

A question of simplicity vs security

FStech interviews Phil Hickman (ex-HSBC and chairman of ValidSoft) on the ongoing battle to reduce fraud and increase security in retail banking



Phil Hickman discusses the issues of security with Mark Evans

Fraud has cost implications well beyond the financial loss, and yet it has risen in the last decade as technology has taken over retail banking services, and that trend is far from finished.

FStech: When you add back in the costs of managing the risks, the cost to UK banks from fraud must come to £2 billion or so, with additional costs to reputation and customer loss, so why are the retail banks responding so slowly to the threats?

PH: The banks have to balance managing the level of fraud with the costs of doing that, and introduce measures that will not annoy the customer. More customers want the convenience of banking online or mobile, and that creates a difficult situation for the banks.

FStech: I doubt many realise that there is no legal reason for the banks to refund monies after a fraud. Banks could stop doing this at any moment.

If you don't have confidence and trust, you don't have a bank."

PH: Indeed, and there is no obligation, but a few years ago Allied Irish stated that fraud on the internet would be at the risk of customers. That had a very negative reaction because banks are built on confidence

and trust. If you don't have confidence and trust, you don't have a bank.

FStech: And the customer's trust on data too?

PH: In my view there should be more regulation to ensure the best processes are carried out, and particularly in privacy. Data needs to be protected, and I am a supporter of EuroPriSe, the European Privacy Seal, for IT and data. I would really like to see EuroPriSe recognised formally and rolled out as I think it would put pressure on the banks to really take the social side of fraud deeper.

FStech: Perhaps we should mention the rise of mobile devices – is this the precursor of a new wave of fraud?

PH: The more you use cyberspace the more risks there are going to be. There are already more viruses in the mobile network than the internet. Let's face it, the fraudsters are brighter than us, and they don't have to put together a business plan first.

FStech: And yet the consumer seems to, at least at times, resist further security?

PH: It's another question of balance, you have to try and achieve security with simplicity. Currently I think the security on internet banking is inherently weak.

FStech: You see the mobile as the device of choice – but is the rise of social networks also a major factor in the future of security?

PH: The social networks are a massive

problem for us. The breath of applications available mean that the fraudsters can deploy Trojans all over the sites and infect the home computer or mobile.

FStech: If the fraudster cannot ever be fully defeated, and you said earlier that they were brighter and better funded, then what can be done?

PH: We can prevent the benefit, which means, for example, that if the data is compromised it can't be used. For example, we can collate the use of a card with the location you are in.

FStech: How do you verify the location?

PH: We use a thing called the mobile phone. Tracking people without full consent is illegal, but we can confirm to the bank that a customer is in the same location, just yes or no.

FStech: Perhaps this would be the time to mention biometrics – so far they haven't really taken off, have they?

PH: I believe that voice is the only realistic option for biometrics, because of the future growth in mobile transactions. Banking applications will go down the mobile route.

FStech: Is that the real challenge? To be able to secure the application?

PH: Yes and no. I think the real challenge is to consider the customer. After all, if you think your account has been compromised all rationality goes out of the window and you will give a call centre, which is probably not a real one, your inside leg measurement because you are panicking.

See the full interview at:
www.fstech.co.uk