In Pontell, H. And Geis, G. (Eds) *International Handbook of White-Collar Crime*. New York: Springer.
4. See Ekblom, P (2001) 'The Conjunction of Criminal Opportunity: a framework for crime reduction toolkits' — Crime reduction website, <<http://www.crimereduction.gov.uk/learningzone/cco.htm>. And, Ekblom, P. (2010) *Crime Prevention, Security and Community Safety Using the 5Is Framework*. The Crime Prevention and Security Management Series Aldershot: Palgrave.
5. Sutherland, E. (1949) *White Collar Crime*. New York: Holt, Reinhart and Winston.
6. Cressey, D.R. (1953) *Other People's Money: A Study in the Social Psychology of Embezzlement*. New York: Free Press.
7. Levi, M. (1998) 'The craft of the long-firm fraudster: criminal skills and commercial responses', *Crime at Work*, Volume II [Editor M. Gill] Leicester: Perpetuity Press, 155-68; Levi, M. (2008) *The Phantom Capitalists: The Organisation and Control of Long-Firm Fraud*, 2nd edn. Aldershot: Ashgate.
8. Gill K.M., Woolley, A. and Gill, M.L. (1994) Insurance Fraud: the Business as a Victim? In M.L. Gill, (ed) *Crime at Work: Studies in Security and Crime Prevention*. Leicester: Perpetuity Press. Pages 73-82.
9. Committee of Public Accounts (2008) *Progress in Tackling Benefit Fraud. Thirty-first Report of Session 2007-08*. HC323. London: The Stationery Office Limited; Helsing, D. J., Elffers, H., Robben, H. S. J. and Webley, P. (1993). Needy or Greedy? The Social Psychology of Individuals who Fraudulently Claim Unemployment Benefits. *Journal of Applied Social Psychology*, Vol. 23, No. 3, pp 226-243.
10. Jesilow, P. Pontell, H. And Geiss, G. (2004) Doctors Tell Their Story of Medical Fraud. In Pogrebin, M. (ed) *About Criminals: A view of the Offender's World*. Sage: Thousand Islands.
11. Gill, M. and Goldstraw-White, J.E. (2010) 'Theft and fraud by employees' in F. Brookman, M. Maguire, H. Pierpoint and T.H. Bennett (eds.) *Handbook of Crime*. Cullompton: Willan; Hollinger, R and Adams, A. (2006) Employee Theft and Staff Dishonesty. In, Gill M. (ed). *The Handbook of Security*. Basingstoke: Palgrave.
12. Copes, H. and Vieraitis, L. (2008) 'The Risks, Rewards and Strategies of Stealing Identities in McNally, M. and Newman, G. (eds.) *Perspectives on Identity Theft*, Crime Prevention Studies, Vol. 23, pp. 87-110.
13. Finch, E. (Forthcoming) Strategies of Adaptation and Diversification: the Impact of Chip and PIN Technology on the Activities of Fraudsters. *Security Journal*.
14. See, Wilson, D. (2010) News of the Screws: A Critical Analysis of Some Recent Prison Officer Autobiographies. *Prison Service Journal*. March, pp3-9; Morgan, S. (1999) Prison Lives: Critical Issues in Reading Autobiography. *Howard Journal*, 38, 3, pp 328-40.
15. Care needs to be taken in explanations provided in biographies and autobiographies which may be written for a variety of reasons, but for accounts of fraud see, Brockett, C. (2004) *Call Me Charlie*. London: Simon and Schuster; Forsyth, N. and Castro, E. (2007) *Other People's Money: The Rise and Fall of Britain's Most Audacious Fraudster*. London: Sidgwick and Jackson. Fry, S. (1997) *MOAB is my Washpot*. London: Arrow Books; Kirby, T. (2002) *The Model Prisoner*. London: Time Warner.
16. See also, Payne, B.K. (2003) *Incarcerating White Collar Offenders: The Prison Experience and Beyond*. Springfield: Charles C Thomas.
17. See, Gill, M. and Goldstraw-White, J. (forthcoming) Motives. In Doig, A. and Greenhalgh, S. (eds) *The Handbook of Fraud Investigation*.

Part of the difficulty in attributing cause for offending is that a variety of influences may be present, combining in different ways at different points in time. For example the reasons why someone may contemplate an offence, can be different to the reasons why it took place, and different again to why the offence continues. Yet, because every theory of crime is a theory of prevention, understanding them is crucial. There is then a logic to asking people why they commit crime as a means of understanding motivation providing one is clear that this is dependent on them understanding the reasons for their offences in the first place, in their memory and recall being accurate, and in the willingness of interviewees to tell the truth to researchers.<sup>18</sup>

Levi's scholarly work on the motivations of long firm fraudsters, based on offenders' accounts, notes the importance of 'vocabularies of motive' and specifically language in which fraudsters 'depict their conduct to themselves and to others'. Deriving the points of his argument from C. Wright Mills, Levi notes that 'motives are not biological drives which 'cause' us to act in certain ways but rather are the words and concepts with which people interpret the meaning of their desires and actions'. Since 'verbalisation is part of what we mean by 'behaviour'', the case for taking account of what offenders have to say has much to commend it. And while it is clearly the case that there are limitations which must be placed on data derived from offenders' verbalisations, not least those skilled in deception (as many fraudsters are), this is also true of the alternatives.

Clearly, those interviewed in prison may not tell the truth. The risk can be managed to some extent in a variety of ways and by following ethical research protocols. This includes making clear the purposes of the interview, and the confidentiality of it;<sup>19</sup> that all output will be anonymised which aims to take away the reason to lie; and making it clear that the

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interviewee participates voluntarily and may refuse to answer any question or terminate the interview at any time reinforces the point.<sup>20</sup> An interview format that enables the interviewer to probe answers and clarify issues that are in any way unclear is also helpful. In this study details collected in interview of 15 of the 16 were checked with details on prison files. This included the number and type of previous convictions; number of times in prison; details of current sentence; occupation before entering prison; and basic details about the offence.<sup>21</sup> It is somewhat ironic, as Farrington has noted, that official files are so often the cause of concern for researchers for their tendency to be inaccurate/incomplete become one of the better ways of determining the accuracy of what offenders have to say. In this analysis there was a very close match between details recorded by the author and those on file.

Sixteen fraudsters were interviewed in prison.<sup>22</sup> In two establishments prison authorities assessed files to identify those with a conviction for fraud, and each person was then approached with a letter from the author asking him (they were all men) to participate, in the other prison posters were placed at strategic points around the establishment noting that the research was taking place and those interested in taking part were asked to notify a nominated person. In the event all those who put their name forward were interviewed, all who started the interview finished it, and every interviewee arrived on time!

Of course there is no list of all fraudsters, many are not caught or not prosecuted and so obtaining a representative sample is never possible. What interviews do facilitate is an opportunity to understand the fraud from the fraudsters' perspective, to identify some causal factors, and from that consider how some issues, such as the economy may impact on offending in the future.<sup>23</sup> The limits outlined here must be borne in mind.

18. For a series of papers on the use of offenders' accounts see, Bernasco, W. (2010) editor. *Offenders on Offending*. Collumpton: Willan.

19. There are constraints here, and these are of course explained. For example, the interviewee is reminded that if he (they were all men) admits to any offences for which he has not been convicted, or indicates he will self harm the interviewer is under an obligation to report such insights.

20. All interviewees signed a 'consent' form to confirm that they understood and agreed with the conditions of the interview.

21. The inclusion of the latter was helpful, although if a difference was found between what was said in interview and what was said on file occurred, it would merit further investigation to determine which was accurate. Ideally obtaining this data before interview would enable the researcher to tease out details during discussion and clarify misinterpretations then. In this case, there were no significant differences but the analysis took place afterwards.

22. I would like to thank the National Research Committee for permitting access to prisons and all those who helped facilitate and took part in interviews.

23. The main aim of the study on which this research was based was to assess the impact of the recession on fraud.

## So why did they say they committed fraud?

Previous research has noted a variety of explanations for committing fraud. Although the financial motive is rarely far away, it often does not tell the whole story in that why people need the money can give deeper insights into motive. In a study of fraudsters who stole large sums from their employer Gill<sup>24</sup> noted that fraudsters reported debt, boredom, search for status, blackmail, a temporary lack of emotional balance, the influence of organisational cultures and opportunism as explanations. Certainly, understanding why people commit crime can provide insights into how it can be prevented, and the lessons from this research was that the organisation has enormous capacity to decide how much it chooses to be a victim. And the same is true from a societal point of view in that understanding motivations gives society a chance to respond, and it can choose to do so as much or as little as it wants, but what it does will impact on fraud levels one way or the other.

The sixteen fraudsters were asked about their reasons for committing the frauds they were imprisoned for. The reasons offered can be grouped under the following headings: the need for money; the opportunity arise; they were seeking to win favour; they had an addiction that led them to fraud; while three interviewees claimed that fraud was a result of normal business activities. As will be shown the reasons overlapped somewhat.

### Needed the money, bad at managing debt

Unsurprisingly the need for money emerged in most explanations, although needing money and deciding why fraud was viewed as the best way of getting it merits an explanation. One accountant, somewhat ironically, claimed to be very bad at handling his own personal and family circumstances, which he put down to the negative influence of his wife:

*Until I met my wife I was good at handling money. I am clever. I worked with me dad to get money and then at weekends. My wife and her family lived off credit and it was easy to get. It all started mounting up. I then got more money.*

Things got so bad he decided to approach his employer for financial advice and then the opportunity presented itself:

*I needed the money and he gave me the opportunity. I simply asked whether there was any financial advice and suddenly I was offered a deal, a lucrative one but a criminal one.*

The interviewee believes a senior manager of the firm was laundering drug money and he needed a way of extracting money from the business. So when the interviewee approached him he suggested putting in claims for additional fictitious work and then sharing the proceeds. The interviewee cleared the debts and spent lavishly including on luxury cars: 'I had been in debt and I really enjoyed having the money. I was stopped when I got caught.' He summarised:

*At the time I was in so much financial shit, things were bouncing, I was bad at being able to say no to my wife. I am an accountant and I was advising people and I was out of control.*

### The opportunity arose and it was easy

One interviewee was making money from dealing in drugs and was offered details of a person's bank account. He purchased the information and applied for a credit card in the person's name and when it was delivered he began to withdraw money. He found he had discovered a very easy way of making money.<sup>25</sup> At the time he had a good job with the local authority, but wanted the money to supplement his income and help his family:

*I did it just because I wanted extra money. I was getting enough to live on but I did it for my family because my parents needed the money. They had worked hard and I wanted to pay them back. I was just thinking I need to get some quick cash, but I did not need to, I was fine. It was just too easy to tell you the truth, just so easy. I can commit fraud from this prison cell, you can get card details sent in and all you need is a phone will credit on.*

When he and a friend tried it the first time and were successful they were on course to defraud more companies. He also admitted, as other fraudsters have done that it could be exciting, 'I got a buzz of pretending to be someone and convincing'.<sup>26</sup>

24. Gill, M. (2005) *Learning From Fraudsters*, Protiviti. Available from [www.perpetuitygroup.com/prci/publications.html](http://www.perpetuitygroup.com/prci/publications.html)

25. The business environment creates many opportunities. See, Gobert, J. And Punch, M. (2007) *Because They Can: Motivations and Intent of White-Collar Criminals*. In Pontell, H. And Geis, G. (Eds) *International Handbook of White-Collar Crime*. New York: Springer.

26. See, Copes, H. and Vieraitis, L. (2008) 'The Risks, Rewards and Strategies of Stealing Identities in McNally, M. and Newman, G. (eds.) *Perspectives on Identity Theft*, Crime Prevention Studies, Vol. 23, pp. 87-110; and Levi, M. (2008) *The Phantom Capitalists: The Organisation and Control of Long-Firm Fraud*, 2nd edn. Aldershot: Ashgate.

## Wanting to win favour

Others also noted that they did it for the money, but enjoyed what they were doing.<sup>27</sup> One fraudster, with previous convictions for fraud, acted as a front man for a gang that needed someone to withdraw cash from bank accountants. They were laundering money. His job was to go into a bank, pretend to be the account holder and persuade the staff to allow him to withdraw money. Although, as will be shown, the main reason for committing the offence was that he was trying to form friendships, 'I get a buzz, and I think of the money'. And another interviewee whose main offence was manufacturing and cashing fraudulent cheques, admitted: 'I did it for the money. Simply the money. It is a strange one. There is a buzz to it.'

Other interviewees noted that they were influenced by others, and indeed but for the opportune invitation to get involved they would not have committed the offence. One man, who had previous convictions for fraud but had not served any custodial sentences, became involved in a long firm fraud when a woman offered him a criminal opportunity just when he needed the money:

*I suppose, going through expensive divorces. I think my co-accused saw me as someone who was vulnerable. I was short of money and wanted to look after my girls. It was needs must and that is why I did it. My previous convictions were taking pecuniary advantage, I was doing money offences, mostly around divorces.*

Another interviewee, who was also a long firm fraudster, came across an opportunity of a different kind. He became aware of the chance to build up credit and then make off without payment after ordering a consignment of goods during the course of his normal business. He admitted that greed, arrogance in the belief that he would not get caught and if he did assumed he would avoid prison, fuelled his enthusiasm:

*So I thought here is an opportunity. I knew it was illegal and I was arrogant and naive, I thought they could fine me but never imprison me. That was a real lesson for me, I never thought of that at the time. (It was) greed if anything ... It was a bit of an ego massage. I was good at getting creditors to part with their money. That is ego. It was money and it could be done with relative ease.*

Two interviewees claimed that the reason why they committed fraud was because they wanted to make friends. One interviewee was serving a second sentence for fraud, but claimed the reasons for committing the offences this time were the same:

*I suffer from low self esteem and trying to be someone I am not, and I lie and I try to make myself a better person and I funded it through frauds. I am getting to deal with these issues and I am discovering who I am. I was ashamed of who was me. I knew it was wrong, but another voice was saying you can do it.*

He stole from his employer by invoicing for personal goods on the company account. He claimed that the only thing that would have stopped him committing offences was dealing with the image he had of himself, 'I was not thinking like that (the) first time I was released'.

Another interviewee, who was the front man for withdrawing money from accounts that were being used to launder money, noted that the main reason he committed the offences was because he wanted to cultivate friendships, and the gang who asked him to get involved posed as potential friends:

*They did not pay me directly, they just looked after me and I valued the social life. I was depressed and so it was good to have friends, or so I thought. I was doing it because I wanted a social life ... I just wanted friends, sad as it may seem.*

## Addiction

One of the interviewees admitted, 'I had a drug problem, ketamine addiction ... It costs about £40 per day. A bad addiction'. This coupled with a lifestyle that was not matched by his income made the situation worse:

*I can't blame the drug habit solely on my financial state, I like parties, but it did not help. The debts were getting on top, so I missed payments and it got worse. I then started to sweep things under the carpet.*

As a consequence he lost his job, and eventually his house and moved in with his mother. He noted:

27. For a discussion of the pleasure fraudsters can gain from computer related crime see, Grabosky, P. and Walkley, S. (2007) Computer Crime and White Collar Crime. In Pontell, H. And Geis, G. (Eds) *International Handbook of White-Collar Crime*. New York: Springer.

*I was out of work, still buying Ketamin, getting health problems, and then I owed a drug dealer, so there were some problems. The drug dealer said he knew someone who wanted a few errands run, and I said yes. They put me in touch.*

The job mostly involved delivering and collecting packages. He knew they were not drugs and suspected that the documents in the packages were linked to crime, it was only when he was arrested, some months after the job had finished, that he realised he had been involved in a fraud scam. He could not deny his involvement because there were witnesses and fingerprints, but he had not realised that he had become embroiled in such a large scale fraud.

### **Just Doing Business**

Three of the interviewees claimed that they became fraudsters through the normal process of doing business. One self employed business advisor, serving his second sentence for fraud, claimed that he was drawn into a fraud by a corrupt client. He admitted that the way he conducted business 'sailed close to the wind' but denied the offences he was charged with. Another former accountant, also serving a second sentence for fraud claimed that he was adept at helping clients avoid tax, but the authorities claimed it was evasion. They became interested when he worked with a client who they became suspicious about:

*I did admit some money I got was wrong. I was incentivised for every 10 per cent I got off his tax bill. Accountants all over the land cook the books, or roast them and I was paid to reduce tax bills ... I did not see it as stealing money I saw it as reducing the tax burden of the company.*

Similarly a solicitor, sentenced to over four years in prison on his first offence, admitted he was negligent in the way he managed a transaction but denied knowing that was part of a multi million pound fraud. The deal paid him well, and the possibility of earning a good fee attracted him. He noted, "I should have been more diligent. I just took my eye off the ball'. He did business with a man whom he later found out to be fraudulent without properly checking his identity, 'this was my real problem, the chap was not who he said he was.'

Two interviewees linked their offences to a changing economic climate and in similar ways. They

had overstated the value of assets to take out loans, but when business started to go wrong the banks investigated and claimed fraud had taken place. For example, one interviewee ran a company with three partners and claims it was ignorance and naivety rather than criminal intent that led to him being prosecuted for conspiracy to defraud money from a bank. He admitted that he had 'cut corners in business over the years, no doubt about that', but claimed, 'I did not believe I was behaving criminally.' He had been put in charge of finance without proper training and had signed forms for loans which indicated more assets than he had although he claimed that the bank were fully aware of this at the time. In affluent times when things were going well, no-one took much notice but when things became difficult the police were called into investigate and he ended up with his first ever conviction and a custodial sentence of three and a half years.

Another interviewee, an accountant and part owner of the business where he worked received his first conviction in his late fifties when the economic climate worsened and the bank took an interest in the value of assets against which he had secured loans on behalf of the business. He too claimed that the finance industry was complicit in arranging loans, pleased to lend money in affluent times only to cry wolf in a more adverse economic climate:

*We did not set out to commit fraud but we sailed close to the wind, supported by the finance industry. And the money was for the business not for me. I was reckless, Ok, but I did not intend to defraud.*

Another interviewee admitted that his offence had involved withholding information from his employer about a business opportunity so that he could gain himself, and it was partly motivated by a grievance about his employer, but also by the attractiveness of the opportunity which was 'the dogs bollocks'.<sup>28</sup>

### **Motivations in perspective**

The original remit for this study was to assess the impact of the recession on fraud. Although all those interviewed committed their offences pre recession, none of them felt that their own offending would have been affected by the economic climate, and none of them felt they would reoffend on release. Nevertheless, 14 of the 16 believed that fraud generally would increase as a result of the worsening economic

28. As Yeager (2007) notes in the context of his discussion of corporate misconduct that it will, 'typically occur as part of routine operations' (p32). See, Yeager (2007) Understanding Corporate Law Breaking: From Profit Seeking to Law Finding. In Pontell, H. and Geis, G. (Eds) *International Handbook of White-Collar Crime*. New York: Springer.

climate.<sup>29</sup> Indeed, if the reasons offered by this small unrepresentative group are in any way typical then it would not be surprising if more people turn to fraud, or at least some types of fraud.

Offenders are able to explain their offences in their own terms. Clearly, and as has been noted, there are limits to what can be learned. But to ignore the perspectives of offenders is to ignore a good source of information about why crime occurs. In the context of this study key learning points include caution about the extent to which the recession will increase all fraud types. And if explanations for crime are indicators and guides to preventive strategies it would suggest that organisations can control the extent to which they are likely to be victims, by not creating easy opportunities and by ensuring normal business activities are monitored closely and regulated. Being aware of their own staff circumstances and identifying those with financial difficulties or personal needs that may lead them to crime, and ensuring a strong ethical culture would all have helped to create an environment which some of the interviewees may have found less conducive to fraud. Some interviewees were influenced by others. A major tool for fraud prevention is public awareness. In the Government's 1998 anti-fraud strategy,<sup>30</sup> it was noted that:

*Public attitudes can be a significant deterrent to anti-social behaviour, whether defrauding the social security system or, for example,*

*drinking and driving. There is, though, no common attitude across all types of fraud, with small-scale fraud almost condoned in some minds, despite the large total cost and the impact on public confidence.*

There is perhaps one other point to be made, and it was made by one of the interviewees to the author; that there are no specific courses in prison to help fraudsters come to terms with their offending. Yet across the reasons given for offending, in this study and other reviewed earlier, the seven pathways identified by NOMS to reduce reoffending would appear to have some relevance to this group. Accommodation; the need for education, training and employment; health (including mental health); drugs and alcohol issues; especially managing finance, benefit and debt; concerns with children and families; as well as attitudes, thinking and behaviour are all potentially relevant for different types of fraudsters. There may be opportunities to help fraudsters in prison, after all their offences are not victimless, some are repeat offenders, and the impact can be serious.

The point here is not to discuss the relevance of a range of fraud prevention strategies. Rather it is to highlight the value in understanding offenders' scripts as a way of informing preventive approaches and assessing the ways in which they can work. Offenders will not provide the whole story, but they will offer insights and some of these can be difficult to glean from any other source.

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29. For a fuller discussion of the link between fraud and the recession and fraudsters' views, see, Gill, M. (forthcoming) *Fraud and Recessions: Views from Fraudsters and Fraud Managers. International Journal of Crime, Law and Justice.*

30. See Department of Social Security (1998) *Beating Fraud is Everyone's Business: securing the future.* London. Green Paper Consultation Document 4012.