

# CURRYS

## FIGHTING BACK

**Oleg Stefanets** explains how rising fraud is putting retailers at risk and why we cannot afford to let them fight it alone

**T**he effects of fraud are felt across the entire economy. Consumers and businesses alike are falling prey to criminals employing increasingly sophisticated means of targeting them. The rise of e-commerce has created fertile ground for them to exploit, with illicit activity used to steal identities and payment data in order to defraud businesses and their customers.

While innovations in areas like artificial intelligence (AI) are enabling retailers to offer customers more personalised experiences and predict demand, it has also equipped malign actors with new methods of attacking their victims, from AI-generated scams to deepfakes so realistic they will deceive even the savviest consumer.

The financial losses are staggering. Figures from UK Finance reveal that fraud cost UK businesses £1.17-billion in 2024, and that criminals stole £629.3-million in the first half of 2025 alone, a 3 percent increase year-on-

year. Looking at the global picture is no better – the e-commerce sector lost \$44 billion to fraud in 2024, with the total now expected to surpass \$100 billion by 2029.

The financial cost of fraud is clear, but the impact extends far beyond balance sheets. payable's latest research shows that 85 percent of UK business leaders have encountered or been targeted by fraud or scam attempts in the past year. It's weighing heavily on their minds, eating up resources and influencing strategic decisions about future growth. It's also having a detrimental impact on customer loyalty and wellbeing, eroding brands' hard-earned reputations.

Retailers know they need to find new ways to cope with the evolving scope of fraud. But many can't do it alone; it's become far too complex and fast-moving for them to address by themselves. They need the support of partners who understand both the full extent of fraud's footprint across their business and the required solutions.

**Half of UK retailers are considering closing or scaling back their operations due to fraud**

As well as eating away at those all-important margins, the fallout from fraud disrupts operations and undermines business confidence. payable's research reveals that half (48 percent) of UK retailers are now actively considering closing or scaling back their operations due to fraud. These findings come amid a spike of business closures across the UK. Data from the Insolvency Service shows 25,840 company insolvencies between January and November 2025, perpetuating an upward trend over the past few years. Insolvency is of course driven by multiple factors, but the growing impact of fraud is certainly compounding existing financial pressures.

Overall, 36 percent of retail leaders say they have seen a direct loss of income as a result of fraud. While this is the most explicit impact, merchants are experiencing a range of repercussions, including reputational damage to their company's brand (52 percent) and falling customer loyalty (21 percent) threatening their company's viability.

Business confidence is approaching rock bottom, with the ICAEW reporting it dropped for a sixth consecutive quarter in Q4 2025, as leaders juggle a host of external pressures from tax burdens and regulations, to changing

consumer behaviour. They are also struggling to keep pace with the increasing complexity of fraud, which is further denting their fragile confidence.

First-party fraud has emerged as a major problem for retailers, overtaking scams as the most prevalent threat. Unlike typical, external attacks this type of fraud is often driven by customers themselves, exploiting systems designed to protect them by misrepresenting transactions or personal details for financial gain.

Fraudulent returns and refund abuse now top the list of fraud types affecting businesses, cited by 44 percent of retailers. This includes practices such as returning worn items as new, known as wardrobing, or purchasing duplicate products and falsely claiming a duplicate charge.

This is followed by fraudulent purchases using stolen payment details (36 percent) and friendly fraud (31 percent, rising to 34 percent among small businesses).

### 85 PERCENT OF UK BUSINESS LEADERS HAVE ENCOUNTERED OR BEEN TARGETED BY FRAUD

Because friendly fraud involves legitimate customers and genuine transactions, it is particularly difficult to detect and resolve, leaving retailers exposed to chargebacks, lost revenue and rising operational costs.

As fraud becomes not only more prevalent but more complex, retailers are being forced to devote increasing amounts of time to managing its impact. Time that would otherwise be spent growing their businesses is instead absorbed by investigating scams, processing disputed transactions and handling fraudulent returns.

payabl's research shows that business leaders and their teams now spend an average of 166 hours a year dealing with fraud-related issues, the equivalent of 22 working days or an entire month of lost productivity. Broken down further, that amounts to around 14 hours every month, nearly two full working days spent responding directly to fraud.

This growing time burden has serious implications for headcount, costs and business development. It diverts resources away from innovation and growth, while adding pressure during already demanding trading periods. The problem is particularly acute during peak sales periods, when higher transaction volumes create greater opportunities for fraud. Retailers identify Black Friday and Cyber Monday as the most likely periods for fraud spikes (37 percent), followed by the January sales (30 percent) and Boxing Day sales (24 percent). As a result, fraud is creating a significant administrative burden that intensifies during the busiest times of the year, stretching teams to breaking point and leaving some business owners questioning whether continuing to trade is sustainable.

Fraud does not just harm businesses, it takes a heavy toll on the consumers that retailers serve. For many, the experience is emotionally distressing as well as financially damaging. It is deeply personal and invasive, regardless of whether losses are eventually reimbursed. payable's research shows one in four (26 percent) shoppers say they have been a victim of fraud, losing an average of £330 to scams. The emotional impact of

this can be significant, with nearly a quarter of victims blaming themselves (23 percent) while one in five said they were left feeling embarrassed (20 percent).

payabl.'s findings reflect wider evidence from across the sector. A recent survey by Lloyds Banking Group found that 69 percent of fraud victims reported a negative effect on their mental health, with 36 percent subsequently becoming far less trusting of online platforms. Another study commissioned by the UK government highlighted that fraud commonly results in stress and other serious health conditions, including suicidal thoughts and self-harm, with women and ethnic minorities disproportionately affected.

Beyond this increased distress and anxiety, widespread concerns about fraud are also prompting changes in consumer behaviour. Two in five (41

## ONE IN FOUR (26 PERCENT) SHOPPERS SAY THEY HAVE BEEN A VICTIM OF FRAUD, LOSING £330 ON AVERAGE

percent) shoppers – rising to 46 percent of women – say they are now much more cautious when shopping online, while 21 percent have simply stopped shopping with the retailer where they lost money altogether.

As a result, a fifth (20 percent) of consumers say they now only shop with larger, better-known retailers who they perceive to have better cyber defences, while a further 10 percent are spending less online overall, highlighting the potential longer-term impact on retail revenue, especially for smaller merchants.

Customers perceive fraud as a breach in trust that won't be quickly forgotten – or forgiven – and the findings help explain why more than a third of businesses experience a drop in income due to fraud.

The impact of fraud on businesses and consumers extends beyond the individual transaction. If not tackled effectively, it will have major and long-lasting implications for economic growth in the UK and

beyond. Retailers recognise what is at stake, with 87 percent agreeing that tackling fraud is critical to their long-term success.

Despite this clear intent, businesses could still be doing more: only half (50 percent) say they have clear policies in place for tackling fraud, with a similarly low proportion (47 percent) taking the time to talk to their customers about fraud and tips for staying safe online.

There are some practical steps businesses can take to reduce the threat of first-party fraud, such as clearly communicating refund and cancellation policies at checkout and improving customer service so that any issues can be resolved before they escalate. Encouragingly, three-quarters (76 percent) plan to increase investment in fraud prevention tools in the year ahead, and half (50 percent) are already using the services of a payment partner, like payabl., that offers a series of advanced, built-in fraud tools.

Technology will play a vital role, particularly AI-powered tools and other emerging technologies that analyse transactions in real time. At payabl., our integrations with partners like Sift are enabling merchants to reduce the risk of fraudulent claims, including in areas like chargebacks, while ensuring there is minimal friction in the payment process for legitimate customers. However, technology alone is not enough when it comes to creating a safe e-commerce system. Many businesses still feel exposed and unsupported, with 88 percent believing that banks need to play a more active role, while 84 percent say the government must set out where the responsibility for tackling fraud lies. Without coordination between banks, governments, payment providers and online platforms, fraud will continue to hurt business confidence.

Fraud is a shared problem and tackling it is a shared responsibility. By combining proactive strategies, innovative technology and transparent communication, we can better ensure that merchants can safeguard their business, protect consumers and foster lasting trust. Only through this can we have a chance of unlocking sustainable and resilient digital growth for retail and ultimately reduce the prevalence of fraud ●

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**Retailers identify Black Friday as one of the most likely periods for fraud spikes**

