

Fraud in connection with credit purchase

Good advice on how to avoid becoming a victim of fraud

Danish companies selling easily marketable standard products are often exposed to attempted fraud by companies ordering products on credit and then running away from the bill.

The products, which are most often involved in fraud are easily marketable products such as fish, dairy products, meat, IT-related products and construction materials, where it is common for the buyer and the seller to have limited knowledge of each other. Within these businesses, the use of credit insurance is quite common.

Atradius regularly encounters such buyer companies in, for example, Germany, England and Italy but the phenomenon is also on the rise in Denmark. The persons behind the fraud are often organised criminals, and their attempts to develop their product resemble attempts by Atradius to find ways to stop or limit the losses.

In order for the fraud to be successful, the buyer company must appear to be creditworthy. Furthermore, the buyer company will typically target several suppliers at the same time to maximise its profit. They know that they will hardly get away with ordering, say, fish for EUR 700,000 from

a single supplier, so instead they make requests for EUR 70,000 with 10 different companies.

The persons behind the fraud are aware that the credit granted to a newly established company is very limited. Therefore, they buy their way into companies, which have been dormant for a while. When they have taken over the company they ensure that the financial statements for the most recent accounting period form the basis for the granting of credit. Then, it is important for them to obtain deliveries from as many suppliers as possible before they disappear from the face of the earth. This normally takes place as early as the first delivery from the individual suppliers, but the more professional swindlers receive several deliveries to increase the balance.

We recommend our customers to contact us if they encounter suspicious-looking buyers.

What should suppliers look out for:

- The initial contact from the buyer is a standard enquiry; an email, which does not indicate that the buyer company has any particular knowledge of what the supplier can offer.
- A professionally looking website - but with very little functionality.
- Haste – only a brief period from the first contact to placement of order by the buyer. Less professional swindlers will also display a lack of knowledge of the products and be willing to accept prices above market level.
- Overwhelming willingness to submit financial statements, registration certificates etc. and an in-depth knowledge by the buyer of the credit insurance companies, which the supplier could approach to obtain insurance.

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What does Atradius do to stop the fraud?

As already mentioned, a swindler will typically contact several suppliers within a short period of time. For exposed countries, we therefore keep a watchful eye on companies with a high frequency of enquiries, especially companies, which we have not encountered before.

We review credit information for recent changes in

ownership and/or registered activity. We also check whether financial statements for previous years have been registered continuously or whether, for example, three financial statements were registered at the same date. Finally, we take a critical look at the latest financial statements. In some cases, the figures are too good to be true.

If something gives rise to suspicion, we contact the suppliers, who have applied for credit insurance to hear what they know about the buyer company. When we combine the suppliers' knowledge with our own knowledge we are often able to determine whether or not the suspicion is justified.

About Atradius

Atradius is a market leader in Denmark with more than 90 years of experience in the fields of credit insurance, guarantees and business debt collection. We have approx. 100 employees in Denmark with offices in Aarhus and Copenhagen. We offer solutions to support growth by improving financial stability, simplifying credit management and reducing credit costs. Our customers represent a broad selection of large and small companies within all business sectors. Atradius is a global credit insurance company with 3,300 employees in 50 countries. It is owned by the insurance group, Grupo Catalana Occidente.



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