



# The Hidden Harms of Financial Crimes

The 2024 action movie, the Beekeeper, starring Jason Statham tells the story of a retired teacher, who sadly committed suicide, after realizing she was the victim of a phishing scam. The scammers (posing as IT repairmen) emptied her bank accounts and all of the funds for a charity that she was appointed to oversee.

It is quite normal to associate financial crimes with the sums of money laundered, the amount of assets stolen or even the number of regulatory fines imposed on regulated entities. However, financial crimes do not only impact the finances. Like any other crime, they can have a profound impact on the victim's mental well-being, financial security and sense of safety.

## Mental Health Impacts of Financial Crimes

### \* **Anxiety and Stress**

The financial insecurity resulting from being a victim of fraud can trigger stress responses making it difficult to cope with daily life.

### \* **Depression**

The emotional impact of financial losses can lead to feelings of depression, helplessness and hopelessness.

### \* **Shame and Isolation**

Victims may feel shame, guilt and embarrassment which can lead to social isolation and suicidal actions.

### \* **Loss of Trust**

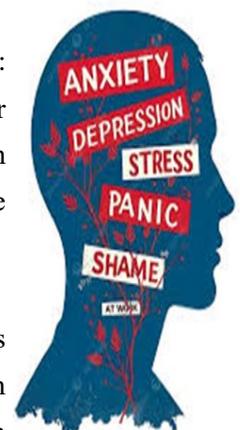
Fraud can erode trust in others, especially in online platforms and financial institutions (FIs) and designated non financial businesses and professions (DNFBPs) leading to heightened skepticism and anxiety.

### \* **Difficulties Making Financial Decisions**

Victims may lose confidence in their ability to manage finances, negatively impacting future financial choices.

## Factors that Worsen the Mental Health Impacts of Financial Crime

- 1) **The Nature of the Crime:** Scams involving deception or betrayal by a trusted individual such as a family member or a friend are often more damaging than those committed by strangers.
- 2) **The Amount of Financial Loss:** An individual losing his or her life savings or retirement funds is naturally more mentally depressing than losing smaller sums of money.
- 3) **Individual Vulnerabilities:** Factors like age, gender and prior mental health conditions can influence the severity of the impact.
- 4) **Lack of Support:** Limited access to support services or resources can worsen the mental health consequences.



## REAL LIFE MENTAL HEALTH IMPACTS OF FINANCIAL CRIMES

John’s IT business was compromised by Ransomware. He was faced with the embarrassment of being in the technology sector yet falling prey to cybercrime. How would his clients be able to trust him?



Matthew fears that he would lose all of his customers after his online retail store was hacked. How would he pay his bills if his business closed down?



Danielle has trouble sleeping at nights and is very distrustful of online banking platforms and social media after being a victim of identity fraud.



While financial losses are often the most glaring result of financial crimes, cases like these demonstrate some of the long-term reputational damage, loss of trust and emotional distress experienced by many victims regardless of monetary loss.



### HOW CAN FIs/DNFBPs ASSIST IN PROTECTING THEIR CUSTOMERS FROM FINANCIAL CRIMES?

1. Strengthen and maintain robust Know Your Customer and Customer Due Diligence procedures (KYC/CDD): FIs/DNFBPs should implement KYC/CDD policies, procedures and mechanisms to identify and verify customers, including high-risk customers or sanctioned individuals. CDD must include ongoing monitoring to detect suspicious or unusual activity and fraud.
2. Establishing a Customer Profile: FIs/DNFBPs should have an understanding of customers’ behaviour and transactions to assist in identifying any unusual or suspicious activity.
3. Implement or Enhance Technology: Various technology should be used to identify red flags, suspicious patterns or fraudulent activities, especially in real time. Cybersecurity systems are important to protect customers’ data and prevent cyberattacks, which may contribute to financial crime.
4. Implement and enhance strong internal controls—suitable internal controls safeguard the systems of FIs/DNFBPs from risks and incidents of financial crime. These include employee training, audits, record keeping and risk assessment.
5. Education and Awareness—FIs/DNFBPs should inform and share guidance about potential scams, emerging trends and increasing fraudulent attacks.

Financial crimes come in many forms. We have all heard about scams related to employment, romance, calls about your home computer and many more.

Perpetrators are getting more and more creative, that they even took advantage of world events like the COVID-19 pandemic. Financial crimes affect people emotionally and mentally.

Effects such as anxiety, shame, guilt, anger and depressions are all experienced by victims.

### References

- ◆ Uncountable Costs: The Hidden Harm of Financial Crime on Mental Health—30 May 2024 by Henry Wyard
- ◆ Lloyds Banking Group— What is the Emotional Impact of Fraud? - 5 December 2024 by Suleman Lazarus and Liz Ziegler