Chapter 20

Detecting Credit Fraud in E-Business System: An Information Security Perspective on the Banking Sector in UK

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ABSTRACT

Credit fraud (also known as credit card fraud) in e-business is a growing concern, especially in the banking sector. E-business has been established mainly on the platform of Internet system. With the evolution of electronic technologies, a faster e-transaction has been made possible by the Internet. It has been noticed that Internet fraud or e-business fraud is increasing with the increase of e-transaction. A few sorts of card (debit or credit) fraud are decreasing by the banks and the government providing detection and prevention systems. But Card-not-Present fraud losses are increasing at higher rate. In online transactions, it is obvious that there is no chance to use Chip and Pin, and also no chance to use card face-to-face. Card-not-Present fraud losses are growing in an unprotected and undetected way. This chapter seeks to investigate the current debate regarding the credit fraud and vulnerabilities in online banking and to study some possible remedial actions to detect and prevent credit fraud. A comprehensive study of online banking and e-business has been undertaken with a special focus on credit fraud detection. This research reveals a lot of channels of credit fraud that are increasing day by day. These kinds of fraud are the main barrier of promoting e-business in the banking sector.

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INTRODUCTION

E-commerce or e-business is the important application of Internet. Internet is the main tool for e-business and banks have changed their business model with the help of Internet. Banks have extended their facilities via online. E-transaction has increased rapidly in the banking sector. The growth of online transaction gives a tremendous opportunity to banks and consumers. But credit fraud detection and prevention in the banking sector is still remained unsecure. In spite of risk, the main reason for Internet’s popularity is as a marketing tool and with low cost of an online presence (Kling 1994; Cronin 1996; Boyle & Alwitt 1999). So in regard of Internet, main important issue is security (Gonca and Faruk 2009).

Statement of the Problems

Credit Fraud through Internet is continuously giving serious concern in the Information Technology arena. The tendency of credit fraud is rising with the development of Information and communication Technology. Internet has created a global market place. Internet aids e-fraudsters to spread their activities in the banking sector. E-fraudsters use Internet as a best weapon to reach to the consumer in order to steal their bank money. Banks should protect all the sensitive data providing strong detection system by using Internet Technology and also adopting fraud awareness programme.

Aims and Objectives

Aim of this research is to find out the way of credit fraud happened and, detection and prevention system in e-business in the banking sector. It also critically analyses data and findings from the research. This could be:

- Outlining the different channels of Credit Fraud in e-business in the Banking sector in UK.
- Investigating the specific reason that helps to increase credit fraud in the banking sector.
- Justifying the rule of banks and government towards fraud prevention and detection that will help save consumer.
- And try to find out some possible solutions for the future.

This research will also analyse the most vulnerable route that e-fraudsters use to make fraud to the consumers’. How banks are fighting against Credit Fraud. And what should be done to stop internal (employee) credit fraud.

Significance of the Research

It is very crucial to understand the risk of credit fraud in online transactions such as banking and shopping. Making fraud has become easy with the help of Internet and the development of ICT. In the age of globalisation, e-business is increasing rapidly and e-transaction spreading all walks of life that makes faster the lifestyle and richer to individual. E-business totally depends on two things; Internet & ICT. This is good news for bad guy also. With the help of technology, Social Hackers, e-retailer (false retailer), bank’s employee and e-fraudster all are trying to convince consumers by malicious spam e-mail and website, telephone and fax to reveal their personal identity, card details and bank information. They spread their activities in online and offline (social work) as well. The possibility of fraud (Neuman 1991) is increasing though the government launched new rules and regulations to protect and detect their activities, and also all the new technologies try to control fraudulent activities in e-business. But e-fraudsters are still working well with their network and credit fraud remains the same or in some instance it is increasing.
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