

CASE STUDIES

CASE STUDY 1 – Middle Eastern Telecommunications Company

A large public Telecom organisation in the Middle East was expanding and preparing for public flotation. Rumours began to circulate across the country that the company was being defrauded because the technology security infrastructure had been breached enabling persons to gain free international telephone calls. The valuation of the company and the flotation itself were put at risk by these rumours. However, suspicions were aroused that rumours had been circulated by competitors keen to see the company damaged and to undermine the potential flotation value.

Two issues of risk required urgent attention:

- Firstly, the possibility of technical security breaches needed to be investigated
- Secondly, confidence had to be restored to support the valuation of the company and the pending flotation by demonstrating that due diligence was being exercised

Forensic Pathways services were used to investigate the possibility of security breaches. Errors were found in security procedures which could theoretically have led to real security breaches and the organised fraudulent access and use of the telecom network. These procedures were corrected and new security layers included.

As a result of these findings Forensic Pathways investigated the entire customer database of 15 Million accounts and uncovered suspicious duplicated customer records, accounts where excessive 'Pay AS You Go' air-time had been acquired (in some cases many years worth of air-time) without payment. Many of these accounts were found to lead back to one department within the company.

The findings were reported and the company took immediate action to overcome these security breaches, develop new policy and procedures and deal with the causes of the breaches (staff).

The company later went to public flotation successfully with due diligence procedures in place and the security infrastructure intact. Confidence at a national level in the company was restored along with the flotation valuation.

CASE STUDY 2 – Company Merger & Acquisition

A large technology company was in the process of entering into a Merger with a smaller company to provide international communications services worldwide. The Merger involved a £Multi-Million exposure for the technology company but the promise of a very profitable line of future business. The transaction involved the technology company investing a very large sum of money in the smaller company over a period of 2 years.

Forensic Pathways was asked to undertake due diligence into the transaction. It was discovered that the smaller company had failed to disclose links it had with other companies some with whom the larger company would not have wished to trade. Furthermore, evidence was uncovered of concerns about the true identity of some Directors who were also found to be involved with many other companies some of which could be considered competitors.

From the original target company a further 120 linked companies were traced. A number were mainland European companies and some of the Directors although with different names appeared to be the same person. All in all, there were over 1,000 Directorships involved some of whom were implicated in law suits in foreign countries.

Forensic Pathways reported the findings which resulted in new negotiations and these in turn resulted in a major Bank Bond being secured to protect the transaction along with new protective performance and standard Terms and Conditions in the contract. Along with the Bankers Bond, these protected the company from termination, poor performance, fraud and other risk issues. The company was enabled to pursue the business successfully but protected with security.

CASE STUDY 3 – Fraudulent Identity in Banking and Insurance

Forensic Pathways was asked by a major High Street Bank to undertake due diligence investigations into a range of services it was offering including insurance services. It was decided by the Bank that it needed to assure itself that policy and procedures were sufficiently robust to prevent identity fraud and false insurance claims.

Forensic Pathways identified and then examined a very large number of relatively new accounts opened using a new banking procedure and where insurance policies had been purchased. Concerns were raised by Forensic Pathways about a large number of identities that were different 'on paper' but were linked with other identities and accounts in unexpected ways. Further investigation of these accounts revealed a high rate of insurance claims and a high rate of failing to satisfy loans and mortgages.

Forensic Pathways found that fraudulent documents had been used to open bank accounts and then insurance and loan products had been purchased using the accounts.

Forensic Pathways reported an exposure of £20 Million in insurance claims alone and another large sum in loans. By use of the Due Diligence Service Forensic Pathways was able to demonstrate a whole series of false

identities orchestrated to commit fraud. £17.5 Million of the £20 Million exposure was repudiated and protected. The loss was limited to only £2.5 Million.

Due diligence revealed the need for immediate changes in policy and procedures and these were adopted.

An International Network of People and Companies Identified with Advanced Analytics

