Refund Fraud Guide

NATIONAL BUSINESS CRIME CENTRE

Reducing crime through partnership and prevention

Refund' or 'return' fraud can be one of the most difficult for merchants to track and prevent. There are many different tactics used by criminals to commit refund fraud, so it can be difficult to know what to look for.

This guide looks at some of the most common fraud tactics and strategies used by criminals and what you can do to avoid some of the pitfalls, in order to protect your business.

Finally, when reporting refund fraud, to Action Fraud use the hashtag #stoprefundfraud within the report.

What's in this guide

Click on the items in the interactive menu below to jump to that section.

TOP TIPS

- ☑ Have a clear returns policy
- ☑ Train your staff to spot different types of fraud
- ☑ Check for patterns of returns by the same customer or the same address
- ☑ If returns come back from addresses other than the dispatch address, this should raise your suspicions
- ☑ If foreign objects have been returned, in place of the original item, retain them as evidence, along with the packaging used
- ☑ Always report crimes to the police. Fraud offences should be reported to Action Fraud

Unintentional Returns

Before diving in to the tactics used by criminals committing return fraud, it should be noted that not all returns are malicious in nature. Sometimes customers will return an item that is not eligible for a return completely by accident.

An honest mistake on behalf of a customer can often be attributed to an unclear returns policy.
If your return policy is not readily available and/or easy for customers to understand, ineligible items will end up being returned entirely by accident.

Having a clear and concise returns policy, which is easily accessible for customers, is key for preventing returns that are not valid.

Types of Malicious Refund Fraud

There are several different types of refund fraud to look out for, all of which can be detrimental to your business. Here are some of the most common

Price Tag Switching

Price tag switching is when a fraudster switches the price tag on an expensive item, with one from a cheaper item. The fraudster buys the item at the lower cost, and returns the item after switching the price tags back pocketing the difference.

Price tags that are not easily removed (no stickers or interchangeable parts) can help with price tag switching. Staff should ensure that the item on the screen matches what is being purchased when it is being scanned.

Receipt Fraud

Receipt fraud is similar to returning shoplifted items, as it involves stolen property.

However, to avoid the problem of not having a receipt, the customer attempts to return it with an invalid receipt. This could be fabricated, stolen, or even just an old receipt.

Stock Keeping Units (SKU's) on receipts can help with preventing receipt fraud. If the SKU does not match the item, then the return should not be allowed. If SKU's are not available, training employees to look for signs of a fabricated or invalid receipt can help, although it will not entirely eliminate the problem.

Returning shoplifted items

Returning shoplifted items is a self explanatory tactic. The fraudster steals items with the plan to return them later for a refund on an item they did not pay for.

Simply requiring a valid receipt for any return should be enough to stop this type of offence.

Shoplisting

With shoplisting, the fraudster obtains a receipt and uses it as a 'shopping list' by obtaining the items listed on a perfectly valid receipt. The fraudster then attempts to return brand new items on the receipt for a refund.

For example, a fraudster goes in to a shop with an old receipt they have found, they load up the goods on the receipt into a trolley and try to leave, presenting them at the checkout as previously purchased. This is likely to be more successful if the receipt is for goods purchased just an hour before. At a glance, it could be believable that the person may now be finally leaving the department store after, for example, using an onsite café.

By implementing a time limit in your return policy, you will stop fraudsters from using older receipts to return new items. Having trackable tags and labels with improved tech should show the item was never sold to begin with. Most genuine customers would support labels being scanned to confirm the earlier purchase, if security politely but vigilantly challenge.

Tracked Returns

Tracked returns are where a fraudster buys an item online and subsequently asks for a refund. Instead of returning the item, they send something of no value at the same weight as the item purchased. For example, the fraudster could buy a watch valued at £400. The fraudster then requests a return. All the fraudster has to do is provide a tracking number for the return, which is easily obtained by mailing it back to the merchant. That is often proof enough that the item has been returned, and the fraudster receives a refund, whether what is returned is the actual item, or something of no value.

Check if there is a pattern of returns in a short amount of time from the same person or address, often immediately after the time of the purchase. Check how often returns from the same customer take place.

Check if the return is being sent from a location that is different from the delivery address. This is a red flag, which raises questions. Why is this merchandise being shipped from somewhere other than its delivery address? What merchandise is actually being returned to you?

As well as checking the weight matches, check the contents of the package. Is the returned item, the same as what was sent?

If foreign objects have been returned in place of originals, these should be retained as evidence along with the packaging used.

Of course, there are many variables, our advice is always report fraud. In turn, you will weigh up the value of the fraud, whether you are dealing with a repeat offender and so on.

Wardrobing

Wardrobing is a common tactic used by customers buying clothing. Wardrobing is when a customer purchases an item with the intention of using it a few times before returning it, and passing it off as brand new.

For example, they buy an item for a wedding. They have no use for it beyond that event, so it ends up being returned despite being used. Those who commit it often consider wardrobing harmless, but it is fraud nonetheless.

Closely examining returned item for any signs of use can help. The use of tags located on parts of the clothing, that make them hard to wear without removing them can stop this type of fraud.
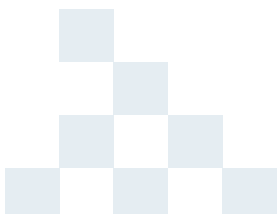
Always Report Crimes to the Police

Always report crime to police. This allows police to capture the data and understand the full scale of the crime, which in turn informs their resources and tactics to tackle it.

When a crime is taking place, dial 999 in an emergency.

Fraud offences should be reported to Action Fraud at www.actionfraud.police.uk

You can also report to the Police on 101 or alternatively, you can report online at www.police.uk

Remember to use the hashtag **#stoprefundfraud** when reporting refund fraud