

# How Well Do You Know Your Customers? Protecting Finance Providers From the Rising Tide of Document Fraud

Fraudulent attacks remain one of the largest threats faced by businesses today. This is of particular concern for loan companies and banks, who already have to mitigate the inherent risks of lending money to customers who may be unable to pay the debt back. It's an age-old truth that fraud spikes alongside spikes in economic hardship. As lending fraud continues to increase, small and medium-sized financial services companies are being identified as the most vulnerable targets of document fraud due to a lack of technological innovation in their operational processes. These businesses are at risk of revenue losses and reputation damage, which ultimately impedes their organization's capacity for security and future growth.

## Rampant first-party fraud spikes during times of economic hardship

Effective loan fraud prevention is essential for protecting a business's financial stability, maintaining compliance with regulations, safeguarding a business's reputation, and guaranteeing continuity in operations.

Loan application fraud is the act of providing incomplete or entirely false information that misrepresents one's credit history or failing to disclose other debts and outstanding loans, making one's self appear more creditworthy than is true, in order to increase the chances of being approved for a loan.

According to a recent CIFAS report, '1 in 13 Brits admit to committing at least one form of first-party fraud in the last year, with those 16-34 the most likely to do so'.

## Why people commit document fraud and the solution to preventing it

Numerous factors have contributed to the growth in application fraud, and it can be difficult for businesses to maintain adequate fraud measures whilst simultaneously

ensuring that they continue to provide a frictionless customer experience.

A cumbersome validation process can interfere with the customer journey, causing hassle, delays, or outright abandonment of the process. The pressure on businesses to maintain a seamless experience for new customers means that oftentimes their KYC verification checks are kept simple, oftentimes leaving room for fraudsters to take advantage of the security gaps. Further, the rise in the availability of personal identity information stolen in large-scale data breaches has contributed to a rise in synthetic identity theft.

With so many factors to consider, what can businesses do to reduce loan fraud risks without compromising their customer experience?

Homeppl's fraud risk document assessment technology, Fraud Finder, has made risk assessment incredibly easy. The technology takes customer data present or embedded in common financial documents, such as bank statements, investment portfolios, utility bills, and ID documents, and finds fraud, as well as assesses affordability. 91% of the fraud we identify for our clients comes from modifying bank statements. Our document analysis tools examine every aspect of a file, from its font to its metadata. It can recover multiple previous versions of a single document and show exactly where modifications have been. The tool runs instantly and, in some cases, has reduced the loan application review times of business and consumer lenders by up to 40%.

Delivered as an API or a secure web application, a series of authenticity checks are employed by the technology to highlight any document anomalies and inconsistencies. Transaction data is also converted into standardized code, so underwriters can easily assess affordability without the pain of manual review. A risk report is instantly generated and available for each and every document checked.

Customer data goes in, and a much better understanding of customer risk comes out.

## Not just fighting fraud with customer data but fostering inclusion

Loan automation reduces bias and enhances fairness in credit evaluations by opening doors for individuals with a limited credit history or unconventional employment profiles, providing them with more equitable access to financial products.

Traditional lending processes often rely on subjective assessments and manual decision-making, which can introduce biases that disproportionately affect certain individuals or communities. Automation mitigates these biases by implementing standardized evaluation criteria and data-driven algorithms.

By leveraging advanced technologies such as machine learning, automation systems can analyze vast amounts of data, including alternative data sources, to assess creditworthiness objectively.

Automation levels the playing field by considering a broader range of factors beyond traditional credit metrics. It can incorporate alternative data sources such as **utility payments, rental history, or educational background** to assess an individual's financial capabilities more comprehensively.

This approach benefits individuals with limited credit history or unconventional employment profiles who may have previously struggled to access financing due to rigid lending criteria.

**Many of the standard credit referencing agencies in the UK struggle to assess the creditworthiness of applicants who have thin or no UK credit files.** These profiles typically include individuals who have been historically marginalized, such as immigrants, low-income earners, international applicants, or those with limited access to traditional banking services.

Automation can break down barriers by leveraging fraud and risk technology to assess creditworthiness based on a comprehensive understanding of financial behaviors and capabilities. By incorporating alternative data, lenders can extend financing options to these underserved communities, enabling them to purchase vehicles, rental agreements and access more lines of credit to improve their financial mobility. [12](#)



## About the Author

*An ex-Israel Ministry of Foreign Affairs and Counter Intelligence Forces specialist, Alex Siedes co-founded Homeppl in 2016, an innovative proptech company that uses artificial intelligence and customer data to assess applicants' creditworthiness where traditional credit reference agencies fall short. Homeppl began in the real estate sector, qualifying tenants for rental properties before expanding into the financial services market. Homeppl work with Fortune 500 and Blue Chip companies, including Greystar, CBRE, and Knight Frank, as well as prominent lenders such as Yonder Card and Portman Asset Finance.*