

26 November 2007 10:04

- Home
 - > News
 - > People
 - > Profiles

As millions of records go missing, a government adviser tells Rupert Steiner why he relishes foiling sophisticated thieves

Published: 25 November 2007

It wasn't a good week to admit to being one of the Government's key advisers on fraud. With the bank account details of 7.5 million families lost in the post by Revenue & Customs, the department not only appears to have major systems issues, but looks to have breached the Government's own data-protection laws.

But to be fair to Steven Philippsohn, the deputy chairman of the Fraud Advisory Panel, a charity set up to help the private and public sectors with fraud prevention, his day-to-day duties lie in mopping up after the event, rather than spearheading prevention.

As founder of law firm Philippsohn Crawfords Berwald (PCB), which specialises in complex international fraud, he has built a reputation for retrieving stolen assets – think Columbo with a calculator. He is also adviser to the Government on its asset-recovery action plan and chairman of the UK Cybercrime Working Party.

As wearer of so many fraud hats, does he take any responsibility for the spectacular failure to heed his messages?

"Not at all," he says. "Until the truth emerges, we don't know how this [the Revenue & Customs incident] occurred. No one can say businesses won't be vulnerable to a successful attack. These things happen."

While fraud might not be the oldest profession in the world, it must have been around nearly as long as prostitution, and it is constantly evolving. Indeed, trying to predict the next development, says Philippsohn, is what makes the job so interesting.

He argues that the sub-prime mortgage crisis is sure to unearth a number of Barings-style frauds, and sees China's counterfeit culture as a major international threat. He welcomes proposals to offer whistleblowers a percentage of any proceeds recovered through dishing the dirt on rule breakers.

"The retrieval of assets is a major deterrent," says Philippsohn. "Prosecutors have realised that putting the occasional chieftain away for a few years is not working. Money is the lifeblood of a fraudster, so if you tackle it from that angle and take away the proceeds of the crime, the fraud goes away."

It is not as obvious as it sounds. Sophisticated criminals see prison as an occupational hazard, and for years have been prepared to do their time, thinking they have securely hidden their illicit gains in a complex web of companies for when they are released.

But not when Philippsohn is about. "Retrieving the assets is like putting together a jigsaw," he explains. "You start with an incomplete picture and then you put together the evidence and it gets a bit clearer. It's the creativity of the process that drives me."

"What I really enjoy is that my work is a constant moving target. In the past, my job always used to revolve around the theft of a physical asset, but now it's information."

Philippsohn always wanted to be a lawyer. The son of a Jewish leather goods dealer who fled Germany with his wife in 1936, he was

born in Stockport and attended law school in Liverpool.

"It was my mother's idea that I should try out law," he said. "She was quite determined. She thought I had a big mouth."

After qualifying as a solicitor he worked for Clintons, a medium-sized firm specialising in commercial law, and in 1979 set up his own practice.

As well as being fascinated by fraud, Philippsohn has been a victim. His bank card was swallowed up by an ATM in Paris that had been re-engineered to store it and then spit the card out to criminals.

Philippsohn believes most fraudsters start out small. "Invariably, people begin by taking the paperclips," he says. "And then it goes from there.

"It tends to be the well-trusted servant who has been there for 20 years, and then something happens. The managing director swans off and the employee feels aggrieved and thinks he can take a pad to justify feeling taken for granted. This is the slippery slope."

With senior executives, it is the pressure to report quarterly profits that provides the incentive to manage the figures in an unlawful way. This, combined with complacency and a perception of getting away with it, is fuelling fraud.

But the widespread use of email is making the job of fraud-busters easier. So much is retained that it is now the major source of evidence.

Back in the day, says Philippsohn, things were very different.

"You had to get a search order from a judge," he explains. "Then, the first place to start looking tended to be the home of an executive. It was off to the bedroom you went, where the wife's knicker drawer was always a popular place to hide dodgy bank statements. I ended up taking lady lawyers with me to do the searches because I draw the line at sifting through lingerie."

Things have now evolved from the bedside cabinet to the Far East. Nowadays, 38 per cent of all fraud in China concerns intellectual property and it is a major problem for big business.

"Copying is part of the Chinese culture. They even have supermarkets that sell fake CDs and DVDs. It has become a way of life and is so extensive that enforcement is hopeless."

While he is not involved with the current search for the missing Revenue & Customs disks, Philippsohn thinks the chance of their being stolen is quite high.

"It is the most sensitive of data," he says. "It gives fraudsters a very important part of the identity jigsaw, if not the whole of it. I am not surprised there has been no evidence of fraud to date. There is no rush to use it and more chance of being caught if they act now."

As Philippsohn rises, the interview over, his hawk-like eyes spy the PCB pencil I have borrowed to jot down his words. I carefully return it to the receptacle on his boardroom table, leaving with just the same number of items with which I arrived.