

Research Department Report 64

Research on Special Fraud

Outline

This study outlines special-fraud cases at the beginning. Next, it analyzes the results of documentary research on judgments and other criminal case records. It also examines a questionnaire survey conducted for inmates in penal institutions.

1. Special-fraud cases (Chapter 2)

Chapter 2 introduces trends in special-fraud cases, victimization, public and private efforts against special-fraud crime, and treatment in institutional correction and rehabilitation services based on statistical materials.

(1) Trend in special-fraud cases

Special-fraud cases began to escalate around 2003. The number of reported cases reached approximately 25,700, with 28.4 billion JPY in damage in 2004. The number of reported cases repeatedly rose and fell afterward. The number in 2021 was approximately 15,000. When analyzing monthly data, January had the smallest number of reported cases. By type of special-fraud cases, "it's me" fraud accounted for the highest number of special-fraud cases in most years. The number of cleared persons fluctuated until 2010 to increase after 2011, before declining in 2020. The number of cleared juveniles also decreased after peaking in 2018.

(2) Trend in victimization

In 2021, females accounted for approximately 75% of all reported special-fraud cases. There were differences between males and females: males had higher victimization rates for loan-deposit fraud, billing fraud, dating-service fraud, and gambling fraud, and females for bank-book fraud, bank-card theft, "it's-me" fraud, and refund fraud. Focusing on age groups, those aged 65 or older accounted for nearly 90% of all reported special-fraud cases. The amount of damage increased until 2014 and started to decline in 2015, and came to 28.2 billion JPY in 2021. The amount of damage of "it's-me" fraud ranked the highest in most years.

(3) Public and private efforts against special fraud

The public and private sectors take various measures against special-fraud cases. These include [1] prevention measures of improper use of mobile phones, bank books, and other possible special-fraud tools, [2] cooperation with banks and other business operators, [3] use of information from the public, and [4] promotion of municipalities'

efforts and public awareness activities.

(4) Treatment in institutional correction and rehabilitation services

Penal institutions provide guidance in order to prevent repeat offenses through standard textbooks and other educational materials specifically for special-fraud offenders. The same applies to juvenile training schools. Probation offices also conduct categorized treatment for special-fraud probationers/parolees to deter special-fraud offenders from recommitting their offenses.

2. Research on fraud offenders through judgments and other criminal case records (Chapter 3)

Chapter 3 introduces the result of the analysis of fraud offenders. The Research and Training Institute of the Ministry of Justice re-analyzed the dataset used for the White Paper on Crime 2021.

The Institute carried out research by examining participants who had been found guilty of fraud or special-fraud offenses, including attempt, inducement, and accessoryship cases in a district court from January 1 to March 31, 2016, and whose sentence became final and binding at the time of the research. The actual number of subjects in the research totaled 1,343 (referred to as the "fraud offenders" in 2). The Institute researched the fraud offenders, their cases, sentencing, and repeat offenses.

(1) Result of research on fraud offenders

The 1,343 fraud offenders committed 2,515 cases, among which special-fraud cases accounted for one-third. Special-fraud crimes were likely to have multiple offenders, and the rate with unknown accomplices was much higher. The fraud offenders consisted of 1,189 males and 154 females, with an average age of 38.5 (38.2 for males and 41.6 for females). Special-fraud offenders accounted for more than 30% of 1,271 fraud offenders (excluding those who committed fraud cases with multiple modi operandi), which ranked the highest. Special-fraud offenders had a higher rate of first-timers, males, unemployed, and under 30 years of age. The rate of imprisonment without suspension was also higher. The rate of 10 to 50 million JPY of the total damage was the highest, with a low percentage of offenders who had fully compensated the victims. Regarding the motive/reason, "wanted money," "solicited from friends/peers," "took it lightly," and "got tricked/threatened" ranked the highest. This suggests that many special-fraud offenders were easily led to committing crimes through solicitation from their friends/peers or high-paying job advertisements on social networking services or the dark web.

(2) Result of research on repeat offenses

The Institute analyzed the presence of repeat offenses, repeat offense rates, etc. among the fraud offenders. The research period was four years from the judgment of the first instance. The Institute excluded those who had been

in prison until the time of the research. It also excepted those who had passed away outside a penal institution without committing another offense or had passed away while inside. The total number of eligible participants for the repeat offense analysis came to 1,231.

The analysis revealed the characteristics of the special-fraud offenders as follows:

- [1] The repeat offenders did not include females or those aged 50 or older,
- [2] Around 10% of [a] ex-prisoners released from prison and [b] those with full suspension of execution without probation committed another offense, while more than 30% of [c] those who were under full suspension of execution with probation committed another offense; and
- [3] Regarding the types of repeat offenses, the composition rate of special-fraud cases was lower than that of crimes unrelated to fraud.

On the other hand, the analysis of the presence of repeat offenses between special-fraud offenders and other-fraud offenders (excluding eating and drinking without paying the bill) showed no significant differences. Other-fraud offenders had significant differences in the presence of repeat offenses by whether they had a previous criminal record, which supports the previous study by Katsuta (2018). Special-fraud offenders did not have the same trend. Since different offenders had different durations of being among the community (only during which they could commit a repeat offense), the Institute conducted a Kaplan-Meier survival analysis. Those who had committed special-fraud cases had an estimated repeat offense rate of 15.0% within four years.

(3) Result of research on special-fraud offenders

Among the 1,343 fraud offenders, 408 committed special-fraud cases. To conduct a more detailed research by inspecting criminal case records, the Institute narrowed the range to those sentenced by a district court in the Tokyo Metropolitan area. 202 offenders were eligible for this detailed inspection, amounting to 336 special-fraud cases.

Regarding their roles (masterminds, callers, receivers/drawers, and logistics), receivers/drawers accounted for nearly half of the 202 offenders, followed by callers, logistics, and masterminds. With a focus on their profiles, the unemployed had a higher rate for callers and a lower rate for masterminds. Those with a previous criminal record had a higher rate of masterminds. The masterminds were more likely to be incumbent *Boryokudan* (organized crime group) members. The number of special-fraud cases and the value of remuneration were higher for masterminds and callers than receivers/drawers, and also for callers than logistics. Concerning their motive/reason, the masterminds had a higher rate of "policy of the organization to which they belong," while receivers/drawers had a higher rate of "wanted money." On sentencing, approximately one-third of the 202 offenders had a sentence with full suspension of execution, and two-thirds had imprisonment without suspension. Focusing on imprisonment

without suspension rates by their roles, masterminds ranked the highest, comprising more than 80%. The masterminds also received a longer imprisonment term. This shows that the severity of their punishment increased as their role became more central.

Focusing on victims of special-fraud cases, those aged 65 or older accounted for more than 80% of the cases, and 75 or older accounted for more than half. In terms of the tools that the offenders used to contact the victims, the percentage of landline phones was considerably high, with more than 80% of the cases, and exceeded 90% when combined with mobile phones. The rate of victims who "had a consultation with someone" was considerably higher in attempted cases than in accomplished cases. Regarding the persons with whom the victims had a consultation, "family/relatives living together" ranked the highest for attempted and accomplished crimes. Focusing on the attempted crimes, in more than half of the instances, victims were the first person to suspect attempted fraud.

3. Analysis of the fraud/theft inmates without previous imprisonment (Chapter 4)

Chapter 4 introduces the result of the analysis of the questionnaire survey of fraud/theft inmates without previous imprisonment conducted with the National Research Institute of Police Science. We divided these inmates into three groups: [1] special-fraud offenders, [2] other-fraud offenders, and [3] theft offenders.

The participants were male inmates convicted of theft or fraud without previous imprisonment who received treatment assessment at the beginning of the sentence from July 1 to August 31, 2018 (to September 30 for inmates with a conviction of fraud to secure a sufficient sample size) at prisons mainly for male prisoners without previous imprisonment. Out of the initial 418 respondents, 393 inmates were eligible for the analysis, having excluded those who did not provide consent or did not respond with committing fraud or theft

We divided the participants into three groups: [1] special-fraud offenders (94 offenders, 23.9%) for those who answered they committed special fraud, [2] other-fraud offenders (81 offenders, 20.6%) for those who answered they committed fraud other than special fraud, and [3] theft offenders (218 offenders, 55.5%) for those who answered they committed theft.

(1) Characteristics of the special-fraud offenders

The average age of the participants was 38.0 (30.3 for special-fraud offenders, 40.8 for other-fraud offenders, and 40.2 for theft offenders). Focusing on the special-fraud offenders, the composition rate of those under 30 was higher, and those aged 50 or older was lower. The percentage of sentences of two years or less was lower, while one of two to five years was higher. 97.7% of special-fraud offenders had an accomplice. The percentage was higher than that of the other-fraud offenders and theft offenders.

(2) Mental characteristics of the special-fraud offenders

Concerning the motive/reason of the participants, "poverty" ranked the highest. Nearly 60% of the special-fraud offenders answered "solicitation from friends/peers." This percentage was about three to five times higher than that of other-fraud offenders and theft offenders. Only 1.1% of special-fraud offenders replied that they conceived of the idea. This rate was considerably lower than that of the other-fraud offenders and theft offenders, which indicates that, compared to the other two groups, special-fraud offenders were more likely to have committed the crime by joining a crime group through solicitation from friends/peers rather than living in poverty. Regarding a sense of guilt, about 80% of special-fraud offenders answered that they feel guilty. In terms of the plea at the court, the special-fraud offenders had a higher rate of "entered a partial guilty plea."

Concerning the personality (Ten Item Personality Inventory (TIPI-J) by Oshio et al. (2012), which consists of five traits: extraversion, agreeableness, conscientiousness, neuroticism, and openness to experience) of the special-fraud offenders, the point for conscientiousness was lower than that of the other-fraud offenders. The group of theft offenders showed significant correlations between a sense of guilt and certain personality traits. On the other hand, there was no significant correlation between the two factors in the group of special-fraud offenders.

Regarding motivation toward rehabilitation measured by the scale developed by Satomi et al. (2014) based on the stages of change model consisting of four stages (precontemplation, contemplation, action, and maintenance), the special-fraud offenders measured lower on the maintenance stage than the theft offenders. Concerning the correlations between a sense of guilt for the crime committed and motivation toward rehabilitation, the special-fraud offenders showed no significant difference. In comparison, the other-fraud offenders and theft offenders had statistically significant differences between a sense of guilt and certain stages of change.

3. Discussion (Chapter 5)

Chapter 5 summarizes and discusses the research and questionnaire survey described in 2. This study shows that special-fraud crime is committed systematically under detailed segregation of duties. Focusing on their roles, as masterminds and callers are less likely to be arrested compared to receivers/drawers, they continue to commit similar crimes and receive considerable remuneration. However, once they are arrested through thorough investigation by the authorities, they are more likely to receive a heavy sentence, with many cases cleared and prosecuted. Many special-fraud offenders join organizations through solicitation by friends/peers. *Boryokudan* or other antisocial organization members lead the organization. Therefore, ceasing to associate with delinquent friends/peers and pulling out of the organization could prove effective in preventing repeat offenses. Compared to

other-fraud offenders and theft offenders, special-fraud offenders have fewer mental characteristics that could hinder their rehabilitation. This suggests proper treatment could lower the probability of repeat offenses. Both the institutional correction and rehabilitation services have already established guidance programs specifically for special-fraud offenders. The Institute hopes that the findings in this Report contribute to the improvement and enhancement of treatment for special-fraud offenders.

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