

CASE STUDY

Financial Services Company Saves \$5M Annually with iovation's Fraud Prevention Service

A leading developer of next generation financial solutions offers innovative solutions to its customers, and prevents sophisticated loan fraud by utilizing iovation's device reputation technology.

Just 20 minutes after installing iovation ReputationManager 360, we immediately identified a fraud ring attempting to open an installment account on our loan sites. We were able to stop it in its tracks right then and there.

Vice President of Risk Strategy
Financial Services Firm

CHALLENGES

- Fraud rings created hundreds of new accounts with stolen identities
- Internal fraud tools couldn't stop sophisticated fraud initiated by smart phones and tablets
- Extremely large review queues for fraud analysts

SOLUTIONS

- Real-time fraud detection that shares information across devices
- Ability to perform forensic analysis by drilling down into fraud ring activity details
- Set up and adjust business rules to react to new threats

RESULTS

- Within 20 minutes of implementation, stopped a fraud ring on the site
- Now saving \$5 million in annual losses with early fraud detection
- Real-time monitoring reduces time spent on manual reviews

About the Business

The financial services company profiled is a leading developer of next-generation financial products for underbanked consumers. Their products provide increased convenience, transparency and value to the millions of consumers whose needs are not being met by traditional banking products.

The Fraud Challenge

While this company and most loan services have always experienced financial losses due to fraud, the losses had been lumped under the general category of “credit loss” for its installment loan defaults.

When attempts were made to withdraw payments from a customer’s bank account, they often received insufficient funds or account closure notices. Upon closer examination, they realized there must be an explanation for the timing behind the occurrence of account closures just prior to loan payment withdrawals. They began to work with credit bureaus to determine if a customer’s prior obligations had been honored.

The company confirmed that some customers had a poor credit record and required additional funds due to unemployment or underemployment while trying to pay their bills each month. However, a large number of customers held pristine credit records and high credit scores, never before needing to secure a personal loan – and this scenario raised a red flag. They also received numerous calls from people claiming they had been receiving collection letters on accounts for which they’d never secured a loan.

Moreover, the company identified a number of fraudsters using mobile connection cards, applying for loans using stolen identities that had good credit, but were from Caribbean countries.

They needed a better way to troubleshoot and drill down into fraud activity - especially when phishing and identity theft activities were causing a customer’s entire financial record to be taken hostage.

They conducted research for IP geolocation tools to help them combat various sophisticated fraud scenarios. The products they encountered featured velocity counters and geolocation capabilities, but could not effectively address situations involving multiple attackers using mobile devices where geolocation identification proved impossible. The realization that they needed real-time device identification led them to iovation’s ReputationManager 360 service.

The iovation Solution Stops Fraud Immediately

This financial services firm had tried another device fingerprinting solution, but the results were not automated nor provided in real-time, which forced the company’s fraud team to wait for critical time to lapse before taking action to ward off fraudulent activities.

After iovation’s ReputationManager 360 was recommended by other short-term loan and prepaid card businesses within the industry, they installed iovation on one of their product lines. They began to understand the reputation of devices touching their site as well as uncover connections with other accounts and devices, leveraging iovation’s global shared database of more than 2 billion devices and 17 million fraud events recorded.

After only a two-day implementation period and experimentation with iovation's user-friendly business rules engine and other real-time features, they found ReputationManager 360 extremely intuitive, providing a completely different device identification and reputation technology from that of other services available.

The fraud department started to regularly log into the ReputationManager 360 Admin Console to analyze short-term loan product transactions. The service offered advanced fraud protection that recognizes Internet-enabled devices (such as PCs, computers, tablets and mobile phones) being used to apply for online loans. Rather than focusing on an individual or IP address alone, ReputationManager 360's device-centric solution exposes and recognizes risk unidentified by other tools, offering a critical layer of defense against cyber fraud and identity theft.

The firm's vice president of fraud strategy stated, "Once I reported the short-term loan product's fraud prevention results by iovation to upper management, we realized we needed to implement this powerful tool immediately for all of our product lines and web properties."

Increased Efficiency and Profitability

After fully implementing ReputationManager 360 and configuring it for complete automation, they now eliminate approximately \$5 million in annual fraud losses – through iovation's real-time device reputation service.

With iovation, the firm increased the operational efficiency and profitability of its fraud detection activities by freeing up analysts to focus on higher priority activities throughout the company. With more time available to finish review queues and perform proactive forensic analysis, they experience less financial loss by fully investigating accounts, while achieving their goal of funding loans by the end of each day.



ABOUT IOVATION

iovation protects online businesses and their end users against fraud and abuse, and identifies trustworthy customers through a combination of advanced device identification, shared device reputation, device-based authentication and real-time risk evaluation. More than 3,000 fraud managers representing global retail, financial services, insurance, social network, gaming and other companies leverage iovation's database of more than 2 billion Internet devices and the relationships between them to determine the level of risk associated with online transactions. The company's device reputation database is the world's largest, used to protect 12 million transactions and stop an average of 200,000 fraudulent activities every day. The world's foremost fraud experts share intelligence, cybercrime tips and online fraud prevention techniques in iovation's Fraud Force Community, an exclusive virtual crime-fighting network. **For more information, visit www.iovation.com.**

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