



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

**FINANCIAL INTELLIGENCE UNIT
OF TRINIDAD AND TOBAGO**
MINISTRY OF FINANCE



FIUTT REFERENCE: ADV/001/2024

**ADVISORY TO FINANCIAL INSTITUTIONS:
OBTAINING LOANS BY FALSE PRETENCE (LOAN FRAUD)**

The Financial Intelligence Unit of Trinidad and Tobago (“the FIUTT”) is publishing this Advisory in accordance with *Section 17(1)(b) of the Financial Intelligence Unit of Trinidad and Tobago Act, Chap. 72:01, and Regulation 26(1)(d)(ii) of the Financial Intelligence Unit of Trinidad and Tobago Regulations.*

PURPOSE OF THIS ADVISORY

This Advisory is intended to:

Apprise Financial Institutions (FIs) that offer loan facilities in particular, with information on:

- (i) the apparent vulnerabilities of the FIs regarding ‘businesses/employers’ who provide fictitious/altered job letters and/or pay slips, to persons, or in some cases possible ‘employees’, to acquire credit facilities. Subsequently, it is noted that in some instances the businesses/employer indirectly benefit from the credit facilities' proceeds.
- (ii) the likely involvement of some **employees of the financial institution** to facilitate these credit facilities and its potential impact on the FIs and the national AML/CFT mechanisms.
- (iii) the apparent organised criminal gang (OCG) that is operating as a syndicate to produce false documents (utility bills, bank statements, false identification and other fraudulent documents) in order to obtain loans from FIs to continue criminal conduct.

The FIUTT hopes that this Advisory will assist FIs in identifying businesses that may pose a risk and provide guidance on best practice measures aimed at mitigating such risks.

GENERAL INFORMATION

The FIUTT has noted increased Suspicious Transaction/Activity Reports (STRs/SARs) wherein business customers (employers) indirectly benefitted from loans granted to their 'employees'. These 'employees' utilised fictitious employment documentation showing an inflated income which influenced the FIs lending decision. It is highly likely that certain employees of the FIs are facilitators of loan fraud. This is manifested in the following alleged/inferred actions:

- Several businesses/employers were **complicit in the acquisition** of the fraudulent loans;
- Fraudulent loans were being processed and disbursed, with the **use of false documents**, particularly Job Letters and/or Payslips (in some cases fraudulent bank statements and letters of non-indebtedness) facilitating credit facilities which should be **deemed suspicious due to**:
 - multiple fonts and fonts sizes used in the documents.
 - the absence of statutory deductions on payslips.
 - several loan applications from individual(s) within a short time frame; with conflicting job titles and salary amount listed differently each time;
- Loan proceeds disbursed to the employee were **transferred to the employer** and/or **other customers of the FI** who either fraudulently obtained loans from the FI or benefitted from a loan, through a loan recipient;
- **Multiple employees** of the same business/company applying for loans for personal expenses;
- Loan applications processed at a **specific branch**, not in proximity with the applicants' known area of operation;
- **Default of loans by customers after one or two instalment payments** – a loss to the FIs; and
- **Defrauds or attempts to defraud the FIs** - An apparent degree of collusion between junior and senior employees of the FIs, which facilitated loan fraud.

This advisory highlights the manipulation of the financial sector by the apparent Organised criminal Gangs through the use of fictitious/altered job letters and/or payslips to commit loan fraud. It also addresses the need to mitigate the risks associated with potentially compromised employees who wittingly, and/or, unwittingly facilitate money laundering, or are themselves engaged in criminal activity.

BACKGROUND

Fraud is one of the high-risk criminal conduct identified in the current National Risk Assessment (NRA) being conducted in Trinidad and Tobago. Also, fraud continues to be one of the top five (5) Suspected Criminal Conduct as it relates to STRs/SARs submissions. For the period October 2022 to September 2023 the FIUTT received 250 STRs/SARs on suspected Fraud, with the total monetary value of these STRs/SARs amounting to **TT\$4,631,983,132**. The FIUTT's analysis showed the continued intent of criminal networks to defraud FIs through the numerous instances of persons presenting falsified job letters, payslips and even utility bills, bank statements and identification documents as a means of obtaining credit facilities at Financial Institutions.

HOW IT OCCURS

The FIUTT continues to see this intent to defraud whereby the FIs are falling victims to loan fraud, perpetrated by business customers and their 'employees' or associated individuals who produce fictitious/altered job letters and/or pay slips to acquire credit facilities. In most cases, these employers'/business customers indirectly benefit from the loans granted to their 'employees' or associated individuals.

LOAN FRAUD – HOW IT WORKS

Mr. X, commenced a banking relationship with the 'M' Branch of ABC Bank in August 2023. ABC records indicate that he is a Supervisor with Company 'D' earning TTD15,000.00 monthly. In September 2023, Mr. X visited the 'N' branch of ABC Bank where he applied for a loan valued at TTD 140,000.00 for the purpose of personal expenses.

As part of the verification process, ABC Bank contacted Company 'D' to corroborate the contents of the job letter presented, inclusive of Mr. X salary which was quoted as **TTD15,000.00**. The owner of Company D, Mr. Z, confirmed the contents of the job letter presented by Mr. X, inclusive of the salary.

In September 2023, Mr. X successfully obtained the loan valued at **TTD140,000.00** which was credited to Mr. X Account at ABC Bank. The loan proceeds were used as follows:

- **TTD 80,000** transferred to Mr. Z
- **TTD 30,000** withdrawn via ABM withdrawals
- **TTD 10,000** transferred to the Branch Manager at branch 'N', of ABC Bank.
- **TTD 20,000** in Point of Sale purchases.

Mr. X first monthly payment was due October 2023, however, there was insufficient funds in his account at the time, and is past due.

Management of ABC Bank is of the opinion that there is a syndicate of business customers who have colluded with some employees of ABC Bank, to deceive ABC Bank, for the purpose of obtaining loan proceeds under false pretences. The method by which the deception is undertaken is by uttering inflated job letters and salary slips for their alleged employees in the attempt to favourably influence the Bank's lending decision. Subsequently, both the business owners/employers and their employees or associated individuals, share in the loan proceeds which was fraudulently obtained.

Loan proceeds was noted to be shared with other ABC Bank Customers, who were also suspected to be involved in the criminal syndicate alongside ABC Bank employees, to fraudulently obtained loans.

RECOMMENDATIONS FOR CONSIDERATION BY FIs

FIs are advised that the occurrence of loan fraud is on the increase. The FIUTT proposes that FIs protect themselves by implementing mitigating measures and safeguard the integrity of the financial sector through the implementation of more stringent verification processes and **Know Your Employee (KYE) measures**. [Please see the link for the FIUTTs Advisory on KYE: [ADV 006 2023 KYE Final.pdf \(fiu.gov.tt\)](#)]

- To reduce loan fraud and ultimately safeguard your organisation, **proper verification of all loan documents** should be thoroughly reviewed before loan proceeds are disbursed;
- **Appropriate internal controls include the segregation of duties**. This means, each person becomes accountable to another; and ensure proper decision making. If the unit/department does not have enough staff on hand to segregate duties, **senior management should play a more active role** in the daily processes. Also, consideration should be given to segregation of duties by **setting rights and permissions** to execute various electronic tasks;
- **Routine KYE procedures**, including risk assessments, developed by the FI be formally documented so as to cement the implementation of such procedures;
 - **audit of loan officers** activity regularly to detect any signs of loan fraud; and
 - **personnel should be trained, educated and informed** about internal controls and policies as well as the consequences of fraud on an ongoing basis.

BENEFITS OF IMPLEMENTING KYE BEST PRACTICES



Financial Institutions are reminded that any transaction/activity suspected to be fraudulent or related to money laundering should be reported:

- by the immediate submission of STRs/SARs, to the FIUTT, and;
- immediately to the Fraud Squad of the Trinidad and Tobago Police Service (TTPS) at Telephone numbers: 1(868) 625-2310 or 1(868) 623-2644 or; Fraud Squad South office at 1(868) 652-8594; or by Email: fraud@ttps.gov.tt

Dated: April 19, 2024

Financial Intelligence Unit of Trinidad and Tobago