

Scam prevention: spotting red flags to mitigate losses

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Part 3 of 4 in a series focusing on scam insights and points of view

As mentioned in [Part 1](#) and [Part 2](#), the Federal Trade Commission (FTC) reported in its latest annual release that fraud losses exceeded \$10 billion in 2023. Although this marks an unprecedented peak in reported fraud losses, these figures are likely low given that many victims may have refrained from reporting. According to the American Association of Retired Persons (AARP), “most [of the] surveyed did not report the crime to local law enforcement (78 percent) or to the FBI or FTC (89 percent)”¹ largely attributed to embarrassment. Large contributors to these losses include investment and imposter scams, which totaled \$4.6 billion and \$2.7 billion² in losses, respectively.

To protect against financial losses, it’s crucial to equip customers with knowledge and strategies to identify and avoid scams. Actions to take now:

- Maintain vigilance and conduct thorough research when receiving outreach from an unknown entity.
- Limit account access to only essential parties to prevent unauthorized use.
- Recognize red flags specific to current scam trends (e.g., high pressure tactics that need immediate action).
- Avoid transferring communication off official channels (e.g., text messages/SMS, email).
- Remain skeptical to offers that seem overly favorable (e.g., promises of quick returns, minimal investments or no-risk investments).

According to the FTC, scammers impersonating institutions are now more commonly leveraging alternative communication methods, such as text messages, emails and social media,³ where they were previously leveraging phone calls to target customers. Institutions should share relevant guidance about scam trends through newsletters and online, making information widely available and demonstrating the institution’s dedication to customer awareness. It is impactful when institutions make their customers aware that they will never reach out via text message, so the customers are on high alert for SMS scams.

In addition to customer education, many leading firms have noted that additional friction in the customer experience is important in deterring fraudulent activity. Adding these additional anti-fraud measures makes sure their teams have ample time to review potential suspicious activity. Further, educating customers on the benefits of additional friction helps reinforce customer confidence while minimizing frustration caused by potential delays in processing.

Commonly utilized controls to aid in achieving balance

Utilizing two-factor/in-app authentication

Obtaining additional approvals for large payments

Enabling notifications whenever a transaction occurs

Requiring extra ID for foreign transfers

Setting up transactional limits or confirming high-dollar transactions over the phone

Employing practice phishing emails/text messages

Key takeaways

It is important that institutions emphasize a robust control framework to minimize customer losses when facing potential risks. To better enhance an existing control framework, institutions should educate their customers on the different types of scams being observed, related red flags to identify and the importance of account security. The EY team leverages its deep industry knowledge to assist institutions in assessing and improving their existing control frameworks, including helping enhance customer education programs and identify key processes that would benefit from addition friction to mitigate risk and liability for both the organizations and their customers.

1. "Many Americans Worry About Becoming Scam Victims, New Report Finds," AARP website, <https://www.aarp.org/money/scams-fraud/info-2024/aarp-fraud-awareness-report.html?msocid=05dc6018a240619c17f17467a3d16001>, May 8, 2024.
2. "As Nationwide Fraud Losses Top \$10 Billion in 2023, FTC Steps Up Efforts to Protect the Public," FTC website, <https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public>, February 9, 2024.
3. "Impersonation scams: not what they used to be," FTC website, <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2024/04/impersonation-scams-not-what-they-used-be>, April 1, 2024.

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