

FIU Report: Criminal gangs perpetrating loan fraud

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The Financial Intelligence Unit (FIU) is reporting an increase in loan fraud by “organised criminal gangs” with the involvement of bank employees.

In its 15th annual report for 2023–2024, the FIU stated: “Increased Suspicious Transaction/Activity Reports (STRs/SARs) wherein business customers (employers) indirectly benefitted from loans granted to their ‘employees’. These ‘employees’ utilised fictitious employment documentation showing an inflated income which influenced the financial institution’s lending decision.”

In its advisory to financial institutions, the FIU also highlighted “the likely involvement of some employees of the financial institution to facilitate these credit facilities.”

The FIU believes this “manipulation of the financial sector” is being done by “organised criminal gangs through the use of fictitious/ altered job letters and/or pay slips to commit loan fraud.”

In explaining how it all works, the FIU gave a scenario in the loan fraud advisory attached to its 2024 report.

The applicant would go to the bank and indicate he is a supervisor with a company earning \$15,000 monthly. The applicant would then apply for a loan valued at \$140,000 for personal expenses.

As part of the verification process, the bank would contact the applicant’s employer to corroborate the contents of the job letter presented which is inclusive of the \$15,000 salary. The company’s owner would then confirm its contents.

This would lead to the applicant being granted the \$140,000 loan. However, soon after the bank would notice that \$80,000 of the loan proceeds would be transferred to the applicant’s employer, \$30,000 withdrawn via ABM withdrawals, \$10,000 transferred to the branch manager of the bank that granted the loan and \$20,000 in point of sale purchases.

When it was time for the first monthly loan payment, there would be insufficient funds in the applicant’s account.

The FIU said it is “highly likely that certain employees of the financial institutions are facilitators of loan fraud.” The applicants’ fraudulent documents contain multiple fonts and font sizes, the absence of statutory deductions on payslips, and several loan applicants from individuals within a short time frame with conflicting job titles and salary amounts listed.

The FIU said the subsequent default of loans by customers after one or two instalment payments leads to a loss for the financial institutions and points to an “apparent degree of collusion between junior and senior employees of the financial institutions, which facilitated the loan fraud.”

The FIU report did not specify how much money has been stolen but said fraud continues to be one of the top five suspected criminal conducts as it relates to suspicious transaction report (STR) submissions.

“For the period October 2022 to September 2023, the FIUTT received 250 STRs on suspected fraud

with the total monetary value amounting to \$4,631,983,132,” it stated.

Several questions were sent to the Bankers Association of Trinidad and Tobago (BATT) asking how banks have strengthened their processes to combat this threat. The association did not immediately respond.

However, the FIU has made some recommendations, including proper verification of all loan documents, senior managers playing a more active role in the processes, setting rights and permissions to execute various electronic tasks, and auditing loan officers’ activities regularly.

Away from loan frauds, the FIU said for the reporting period it received a total of 1,459 suspicious transaction/activity reports from the banking institutions, non-bank financial institutions, non-regulated financial institutions, attorneys-at-law, motor vehicle sales, private members’ clubs and real estate.

The total monetary value of the 1,459 STRs/SARs received in this reporting period amounted to \$8,962,576,211.87. Completed transactions amounted to \$1,672,493,360.97 while attempted transactions amounted to \$7,290,052,950.90.

With respect to money laundering charges, the report stated, “The Trinidad and Tobago Police Service and the Criminal Tax Investigation Unit, Inland Revenue Division proffered 144 money laundering charges against fourteen persons during this reporting period. The cumulative total dollar value of Money Laundering charges were TT\$2,082,371.00 and US\$1,628.00.”