

FICO Survey: Rising Acceptance of 'Liar Loans' Among Malaysian Consumers

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More than a third of Malaysians think it's OK to deliberately mislead on personal loans, mortgages, auto and other applications.

KUALA LUMPUR, Malaysia--(BUSINESS WIRE)-- (NYSE: FICO):

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<https://www.businesswire.com/news/home/20240925312996/en/>

37% of Malaysians believe it is ok for people to exaggerate income on a loan application, while 18% think it is normal for people to do this. (Photo: Business Wire)

Highlights

- More than half of Malaysians (55%) think it's OK or normal for people to exaggerate their income on loan applications, significantly more than the global average of 39%
- More than one in six (18%) of Malaysians believe it's normal for people to deliberately misrepresent their income on mortgage applications
- Falsifying insurance claims is viewed as the most taboo form of fraud, with close to half (49%) of Malaysian respondents believing it is not acceptable

Global analytics software leader FICO today shared its latest global consumer fraud research, revealing alarming attitudes toward first-party financial fraud both globally and in the Malaysian market.

Three in five Malaysians think it is normal or acceptable in some cases to misrepresent their income on applications for a bank account (66%), automotive financing (64%), or mortgage (59%). Similarly, many Malaysians are

comfortable with exaggerating income on personal loan applications, further complicating financial integrity.

About a third (36%) of Malaysian consumers believe it's never acceptable to exaggerate income on a personal loan application, while another third (37%) find it acceptable under specific conditions. Approximately one in six views exaggerating income on personal loan, mortgage and auto loan applications as common and acceptable behaviour.

Globally, attitudes differ notably. The survey reveals that the majority of consumers (56%) firmly reject the idea of exaggerating income on loan applications, viewing it as never acceptable. One in four (24%) consider it permissible in certain circumstances, while one in seven (15%) view it as a normal practice.

“Malaysian banks are facing the threat of ‘liar loans’ with over half of Malaysian consumers viewing income falsification as either acceptable or justified,” said Aashish Sharma, APAC segment leader for risk lifecycle and decision management at FICO. “It is crucial for Malaysian consumers to understand that misrepresenting income, even unintentionally, can lead to serious consequences.”

More information: <https://www.fico.com/en/latest-thinking/ebook/consumer-survey-2023-digital-banking-customer-preferences-and-fraud-controls>

Growing Mortgage Sector at Risk of Application Fraud

The FICO survey reveals that more than two in five (41%) Malaysian consumers believe it is acceptable under certain circumstances to lie on mortgage applications, and close to one in five (18%) view it as normal. With residential mortgages accounting for 64% of consumer loans in Malaysia (**TA Securities**), the findings highlight significant risk assessment challenges and potential bad loan rates that financial institutions face.

Even when a mortgage application from an existing customer appears legitimate on paper, the established banking relationship can be exploited to commit fraud. By exaggerating income, such as inflating self-employment earnings or overstating bonuses, as well as omitting debts or misrepresenting personal circumstances, applicants can manipulate the loan process, making it difficult for lenders to detect these discrepancies without thorough and proactive verification measures.

“Financial institutions can overcome the unique challenges presented by application fraud by leveraging cutting-edge data analytics for risk assessments,” said Sharma. “This will provide holistic views of each customer, enabling early detection of anomalies and signs of sleeper fraud.”

Falsifying Insurance Claims Is Most Taboo

Falsifying insurance claims is viewed as the most taboo form of fraud, according to FICO's research, with around two-thirds of consumers globally believing it is never acceptable to exaggerate the value of stolen property or add false items to a claim. This sentiment is echoed by close to half of Malaysian respondents (49%).

Matching global trends, attitudes shift regarding other financial products. Half of consumers globally, including more than a quarter of Malaysians (29%), feel it is unacceptable to exaggerate income on a mobile phone contract or an application for automotive financing.

"The FICO survey reveals that cost-of-living pressures on consumers are potentially shaping views about application fraud," **noted Sharma**. "This is a strong signal to financial institutions to implement effective fraud prevention strategies to safeguard their business and customers."

The survey was conducted in November 2023 by an independent research company adhering to research industry standards. 1,001 Malaysian adults were surveyed, along with approximately 12,000 other consumers in Canada, U.S., Brazil, Colombia, Mexico, The Philippines, Indonesia, India, Singapore, Thailand, U.K. and Spain.

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