

G|GO

Crime: Fraud/scam

4,000 Words

'GIGO' by Chris Matravers

It wasn't as if I'd wanted the computer in the first place. But nobody had asked me. Too many years ago to remember – when they were new then of course – suddenly every business had to have one.

'Take the drudgery out of your job,' he'd said. 'Be more productive, find new ways of working, experience the excitement of the new world of 'Information Technology'!' The over sincere computer salesman had enthused. 'The only boundaries to the use of IT are the limits of your own imagination!'

As it turned out, he was right (not in the way he had imagined) but at the time, did I want all those things? No! Maybe, if someone had listened to me, then I wouldn't have got the computer and things would have turned out differently. At that time. I liked my job. Did I want to be more productive? Tell me, who in their right minds will admit that they could work harder? But if asked then it's hard to answer 'No': the questioner assumes you want to be more productive.

So, the salesman convinced my boss. I once heard it said of a salesman that he was so devious he was 'lower than a snakes belly'. In this instance I just think my manager was gullible; the salesman was too greasy to be a snake. So, my boss convinced his partners, who then placed the order. The 'rep' (is that short for reptile?) got his commission and I got 'Mabel'. I called him/her/it 'Mabel' after my motherinLaw; in her case, she was another example of something, like salesmen, that you pretend to like but would rather keep at arms-length. 'Mabel' was portable, which is more than I could have said about my wife's gargantuan (she called it 'stout') Mother, and it was at home that we first got to know each other. I guess I should say something nice about 'Mabel' and I have to admit the extraordinary effect it (she?) had on Neville Jr.

Let me explain. Little Neville is, try as I might to deny it, my son. Back then he was the nine-year old by product of my nine years and nine months marriage to miserable Marjorie, 'Marjie' to her friends. I call her Marjorie. Neville Jr had been programmed by his mother (you see I picked up all the jargon) to exploit my weaknesses, play up to my faults and generally make my life uncomfortable if not unbearable. In short little 'Nev' was (no doubt still is) a spoilt, father hating, paininthearse of a son... and the apple of his mother's eye... or he was, until 'Mabel' arrived.

You see none of Neville Jrs juvenile thugfriends had Dads who brought computers home. Neville Sr became a hero. 'Mabel' played with Neville Jr, so I didn't have to. 'Marjie' didn't understand computers, so Neville Jr despised her. Oh yes! 'Elsie' was a great success at home!

I've always said salesmen are smart. They may be conniving, double-dealing, smooth-tongued operators with moral values best described as 'envied by Caligula' but they are smart, and on this particular occasion the salesman was correct about my imagination.

I had often dreamed of owning a Ferrari, a sailing cruiser, a villa in the south of France. And now, as I write, the sun is setting over the hills surrounding me as I look down over Nice. The evening breeze is

ruffling the slightly too cool to swim waters of my swimming pool. Perhaps it is time to get the vintage 'Dino' out of the garage and head into town for dinner, but let me first finish this tale.

* * *

On those few occasions when I managed to pen Neville Jr in the tool shed, during the first weekends I took 'Elsie' home, I came to grips with her. It was all new and I had a lot to learn. I delved into her ROMS and RAMS, 'booted' her disks, I peeked and poked about in her innards and slowly I learnt. I learnt operating systems, languages, packages and wonder of wonders I discovered the spreadsheet and then 'the Ultimate Truth'.... GIGO. ..'Garbage In, Gospel Out'. What's this got to do with the Ferrari? Let me explain.

We all know, now, that computer fraud is common place, but that was not the case then. What I came to realise was that computers could make fraud simple, all but foolproof and irresistibly tempting. You might call me an early adopter. All it took was imagination, care and an ignorant and crooked boss; the latter being all important.

In fairness I have to admit I was not what you would call "straight" myself; but my level of villainy, at least to begin with, was way below that of my employers. They were completely bent; bent as in 'queer as a nine-penny piece' or 'straight as a corkscrew' or any of those other colourful metaphors. Me? I was just the accountant. The business and my fraud worked like this.

My bosses operated what they euphemistically called a 'service industry'. Lest you be misled this was not the sort of 'service industry' typified by the bankers, hedge-fund managers and other white-collar crooks of today. No, my employers, petty criminals themselves, offered a 'service' to the big- league and far less sophisticated crooks of that bygone era.

'Crime doesn't pay' was an adage thought up by a long since defunct advertising agency and used by the police during the Victorian era. A time when the advocacy of moral rectitude was a virtue in itself, although the moral themes espoused were paid scant attention, other than lipservice, by those very advocates. The advertising agency must be defunct since whilst most advertising involves making untruths (who am I to call it 'lies'?) palatable, the idea that criminals do not benefit from their activities is so outrageous and unbelievable that the agency must surely have lost all credibility.

The real trick to making crime pay is not in the crime itself, it doesn't take a great brain to appreciate that robbing rich people is more profitable than ripping off the poor. The really successful criminal is the one who finds a way to conceal the profits from the attentions of those legalised crooks the tax inspectors. This was the service my erstwhile employers offered ie concealment. In the vernacular, the concealment of illicit profits is known as 'laundering'. That is to say the profits are 'washed', made clean in the eyes of the revenue men ("Vat-man and Rob-in").

The legitimate 'front' for our business was a series of companies that managed a chain of some fifty or so coinoperated laundrettes, an apt cover for our true profit- making activities and one which provided endless amusement for my simple-minded employers.

In each of our premises we had between ten and fifteen machines operating twelve hours a day, seven days a week and fifty-two weeks in a year. The annual income from such an operation, if each wash and dry took one hour and cost £1.50p (as it did then) could be as high as £5 million; a fortune in those days. Staggering isn't it? Work it out for yourself if you don't believe me.

Of course, that was the potential total income but not all machines were in continuous use, some broke down, business was seasonal and premises were occasionally closed for a refit. The point is that no one could predict accurately what the income would be and more important it was almost impossible for a tax inspector to say whether or not a declared income was accurate. Furthermore, whilst we managed the premises we didn't appear to own them, although of course we did. According to the official records the businesses were owned by small companies, holding companies and subsidiaries, thus the record keeping was further fragmented.

The total income was not important however, although if run efficiently the profits were considerable and in fact we did very well from this legitimate business. Our main source of profit, however, came from 'washing' criminal profits. Since no one, least of all the taxmen, could either accurately predict or audit our income it was no problem to declare hundreds of thousands of pounds of 'extra' income each year ie income or cash received from our clients not from the launderettes.

The income thus declared could then be fed back to our clients companies via a series of related companies in lieu of totally fictitious services rendered. Suppose for example that a criminal robbed a payroll. The cash came to us and over the year we slowly included it, bit by bit, each month as income from the launderettes. Then at a later date we paid back a proportion of that money to a 'front' organisation maintained by the client, such as a firm of builders; the money being paid to the client firm for, say, 'refurbishment' of some of our premises. If the revenue men checked they'd find the launderettes had indeed been refitted, but they wouldn't find out that it wasn't actually done by the builders who were paid and certainly not for the sums invoiced. That was but one example of a multitude of such transactions that allowed ill-gotten gains to appear as legal income.

It's a very competitive business. We were not alone in offering such a service and vied constantly with the amusement arcades and pub slot-machine operators for our criminal clients. We competed by offering different levels of service. Our firm for example provided total security but a low rate of return, say 70p in the pound. That is to say that for each pound washed we returned only 70p to the client (leaving a nice profit for us). Our competitors, less able to offer such security, gave a higher rate of return and were usually employed by the 'getrichquick' merchants who more often than not got caught, nursed their grievances in jail and then returned to 'air' those grievances on the launderers. Our competitors were in the risky end of the market.

My task, as 'chief accountant' was to keep track of the various incomes and to maintain and muddle the activities of the myriad companies we used. That's where 'Mabel' came in and when my imagination took off. Computers are particularly stupid machines. If told to do the wrong thing they will do the wrong thing and it was in the early days of computing that the term 'GIGO' was coined. At that time, it stood for 'Garbage In Garbage Out' i.e. if you programmed a computer with garbage it

produced garbage results. Strangely, however, as time has passed the term has been retained but the meaning has changed. As computers have become ubiquitous and the programming more accurate, we have all become accustomed to receiving and, more importantly, believing computer generated information. It's a bit like the attitude of the religious fanatic 'if it's in the bible it must be true'. If it's a computer print-out people believed then that it must be true: hence 'Garbage In Gospel Out'. People hadn't learned to be wary of the power of the computer to process garbage... or to lie.

It took some time for this to dawn on me but as I slowly transferred the accounts and company records onto 'Mabel' I introduced a few 'modifications' of my own. For the first few months I worked night and day and then began my campaign. 'Mabel' performed magnificently. Together we produced reports full of tables and graphs, predictions and analyses, profits and losses, cashflows and balance sheets and I buried my employers under a deluge of output. All the while of course maintaining two sets of records, one for the tax man, one for the bosses.

It wasn't long before they began to tire of this. Seeing no sign that my initial enthusiasm would diminish they soon instructed me, rather curtly I thought, to produce just monthly summaries rather than the reams of information I was throwing at them; although the power of the computer to produce vast volumes of useless information impressed them and I was instructed to keep it up to further confuse the poor beleaguered tax man on his next visit. This was the moment I'd been waiting for and it was from then on that I began to skim the business.

It was terribly simple and really had nothing to do with the computer. Each month I would declare less income from the legitimate launderette business than we actually received. The difference disappeared into a bank account I maintained under a false name. Noone checked. I only took a little each month, the accounts summaries still showed healthy profits and the figures were assumed to be correct because 'Mabel' said so. It could have gone on forever. I studiously avoided trying to find a way of skimming the nonlegitimate income, that was watched far too closely and if I'd been caught the clients would have done more than 'air' their grievances with me.

As I explained my bosses were really little more than petty criminals when compared to the clients they served. Our service, however, rapidly gained a high, but discreet, reputation. We were efficient, good business men and most of all noone got caught. The offer of a 'jointventure' should not therefore have come as a surprise and was proposed by one of our clients who decided the time was right for a major business scam. It was the sort of offer that couldn't be refused for both business and other more pragmatic reasons. Have you ever tried walking without kneecaps?

Looking back now I'm amazed they tried it; it was after all such an old con that how anyone fell for it I'll never know. I shouldn't complain, however, since here I sit under the setting sun, sipping away their profits, but to continue....

The venture worked like this. Our firm was used to set up and manage a cash and carry business. Through an agency we rented and equipped a smart warehouse /showroom on the one of the new trading estates on the outskirts of the city. You know the sort of estate, the type that has hypermarkets, DIY stores and carpet warehouses that run perpetual sales. Our agents also found us

an experienced store manager and he in turn was given the task of hiring staff for the grand opening. Poor fellow, he never knew who he was really working for. As far as he was concerned he'd landed a plum job for a new company about to open a whole chain of discount warehouses throughout the length of Britain. He may have wondered why he was never invited to visit 'headoffice', perhaps he was puzzled that most of the contact with his employers was through an agent or by post or telephone I don't know. My guess is that after eighteen months unemployment he was too grateful for the job to ask questions. We picked him well.

We chose small domestic electrical goods as our business. In this scam it doesn't really matter what you choose as long as the goods sold are in steady demand and are sold for small sums. Of course we kept well clear of the operation, enquiries were handled through a series of 'cutout' agents and companies and my role as usual was to confuse the true ownership of the concern by ultimately channelling all business through offshore holding companies with directors resident in Lichtenstein and other such accommodating countries. There was no way could it be traced to us.

Our partners put up £500,000 capital – again, a small fortune, back in the day – and we used some of it establish our credit worthiness with the bankers and through them with the major suppliers of electrical goods, hairdryers, toasters, televisions you name it we sold it. For several months we did a roaring trade, our turnover of goods was huge and we became much beloved by the various company salesmen who flocked to accept our orders for more and more of their hairdryers, toasters and televisions. They were receiving magnificent commissions, their companies were receiving payments on time, the bankers were delighted to support such a roaring success and our credit remained good as our account balances grew. So, who was losing? We were. A marvellous example of how not to run a business we were rapidly heading for bankruptcy. But as the saying goes you have to speculate to accumulate!

Why were we going bankrupt? Simple, our stock turnover was so high because we sold at bargain prices, made almost no profit and our income barely covered the overheads. Well-hidden, small losses were beginning to grow. The Bank thought we were making a profit because we used the remainder of the £500,000 capital to pay the supplier invoices and top up the current account. On the surface we were running a superb business. This was how we wanted it to appear, to lull the suppliers into extending our credit lines and to give them the confidence to honour larger and larger orders for goods. That's the essence of this con, known as the 'long firm'.

We hired more sales staff to cope with the customers, opened an extension to the warehouse, advertised madly. The bank loved us, the community loved us and the suppliers, encouraged by our apparent credit worthiness, embraced us ever anxious to accept our orders, greedily eager to supply our needs. We closed the scam and the business and took our profits in January.

Christmas is a great time for this particular con. Suppliers expect huge orders to cope with the Christmas rush and the January sales. They also expect delays in payment, the postal system is overloaded, businessmen are rushed off their feet and everyone tries to take a holiday at the same

time. For the same reasons it is accepted that there may be delays in preparing accounts for the period, especially if the business is also preparing its final yearend accounts.

So, you see, it was fairly simple. Lulled into a false sense of security by our months of credit worthiness, the suppliers delivered the goods we'd ordered. This time no payments were made. We sold madly, the cash flowed in and was transferred swiftly, some to the local bank account, but most to the offshore accounts, prepared months in advance but hitherto dormant. By the time we closed on Christmas Eve the warehouse was all but empty, except for the display goods.

At the local bank the assistant manager wondered and worried as to why we had not been depositing our takings that week, but our explanation that we had arranged special Securicor collections and that the money had been deposited in our city accounts appeared to satisfy him. Certainly, his concerns were not sufficient to cause him to call the manager who had begun his holiday a week early. He also showed no sign of alarm when we transferred the bulk of our current account to the same city account. What he didn't know was that the funds then moved from that city account to the offshore accounts and thence disappeared without trace.

So that was it, the initial £500,000 investment was used to gain the suppliers confidence but our takings for the final month more than quadrupled the Investment and of course the invoices for the goods sold were never paid, it was all profit. Bank accounts, now overdrawn to the very limit were never revisited. The warehouse opened for business on January 1st but once the display goods were sold and the stockrooms found to be empty had to close again. The poor, hapless manager, who had never been party to our scheme, found he had no goods to sell. The December pay cheques had bounced and the suppliers were baying for their payments. His frantic calls to what he fondly believed was 'HeadOffice' were unanswered and he soon found the attentions and questions of the Fraud Squad equally unanswerable and unpleasant, as did the bank manager and his staff.

It became clear by midJanuary that all our manoeuvrings to avoid implication were going to be successful. The police were chasing their tails up one blind alley after another, often meeting themselves coming the other way. The press had a field day. In desperation the police arrested the bank manager, his assistant and our store manager on a charge of conspiracy. To save face they built an impressive and convincing case against them, albeit based on the most flimsy of circumstantial evidence. We quietly went on about our business. This is when 'Mabel' and I struck for the last time.

We still had one major task to complete, that was to launder the income from the scam. I couldn't resist it, despite my decision before not to mess with the 'bigboys'. Never before had I had access to such a large sum at one time. Because of the complexity of the accounting and business manipulations I had, temporarily, been given authority to operate all of the bank accounts. For that short time, I had control of both the income from the scam and all the other activities we were engaged all of which had continued as usual. I had control of almost £5,000,000 scattered amongst ten different accounts in as many different banks.

It took me until the middle of January to set it up. First I had to prepare all the reports showing where the monies were and that the correct sums were present. These were supported by statements for

the various accounts. Most banks issue statements monthly. I simply waited until the statement appeared and then closed the account, moving the money to my own, not inconsiderable account which had been growing since "Elsie's" arrival and since I began skimming the business. The report I gave the bosses therefore showed all was present and correct, the statements were all in order and as they had grown accustomed over the previous months they simply accepted the 'Gospel according to Elsie' .

I left the country in a hurry.

At work they thought I had 'flu. Marjorie thought I was away on a business trip. Marvellous isn't it how people accept things just because they've trusted you for so long and don't credit you with any imagination? I knew that both Marjorie and the bosses would get suspicious after about a week so I timed the arrival of the documents I sent to the police for six days after my disappearance.

It was unfair really; they never had a chance. Armed with a complete set of the real accounts for the previous year the police and the tax men threw the book at my bosses and their clients. They all went down for lengthy periods swearing vengeance on me and each other. Apart from me the only other happy players in this whole sorry story were the bank manager, his assistant and our store manager, who, to their collective relief were suddenly proved innocent at the eleventh hour.

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So here I am. You won't be surprised to hear that I'm enjoying life without Marjorie and Neville Jr. I have a new name, 'Neville' never really appealed to me or the women I previously could only fancy from afar. My new face also helps in that respect. The master craftsman/surgeon did me proud for a very modest fee. The real me is hidden behind a 'mask' that apparently is most attractive to women or maybe it's my money ... who cares?

Naturally I never stay in one place for too long although I have no real fears that they'll ever find me. Anyway, it will still be many years before they can try. Do I have any regrets? Do I miss anything? Would you?

Aren't Salesmen wonderful?!