# IDVision
with iovation

## Case Study

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# 4finance reduces fraudulent loan applications by 40%

# The growing financial services company realizes rapid ROI after adding iovation to its anti-fraud stack.

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## Challenge

Penetrating new markets and delivering Industry-leading customer service had increased fraud liability, yet the company's ability to stop organized fraud had not kept pace.

## Solution

Easily accessible via an intuitive and user-friendly interface, iovation's device intelligence helped to reveal connections between devices that were accessing fraudulent accounts, without interfering with the customers' experience.

## Results

4Finance saw a 40% reduction in overall fraud rate, strengthened fraud detection using evidence placed by industry peers, and accelerated the processing of trusted customers' loan applications.

**4 FINANCE**

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**In the world of short-term loans, speed means success. Fast customer service encourages word-of-mouth marketing and repeat business, but also attracts fraud.**

### More markets mean more fraud environments

As a global leader in convenient, innovative finance solutions 4Finance's imperative for speedy service doesn't just benefit customers; it exposes an inviting vulnerability for fraudsters. If criminals can fool automated KYC and credit risk measures, they can take out large loans they never intend to repay. Worse still, fraudsters will use others' identities to commit the crime.

In conjunction with speed, 4Finance has built its reputation on transparency, fairness, and actively cooperating with government authorities and consumer rights protection groups. The company's impressive growth since launching in 2008 speaks for itself: in 2014, it originated 4.6 million loan transactions whose total value surpassed €800 million. Stopping fraudsters supports 4Finance's bottom line, reputation and growth objectives.

Speed is the reason we're market leaders in most of the countries in which we operate. We're always pushing the balance between our acceptance rate and our fraud risk.

Lāsma Supe,
Fraud Leader,
4Finance

"Each new country we enter means a new fraud environment for my team," says Supe. "Fraudsters test us to see what will get through. In one country, we may see a preference for identify theft, while in a second country account takeovers are more common. Creating dozens of accounts to abuse campaign promotions could be the most popular tactic in a third. iovation helps us minimize those attacks and limits our exposure."

Supe and her team guide 4Finance on the delicate balance between acceptance rate and fraud risk. If controls are too tight, legitimate customers may become frustrated. If controls are too loose, fraudsters will take out more 'one-way' loans.

## Fraudsters 'close to impossible' to detect without device fingerprinting

In a step above friendly fraud, fraudsters buy or steal others' government identity cards to apply for the maximum loan amount possible. The victims tend to be extremely young or old; people who rarely apply for short-term loans.

"Before iovation, fraudsters would submit as many applications from a single device, or a batch of devices, as quickly as they could," said Gatis Ilgazs, Fraud Analyst. "If we couldn't connect clients with their devices or real IP addresses, fraud levels could skyrocket in no time. iovation gives us this insight. Now, we can recognize associated accounts and monitor them much more closely. It's easy and quick to identify fraudsters' patterns, associate them with their accomplices, and keep them out of our pockets. It would be close to impossible to do this without iovation's device fingerprinting technology."

In more sophisticated scenarios, a group of immigrants may apply for loans as soon as they 'settled' –usually targeting 4Finance and its competitors at the same time. This group would then emigrate before their loans matured, leaving the lenders high and dry. Before iovation, 4Finance couldn't recognize the same group in a different country.

# €16M

Prevented in fraudulent business after implementing iovation[1]

## Customers' expectations for speed accelerate pressure on Fraud department

Before implementing iovation, 4Finance already had a stack of anti-fraud measures to confirm customers' identities and assess their credit risk. More connections between those data points meant safer applications. But the process took time. 4Finance's fraud department needed a solution that could keep up with the company's characteristic speed and its rapid growth into new markets.

iovation's technology provides real-time insight into the reputation of devices and uncovers links between seemingly unrelated groups of devices and accounts. It recognizes and records users' digital interactions over time without requiring personally identifiable information. As a result, iovation subscribers like 4Finance are better equipped to make quick business decisions, conduct impact analysis, and stop fraudsters.

## In a technology arms race, allies make the difference

"I've been pleasantly surprised at how well evidence from other iovation subscribers –even our competitors- serves us," says Supe. "That's why we place evidence, too. The more we all contribute evidence, the more we all benefit."

It's thanks to users like Supe that iovation's Global Device Intelligence Platform offers unparalleled value. Together, they've generated reputations for more than 5 billion devices, and reported more than 55 million fraud and abuse incidences. Beyond limited intelligence based solely on IP address, personally identifiable information, or other transaction data, iovation's community of 4,000 fraud analysts, including many of the world's top financial services businesses, share over 40 types of evidence such as credit card fraud, identity theft, loan default and account takeover.

This is a hallmark of iovation's service. Multiple lenders leverage their anti-fraud efforts by contributing and using one another's evidence. With iovation, it's easy for anti-fraud professionals to

[1] 4Finance 2014 annual report

It's very helpful to see how different customers are connected to their accounts and to other users. Mobile devices are very personal. Customers don't usually share them for personal finance transactions.

Lāsma Supe,
Fraud Leader,
4Finance

share information about devices used for fraud, and to segment out evidence from unrelated industries.

iovation's score of a device –generated in real-time- combines business rules (such as geolocation and proxy piercing, device characteristics, or watch lists) with subscriber evidence. This wide array of customizable detail allows Supe and her team to focus on the types of evidence that are most relevant to their industry.

Yet, in spite of iovation's sophistication, Supe has been pleased with how easy it is to use; "It gives flexibility to monitor our system. As soon as we notice a new liability or suspicious pattern, we can act to control our fraud exposure in real time. We don't need to wait for our IT department to make the changes."

## Benefits to customers extend beyond speedy service

For now, 4Finance uses iovation only at new customer registration. But with the potential for false positives when clients replace or upgrade their devices, Supe says: "We're planning on using iovation to help us avoid that. Soon we'll use it on repeat loans to see how our trusted clients connect to our service. We're even experimenting with using iovation for client scoring and to more precisely underwrite credit risk. The device information and data points iovation returns is good material for our data analysts' scoring models."

At the end of the day, the top priority is reducing the company's exposure to fraud: "We measure fraud as a percentage of new sales," Supe says. "Before implementing iovation, our fraud rate was 6% from new clients. Just by putting iovation in place, it has helped us decrease that by 40%."

According to 4Finance's 2014 annual report, that equates to over €16 million in prevented fraudulent business.

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## Get in Touch

Find out more about our authentication and fraud prevention solutions. Contact us for a demo or visit iovation.com

## About TransUnion Global Fraud & Identity Solutions

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing a comprehensive picture of each person so they can be reliably and safely represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good.®

TransUnion Global Fraud & Identity Solutions unite both consumer and device identities to detect threats across markets while ensuring friction-right user experiences. The solutions, all part of the IDVision with iovation suite, fuse traditional data science with machine learning to provide businesses unique insights about consumer transactions, safeguarding tens of millions of transactions each day.

**TransUnion** tu
Formerly iovation

**Portland Office**
555 SW Oak Street, Suite #300
Portland, OR 97204 USA
PH        +1 (503) 224 6010
EMAIL    info@iovation.com

**United Kingdom**
PH        +44 (0) 800 058 8731
EMAIL    uk@iovation.com

**iovation.com**