Opportunity calls

Managing dynamic fraud threats

Building an effective operational response

Fraud Management

The real costs of fraud

Front-line fraud teams are under pressure. In a sector struggling with dynamic threats and high staff turnover, maintaining an effective operational response is becoming ever-more difficult.

The scale of the challenge is immense. Fraud now accounts for 41% of all crime[1] in England and Wales. In 2024, UK fraud losses were valued at £1.17 billion, with caseloads increasing 12% year-on-year to 3.3 million[2]. Card fraud alone saw a massive 22% increase in caseload[3]. Such dynamic changes in workload have heaped immense operational pressure on fraud teams.

Meanwhile, recent regulatory changes have shifted liability for authorised push payment fraud directly to both "sending" and "receiving" firms. For banks, this is no longer a marginal cost but a structural risk in a digitally interconnected world.

The moment of truth

How your institution responds when a customer is targeted is critical. A poor response destroys trust, with research showing that 66% of fraud victims would consider switching banks after a poorly handled incident[4]. In contrast, exceptional support can create your most loyal advocates.

But beyond customer retention, the real cost is human. Behind every case is a person left feeling vulnerable and devastated.

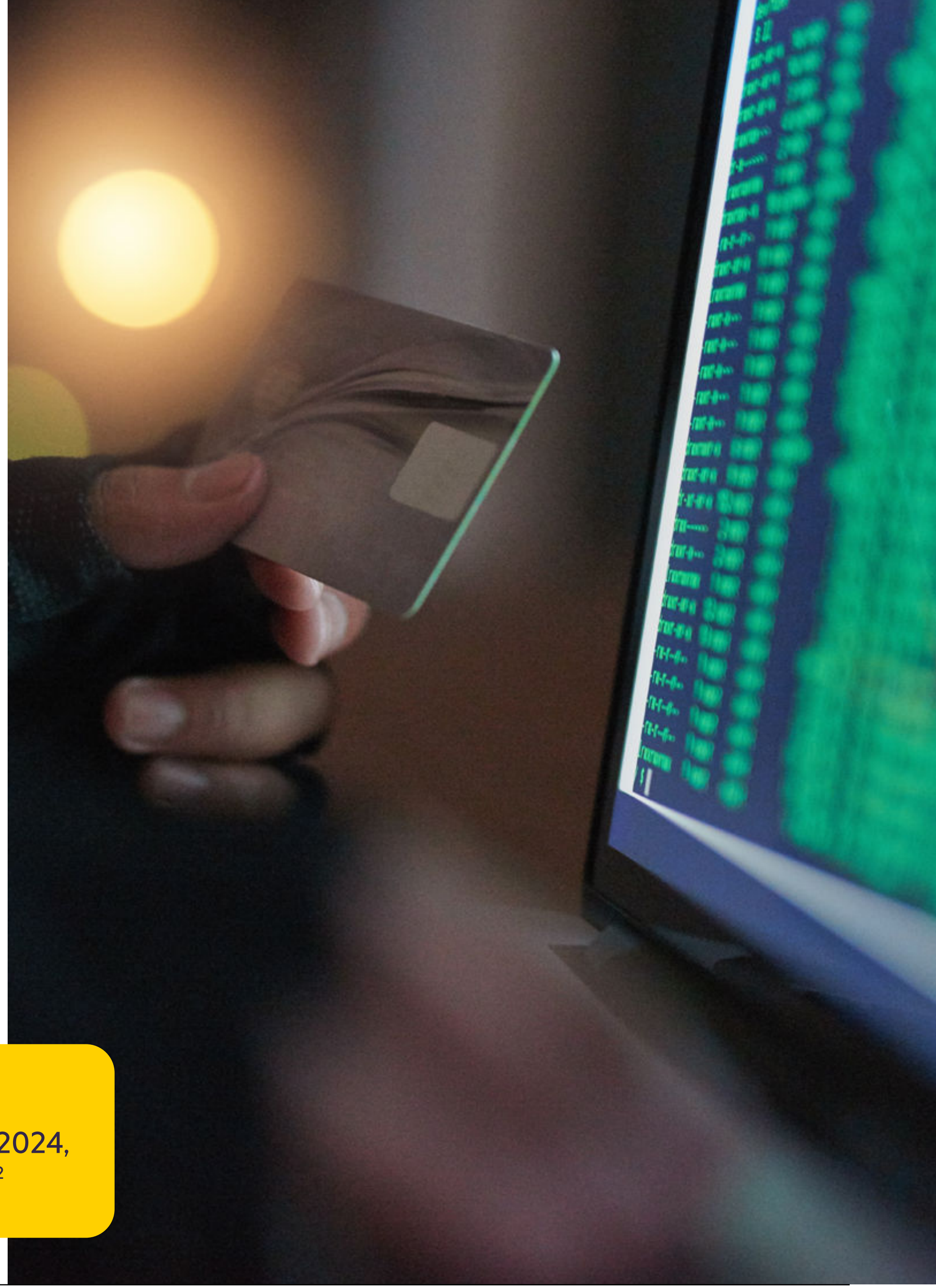
Consider the working parent who saves for a family holiday, only to find the apartment they booked and paid for doesn't exist.

Smarter fraud management with Sigma Connected

With caseloads for complex scams increasing and new regulatory pressures mounting, many institutions lack the resources to manage these challenges effectively. At Sigma Connected, we've recognised this gear change. While complex fraud management was once kept in-house due to concerns about specialist skills, we are living proof that the right outsourcing partner can deliver a cost-effective solution with performance that matches the quality of internal departments. The outcome is better protection for your customers and commercial interests.

Banks need to be asking not whether they can afford to improve their fraud response, but whether they can afford not to.

£2.62 billion
value of fraud attacks in 2024, as reported by UK banks[2]



Source:
[1]nationalcrimeagency.gov.uk/threats-2025/nsa-fraud-2025
[2]ukfinance.org.uk/system/files/2025-05/UK%20Finance%20Annual%20Fraud%20report%202025.pdf
[3]UK Finance Annual Fraud report 2025.pdf
[4]thefinancialbrand.com/news/credit-card-trends/fraud-is-inevitable-cardholder-attrition-doesnt-have-to-be-190531

The hidden opportunity

For many financial institutions, fraud management is about damage limitation.

But a counter-intuitive truth lies hidden in plain sight. Research from the customer experience field reveals something called the "service recovery paradox." This paradox hinges on the idea that customers who experience a problem that gets resolved exceptionally well often become more loyal than customers who never experienced a problem at all.

The paradox is nuanced, the evidence and its implications are debated. But a recent study of fraud victims suggests the theory holds significance for financial institutions. 73% of respondents say fraud resolution directly influences their loyalty, while 62% state that their bank's response to fraud has a greater impact on trust than the incident itself.

Clearly, banks must take every feasible step to prevent fraud from occurring and offer a rational explanation when a genuine transaction gets blocked. But when fraud happens, it is the response that matters most.

Every incident must be treated as a critical recovery opportunity. Handle it with speed, empathy and expertise, and instead of losing a customer, you gain an advocate.

Why this matters now: a powerful differentiator

The current Financial Services landscape is fiercely competitive. Products are increasingly digitised and commoditised, while rates and features can be matched overnight.

But fraud response? That's where you can stand out. As many institutions move to digital-only channels, The Financial Ombudsman Service states that voice is often the most effective intervention in fraud cases. That human connection is a powerful differentiator.

While your competitors treat fraud as a hygiene factor – a cost centre to be minimised – you can transform it into a powerful customer-loyalty driver.

Smart Financial Services brands are already making this shift. They're reframing fraud management from a cost and compliance issue to a customer experience opportunity.

73% of customers say fraud resolution directly influences their loyalty[5]

Source:
[5] quavo.com/news/quavo-publishes-consumer-research

The anatomy of excellence

For fraud response to become a competitive advantage, teams must elevate performance from adequate to exceptional. The difference lies in mastering three critical balances:

Speed vs. rigour

Customers want immediate action when fraudsters strike, but they also need you to get it right. Excellence means responding within minutes to secure accounts whilst conducting diligent investigations that stand up to scrutiny. It's rapid triage followed by a thorough, detail-oriented approach.

Cost efficiency vs. service excellence

Pressure to manage costs often runs up against the need to deliver an outstanding customer experience. Exceptional teams achieve both, managing streamlined operations that still provide genuine empathy, comprehensive support and solutions that go beyond the purely transactional.

Systematic consistency vs. case-specific flexibility

Robust frameworks ensure reliable, compliant responses. But exceptional fraud response recognises that each case is unique. Excellence means having standardised processes that can flex to accommodate highly specific circumstances, ensuring every customer receives the right support for their situation.

The expert perspective:

Most fraud teams stop at reversing the transaction and replacing the card. But exceptional fraud response goes much further. For me, it comes down to two things: first, making sure the victim feels heard, valued, cared for and secure; and second, using intelligence gained from every case to strengthen your future security posture. It's these details that make all the difference"

Colin McMahon - Director of Financial Services, Sigma Connected.

The framework for turning crisis into confidence

The best fraud teams follow a proven four-stage process that turns customer distress into lasting loyalty:

Stage 1: immediate acknowledgment and ownership

Rapidly take control. Explain false-positives and provide context to ensure that customers understand that we are keeping them safe. If fraud is detected, secure accounts, acknowledge the impact and reassure the customer that a qualified professional is handling their case with full authority to act.

Stage 2: thorough investigation and clear communication

Conduct a thorough analysis of the case while keeping the customer informed at every step. Explain what you're doing, why it matters and what happens next. Regular, clear updates prevent anxiety and demonstrate professional competence.

Stage 3: resolution beyond the transaction

Consider the customer's wider circumstances. Are there vulnerable customer protections to implement? Does the customer need signposting to the correct support services? Address the whole situation, not just the financial elements.

Stage 4: intelligence that strengthens future defences

Every incident generates valuable intelligence. For a fast-moving fraud event, share learnings across operational teams. Feed insights back into fraud case management systems and, where necessary, direct into fraud analytics teams. Update fraud defence systems. Ensure that each case contributes to protecting other customers and refining future operational responses.

The solution: from high pressure to high performance

The operational challenges facing fraud teams are intensifying, but they aren't insurmountable. Strategic outsourcing can prove an extremely effective solution to the resource and capacity constraints that many Financial Services organisations face.

Tackling high turnover & attrition

If high staff turnover rates are impacting performance, outsourcing can work wonders. Organisations that supplement internal teams with external specialists report significantly lower disruption from staff churn, with studies showing reductions in turnover-related disruption of up to 35%[6]. Crucially, specialist fraud outsourcing partners maintain fully-staffed teams of experienced operatives, mitigating recruitment headaches and excessive training costs.

Managing unpredictable volume spikes

When fraud volumes spike – whether through seasonal patterns, organised attacks, or new methods – outsourced teams provide surge capacity internal teams cannot match. 24/7 availability means immediate response, while flexible resourcing covers fluctuations without compromising quality and allows new procedures to be deployed quickly as new threats emerge.

Performance consistency

Historically, a fear of performance decline has seen banks opt to keep fraud response in-house. That attitude is shifting, as specialist providers prove they can deliver rapid, scalable and reliable services that meet rigorous quality standards. Dedicated, well-trained teams from outsourcing partners complement internal capabilities and offer the flexibility needed to ensure consistent operations.

Intelligence feedback and proactive prevention

Every case generates valuable intelligence. Expert outsourcing partners don't just resolve individual incidents – they identify emerging threats and feed insights back to your fraud analytics teams. This transforms reactive response into proactive intelligence that strengthens your entire operation.

Outsourcing reduces staff-turnover disruption by up to 35%

Source:
[6] inovapayroll.com/articles/the-impact-of-hr-outsourcing-on-employee-recruitment-and-retention

Building trust with a reputable bank through complex offshore fraud delivery

When a major Financial Services organisation decided to offshore its fraud operations to Cape Town, South Africa, it was not driven by a desire to add expertise but by a clear need to reduce operational costs while maintaining control and quality.

Entrusting Sigma Connected with such a sensitive and high-risk area represented a major step, one that required confidence in our capability, agility, and people.

Over 15 months, Sigma Connected worked closely with the client to build an entirely new fraud function from the ground up. What began as a bold decision to offshore critical fraud processes became a successful partnership underpinned by collaboration, speed, and a shared commitment to customer protection. Despite initial challenges, the client has since stabilised performance, maintained operations within its fraud loss risk appetite, and developed a resilient offshore model that meets both regulatory and operational expectations.

This case study highlights how Sigma Connected's people-first culture, rapid adaptability, and operational expertise helped the client achieve sustainable fraud control, stronger resilience, and measurable cost efficiency, all without compromising customer outcomes.

Background

The client faced increasing cost pressures across all departments, including its fraud function. Like many institutions, it was challenged to find savings without sacrificing performance or compliance. The decision to offshore fraud operations was therefore primarily financial, aimed at reducing operational costs while maintaining oversight and control.

Sigma Connected was chosen to take on this challenge despite having no prior direct experience managing fraud operations. This decision reflected both the client's confidence in Sigma Connected's reputation for agility and its proven track record of standing up complex new functions at pace. The partnership began with a full outsource of around 50 FTE, covering fraud prevention, detection, and non-fraud disputes such as chargebacks and Section 75 claims.

The work required balancing three critical demands: managing fraud risk cost-effectively, minimising disruption to genuine customers, and responding quickly to unpredictable fraud activity. From day one, Sigma Connected worked within the client's systems, processes, and compliance framework, building knowledge, capability, and trust with each stage of implementation.

Solution

Sigma Connected built the fraud operation from scratch, aligning people, processes, and technology to deliver immediate continuity for the client. The team handled Tier 1 fraud cases, around 70% of all fraud volume, comprising lower-risk, high-volume investigations, largely focused on false positives and early fraud alerts.

Operating within the client's real-time fraud monitoring environment, our teams managed alerts generated by advanced fraud detection systems and engaged customers directly to confirm or prevent fraudulent transactions. This work required precision, judgement, and empathy - recognising that every interaction involved customers potentially under stress or even mid-scam.

Our ability to match UK working hours, offer extended coverage, and deliver partial 24/7 support provided operational flexibility the client could not achieve domestically. Despite working within the client's systems, Sigma Connected quickly developed the expertise to train and manage its own teams, creating self-sufficiency and consistency.

A defining moment came in early 2025 when the client suffered a large-scale fraud attack. Sigma Connected's agility proved critical. We rapidly stood up new processes, redeployed skilled agents, and helped the client implement and stabilise its new fraud technology within weeks. This immediate, hands-on response contained the incident and restored confidence, a clear demonstration of Sigma Connected's resilience under pressure.

Throughout the engagement, collaboration and transparency remained central. Our partnership approach ensured shared accountability, with Sigma Connected contributing both operational leadership and technical insight to refine workflows, improve fraud containment, and maintain service continuity through every challenge.

Result

After 15 months, the fraud operation is stable, compliant, and consistently operating within the client's fraud loss risk appetite. Despite the loss of more than 8 years of in-house experience before outsourcing, the offshore team has achieved results that match, and in some areas exceed, the client's UK benchmarks.

Sigma Connected's ability to quickly recruit, train, and retain the right talent has been central to this success. Attrition rates remain significantly lower than industry averages, reflecting the engaging and purposeful nature of fraud work and our people-first culture in South Africa. Staff development, structured training, and ongoing support have created a skilled, motivated team capable of managing complex, high-pressure fraud interactions with professionalism and empathy.

The client's fraud losses have remained within tolerance, and service levels (SLAs) are now consistently on target, a key indicator of stability and confidence in the partnership. Moreover, Sigma Connected's operational readiness during the fraud incident mentioned in early 2025, demonstrated its capacity to respond to emerging threats with pace and precision, reinforcing its reputation as a trusted, agile partner.

Today, the client and Sigma Connected continue to collaborate closely, applying the lessons learned to strengthen fraud resilience and refine best practices. What began as a cost-driven outsourcing initiative has evolved into a strategic partnership - one built on trust, shared success, and an unwavering focus on doing the right thing for customers.

The Sigma Connected approach

At Sigma Connected, we understand that exceptional fraud response builds stronger customer relationships. As an FCA-authorised firm with decades of Financial Services expertise, we don't just handle cases – we act as a seamless extension of your team, transforming your biggest operational challenges into a powerful competitive edge.

Eliminate staffing disruption
Our fully staffed teams of experienced specialists remove recruitment headaches and training costs, providing consistent expertise without the costly disruption of staff churn.

Scale up or down as needed
Gain 24/7 availability and flexible resourcing that scales up during volume spikes and down during quieter periods, all without compromising performance quality or affordability.

Strengthen future defences
Unlock strategic advantage with every case. We feed back actionable intelligence to your prevention teams, revealing insights to empower proactive fraud protection and better operational decisions.

Maintain exceptional performance
Access specialist fraud investigators with proven expertise in high-volume, compliant operations. Our robust processes, refined across thousands of cases, provide comprehensive service coverage – from lost and stolen reporting to Section 75 claims – delivering a consistent and reliable fraud response, every time.

Transform customer relationships
Turn fraud incidents into loyalty wins. Our empathetic, rigorous approach creates customers who feel more secure and valued than those who never experienced fraud. Trust, loyalty and advocacy deliver better customer lifetime value.

We provide comprehensive fraud and chargeback management – from 24/7 lost and stolen reporting through investigation, chargebacks, Section 75 claims and resolution. Our teams go beyond the transaction, providing genuine empathy and, where necessary, signposting customers to the correct support services to ensure vulnerable customers feel fully supported.

The results? Reduced customer switching after fraud incidents, effective dispute handling, faster resolution times, improved satisfaction scores and strategic intelligence that strengthens your entire operation.

Ready to revolutionise your fraud response? Get connected.

Speak to an expert at Sigma Connected today and transform your fraud response from a cost centre to a competitive advantage.

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