

First Party Fraud Problem Statement

First Party Fraud (also referred to as Customer Fraud, Friendly Fraud, Refund Fraud, and other such terms) has become an increasing problem over recent years and particularly since the pandemic saw an increase in digital retail growth and the introduction of easier delivery, return and refund processes.

The issue is multi layered and complex, but the BRC and its members believe that it is a preventable fraud type and are committed to working collaboratively to start to reduce the significant financial losses being sustained annually.

The BRC and its membership have developed a 7-point plan to start to tackle and mitigate the issue:

1. Regular merchant engagement to discuss, size and measure the issue including the bringing together of any similar projects and bodies collaborating in this space.
2. Engagement with the primary scheme operators to identify how to tackle suspected first party fraud within the existing chargeback system.
3. Engagement with other Payment Service Providers to identify how to tackle suspected first party fraud within their existing disputes systems.
4. Engagement with the leading banks and building societies to identify how to tackle suspected fraudulent refunds flowing to first party fraudsters and the flow of funds to the organised criminals using refund fraud as a service.
5. Engagement with social media organisations over the open advertising of refund fraud services and the promotion and celebration of refund fraud techniques.
6. Engagement with government over challenging the prevailing public attitude that first party fraud is harmless/acceptable/victimless.
7. Engagement with the police and law enforcement over recording and tackling proven first party fraud cases.

By simultaneously working on all elements of the plan it is believed that both the root cause of first party fraud, the ease with which it is perpetrated and the criminal elements who have infiltrated the space can be challenged.

Reducing the losses associated with first party fraud will enable merchants to focus on continuing to deliver great service and lower prices to their genuine customer base without needing to introduce wider measures that would damage the continued growth of digital trading and ecommerce.