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Britain's SMEs Turn Their Backs On Technology Due To Fraud Fears

Research shows 78% of UK SMEs conduct 20% or less of their business online with one in three (35%) saying this is due to fear of online fraud

Britain's SMEs are being deterred from embracing the technology revolution as they fear conducting sensitive business transactions – such as accounts – online could leave them open to the threat of online fraud.

Almost eight out of ten (78%) SMEs questioned in the recent Small Business Finance Barometer, published by leading independent invoice finance provider Close Invoice Finance, admitted to conducting 20% or less of their business accounts online while 38% still handled all of their finance offline. By contrast, just six per cent operated fully computerised finance procedures, despite the proven time and cost savings, as well as environmental benefits, of doing so.

The recent report also suggests that, while concerns about training staff to handle complex technology and capital outlay weighed large for a small number of companies (10%), fears about the perceived threat posed by online fraudsters was cited by 35% of respondents as the main reason for keeping online business to a minimum.

The findings follow independent research* which estimates the current cost of online fraud to British businesses and their customers at £3 bn per annum – 15% of the total annual fraud bill. What's more, with crimes such as ID fraud** already affecting two thousand SMEs yearly and increasing fast, there's little to allay the concerns of anxious business owners.

David Thomson, Chief Executive of Close Invoice Finance said: "These latest findings provide a stark indication of just how much of a concern online fraud is to SMEs – and independent research suggests that their fears are not unfounded. ►

“However, it’s disturbing to see this deter them from embracing online technology, which could provide enormous cost and time efficiencies for their business as well as giving them access to new sales avenues. He continued “Whilst its unrealistic to expect to eradicate the threat of fraud, there are some simple ways to minimise its likely impact on your business. That way you can be sure the benefits of the latest commercial technology outweigh the risks,” David concludes.



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CEO, Close Invoice Finance

Experts at Close Invoice Finance recommend SMEs follow these simple steps to safeguard confidential information when transacting online:

- Keep up to speed on the latest techniques to defend against scams and fraud. Much of the internet security software advice given to individuals also applies to businesses.
- Train your staff about the risks posed by fraud and how to spot the signs.
- Check your website, email and Companies House records on a regular basis for signs of fraudulent activity.
- Reconcile bank statements and company credit card statements meticulously.
- Make it easy for staff, customers and suppliers to report anything unusual. For example have an email link on your website.
- Shred sensitive papers before you throw them out.
- Set guidelines and processes for who can order things on behalf of the company.
- Use a formal purchase order system to prevent unwanted orders.
- Vet new employees and limit the staff access to sensitive information.
- If dealing with a new supplier or business customer, screen them thoroughly. Insist they provide you with a landline contact number and check that you can contact them on that number.
- File online with an electronic password and subscribe to PROOF, the protected online filing service that aims to reduce the possibility of fraud.
- Don't rely on Companies House records when determining whether to issue goods on credit.
- Always encrypt sensitive data on your computer network.
- Plan ahead and have in place a clearly defined fraud response plan so that you can react quickly and effectively should fraudulent activity take place. ●

Close Invoice Finance commissioned Taylor Nelson Sofres to conduct research amongst 200 SME's in March 2008.

** Statistics from the Get Safe Online "Internet Safety: The State of the Nation paper" published in January 2008 among 2,000 business and consumer internet users.*

*** Statistics from Close Invoice Finance's Small Business Barometer.*