

# Petrol PLAZA

## Lockdown has not stopped fuel card or pre-paid toll fraud

**As global mobility drops for the first time in generations, fuel fraud moves online and to unmanned sites and toll roads.**



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Over the last 200 years the mobility of both humans and goods has grown exponentially. Inventions such as trains, cars and, finally, planes have emerged. With each, eventually, becoming widely available to the masses. It seemed that only a major catastrophe, like a World War, could hinder progress in transportation. Few had predicted that a global pandemic would be a major changing factor, reversing the trends we have observed for generations.

As Covid-19 cases grew and lockdowns were introduced in March this year, European road passenger transport dropped by 50%, while aviation activity shrank by 90%. Even though global freight flows were not affected as severely as public transport, the losses still oscillate at around 20%. These factors, alongside shrinking global economic activity, have contributed to a decline in the number of transactions being made on fuel cards.

Nevertheless, our data shows that fraudsters, who target the fuel industry and fuel cards, did not take a break. As lockdown was introduced, the drop in fraud on fuel card payments did not correspond to the drop in transactions being processed. While the number of transactions taking place during early Q2, when compared to March dropped by nearly a half; the number of fraudulent transactions had only dropped by between 20 and 40%.

Not only did fuel card issuers have to accept a decrease in revenue, due to the falling demand for fuel and plummeting oil prices, they also faced significant losses due to elevated rates of fraud. In countries that imposed particularly severe lockdowns and had mostly manned fuel retail sites, such as in the Netherlands and Italy, fuel card transactions shrank massively. As a result, we only saw a fraction of the number of fraudulent transactions we had seen before lockdown.

In other countries, where unmanned sites are more common, in France, for example, severe lockdowns did not deter the fraudsters, and the already high level of fraud increased to unprecedented levels. With our data suggesting that more than 2 transactions in 1000 were fraudulent. In some markets, the fraud rate has more than doubled, in comparison with the pre-pandemic levels.

As if often the case, when it comes to fraud trends and fuel cards, significant differences were observed between Western and Eastern Europe. Hence, while overall fraud rates decreased on cards issued in countries on the West side of the continent; Eastern Europe saw numerous spikes in the level of fraud.

These trends are not entirely surprising, especially when the epidemiological situation is considered in each area. Eastern European countries tended to suffer less from coronavirus, not only with respect to a lower number of positive Covid-19 cases; but also, in terms of post pandemic economic activity, which has picked up rapidly.

### **Pre-paid toll fraud**

Another area that has badly affected by fraud during the pandemic has been online transactions for pre-paid tolls. The process that allows drivers and fleet managers to pay tolls for using a road, bridge, or tunnel in advance. A pre-paid payment can often be made online, and a refund can be given to any card or bank account, not only to the card which was used to make the original payment. An obvious vulnerability that continues to attract fraudsters, which can be tackled by dictating that only pre-authorized cards can accept refunds, and proactive monitoring of accounts in real time solution, to prevent fraudulent transactions before they happen.

My team and I recognized the vulnerabilities of toll transactions and have been putting measures in place to overcome this type of fraud long before the start of the pandemic. But, never have the dangers been more apparent than now. While the number of toll transactions shrunk in April to a fraction of March's level, the fraud rate on those transactions increased hugely. Suggesting that more than ten percent of all fuel card fraud during the height of the pandemic was on a pre-paid toll.

## **An ongoing problem?**

As lockdowns started to be eased across most European countries in May, and people got back in their cars, the number of fuel cards transactions started to increase, though not quite meeting pre-Covid levels in some places. The fraud rate also started to go down. However, this coincided with the beginning of the summer period, which is traditionally a bit quieter, in terms of fraud levels, as criminals tend to take a break.

Toll transactions, which had seemed to be among the worst hit by fraudsters during lockdown, also saw fraud levels reduce to less than March's level. But the vulnerabilities of many systems remain, and the fraudsters will no doubt be carrying where they left off for the holidays. So, with September's traditional surge in fraudulent attempts, and a second wave of lockdowns starting across many areas of the world, there are reasons to expect an increase in fraudulent transactions.

Despite this forecast, the good news is that we are ready for it. However, it is more important than ever for fraud strategies to remain proactive and flexible. Using best of breed machine learning technology can significantly reduce the amount of time it takes to analyse and update data models. Increasing their accuracy, whilst reducing decision lag time, offering a more agile approach to identifying fraud, meaning reduced false positive rates, less declines, and more transactions.

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