

‘This House believes fraud will never be beaten’

The case for the Motion:

By Nick Kochan

Fraud, ladies and gentlemen is eternal and will ever more be with us. Like taxes and prostitution it is ancient, Like taxes, fraud is determined by economic interests. Like prostitution, fraud is determined by human needs and desires. Anyone who thinks that they can eradicate or bury fraud and the fraudster is living in the proverbial cloud Cuckooland.

Just visit Ford open prison, ladies and gentleman, as I have, and you will the place bursting at the seams with fraudsters.

Small fraudsters done for impersonating a council official and big fraudsters falsifying company shares. Silly fraudsters passing off academic papers or packets of Marlborough, clever fraudsters claiming to have inside knowledge on a share tip. Devious and hateful fraudsters selling pensions or insurance policies to oil ladies, childish fraudsters cheating their families out of wills. Fraud covers the gamut of human kind.

Fraud moreover has a history as long as time. Remember the fraud perpetrated by Jacob on his father Isaac to get the rights to be considered the first born child. The share fraudsters in the south sea bubble, and the frauds perpetrated by government ministers in the time of Disraeli. Members of society from the highest to the lowest are tempted by fraud. More recently we had the people who sold a fraudulent copy of the Hitler diaries to the Sunday Times. Others claimed to be able to distil gold out of base metal.

Frauds have a habit of repeating themselves. The most humorous fraud I have encountered was that perpetrated by a man called Branch Vinedresser. Vinedresser faked up a countries he called the Ecclesiastical Dominion of Melchizedek. This country based off the coat of Peru consisted of an island which half the year was under water. Nevertheless, it was still substantial enough to have a government and a treasury which issued bonds to many unsuspecting Americans. People bought his bonds in their millions, even though Vinedresser could never be contacted by telephone, and had about fifty different aliases. Oh human nature.

I thought this was a unique and uniquely devious enterprise until I look fraud up on Google and read about a Scottish adventurer and colonizer called **Gregor MacGregor** who claimed to be *cazique* of **Poyais**, also known as Principality of Poyais, Territory of Poyais, Republic of Poyais, Cazique of Poyais. Poyais was a fictional Central American country and the creation of MacGregor who in the 1820s used it to entice investment and even colonization.

So frauds and human ingenuity are not only eternal, like all good ideas they repeat themselves.

Moreover, who is to blame for the persistence of fraud. Do we blame the fraudsters or gullible investors who talk themselves into accepting schemes that are too good to be true. Why the longevity of the Nigerian 419 fraud, why the persistence of casino frauds and bond frauds

Why the attraction of fraud? Simple answer, ladies and gentle, greed, one of the seven deadly sins, something that every corporate man, every entrepreneur has in abundance. It takes much effort to get rich, so who would not want to get rich the easy way.

May I also suggest, without being too cynical, that fraud is really not too far away from much business practice. Take those American executives who have been backdating their options. Ah, but they have the right lawyers, work for the right banks, so we do not call what they do fraud, we call it clever accounting, we call it business.

There is a definitional problem with fraud. Indeed the law does not, I believe, have an offence called fraud. No-one quite knows what fraud is.

The cynic will say that fraud is part of the way of business life. It is in fact what you can get away with. If you are not caught when you are pulling the wool over someone's eyes in business, you are called clever, quick, perhaps sharp. But get caught, and you are the fraudster.

I was around at the time of the Guinness affair. Now we all know that what Ernest Saunders and the other crew were doing was regular practice in the city. Concert parties were the vogue, giving members of a concert party a sweetener to play along and put some cash behind a deal was a frequent event. Saunders, Gerald Ronson and the others did nothing more than that on a bigger scale, but their mistake of course was to get caught. Regular practice changed from cleverness to stupidity, from sharp money

making to greed, from something that enabled them to add another yacht, to the thing that earned them a sentence in Ford.

The deviousness of the fraudster is wonderful to behold, and an expression of the ingeniousness of human nature that will always be with us.

Fraud, like Sin, is an institution, it is part of human nature, which we have all seen. Some may look at it, and be so morally upright that they look away. Some may go to the brink, and look over the precipice but choose not to jump. And some may jump.

What distinguishes those that look away and those that jump? I contend that the very essence of our economy and our society draws the ambitious and greedy towards fraud. Those engaged in business are encouraged to be acquisitive and most understand the rules and know the acceptable limits.

But others who for their own reasons feel like outsiders, people like Asil Nadir, Ernest Saunders, or Robert Maxwell lacked the antennae as to what is acceptable and what is beyond the pale. Society will always have insiders and outsiders. Outsiders are many of our most creative businessmen. They expose the failings in our system, they make money out of our rigidities. Many become upright citizens, our business leaders. Outsiders are driven to fraud by the desire to penetrate the portals of the establishment. Ernest Saunders' biggest desire was to be knighted. Robert Maxwell became an MP but wanted a title.

Some do not know when to stop and they become our grand fraudsters. I am saying not only that fraud is inevitable, but it may in certain circumstances be to our larger benefit. Society will always divide between those on the inside and those on the outside. The outsiders will always want to get in by hook or by crook.

May I be serious for a moment.. I have already referred to the devious and hateful fraud of people like Peter Clowes, who duped old people with bogus financial products. Stealing identity from people and using it for oneself is today's most prevalent fraud. It has real victims. I wish that such people could be eliminated. In that context, I would like the motion to be true. I would like this sort of fraud to be beaten.

But alas, whereas the Government puts large sums of money into fighting large and organised crime at the Serious Organised Crime Agency, at the

Serious Fraud Office, at the Metropolitan Police and all those other worthwhile bureaucracies. The small man is left largely on his own when it comes to fighting small time fraud. Indeed, if I may get on a hobbyhorse of many in law enforcement as well as pesky journalists such as myself, the police deeply resent the low priority that government places on fraud. Fraud-fighters in the police earn few brownie points for fighting fraud successfully.

This point was made to me by no less an official than my opponents own boss Sir Steven Landor. He knows and everyone knows, that successfully fighting fraud takes massive amounts of training and intelligence. He also knows that Government mostly resources offences with a high political profile. And, ladies and gentlemen, fraud rarely comes into this category. Fraud is a Cinderella offence, which even the best endeavours of a few policemen can hardly dent. In a perfect world, there would be peace on earth, and no fraud, but the chances of obtaining the first are as slim as the second.

And ladies and gentlemen may I end on a flippant note? Just suppose we were able to crack fraud, just suppose government decided that fraud should be a number one Government priority and it was reduced to a negligible threat to our economic well being. Think of all the auditors and policemen, all the compliance and accountancy people, all the journalists and judges that would be out of a job if fraud were ever to wilt away in some messianic vision!

Ladies and gentlemen, if you believe fraud will ever be beaten you are indeed more naïve than your positions and eminence would suggest. I would suggest that rather than closing our eyes to fraud, and letting others take the brunt, we face up to the damage fraud does to our society, strengthen our corporate protections and controls, encourage the authorities to keep this scourge as far as possible at bay. But I strongly predict our compliance and anti-fraud services will be employed for a long time to come.

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