# Criminology viii - Fraud.

Often, fraud is a ‘white collar’ crime. Term proposed by Edwin Sutherland to cover crimes associated with those in ‘higher social standing’.

More recently, the category has been subdivided into ‘organised’ and ‘occupational’ economic crime.

Organised – offences committed by officials for a corporation, and also the offences of the corporation.

 Occupational – offences committed by individuals or small groups in connection with their occupation. E.g. lawyers, doctors....employees generally.

Most recently, ‘organised’ has been further subdivided into;

Middle-class crime – E.g. -insurance fraud or tax evasion. And,

Corporate crime. E.g. bribery & corruption designed to secure contracts.

The LIBOR scandal of 2012.

‘London Interbank Offering Rate’ – short loans between banks.

Barclays was fined £290m following FSA investigation that revealed that, with other banks, there had been a conspiracy to manipulate the rate to obscure the markets.

The CEO resigned.

The scale of the problem.

This area is largely neglected in criminology, in favour homicide and street crime, but the costs of fraud dwarf street crime losses. USA estimate - $700 billion in costs, and around 100,000 lost lives *‘Fundamentals of Criminal Justice’ Barkan & Bryjak.* [16,300 died from homicide in 2008 in USA].

‘The failure to take adequate actions against ‘white-collar’, middle class & corporate wrongdoers sends out a wrong message to society as a whole regarding the need to combat crime..............[Manheim, 1946]

It’s RATIONAL to commit fraud.

The Psychology of Fraud.

Definition: ‘obtaining something of value or avoiding an obligation by means of deception’.

Three factors;

1. Supply of motivated offender[s].
2. Availability of suitable target[s].
3. Absence of capable guardians.

A propensity for greed and dishonesty does not alone explain the move into criminality. Note why!

One or more additional features must be present;

1. Financial stress or strain –
2. Ego / power –
3. Gratification from mastering the complex –
4. Professional pride –
5. Rational reduction of inhibition –

Dimensions of fraud.

1. Against an organisation by a principle –
2. ‘’ ‘’ by a client, or an employee –
3. Against one individual by another –
4. ‘’ several people, indirectly –

Conclusion.

Risk of fraud is a combination of personality and situational variables.

A case to consider;

The Facia Group, Hinchliffe and others. For our purposes here, the particular personality and situation as demonstrated by Stephen Hinchliffe.

[Docs & PPP]

The SFO and its investigators make considerable efforts in using ‘markers’ to both detect and to deter serious fraud.

One major problem is the boundary condition between fraud and the legitimate practices of commerce;

## For thought/ written response; ‘To what extent do you agree with Manheim [above]? Is street crime more prevalent because our society fails to deal effectively with ‘white collar crime’?’