Cyber Claims Study – Fake Invoice Incident

A construction firm comes unstuck as they pay a fraudulent invoice

Background to the company: The client is a commercial construction company operating across Victoria. They are growing at a fast rate and often outsource work to third party suppliers to keep up with demand.

Incident: The Insured's accounting department received an invoice from their preferred outsourced supplier for some work they had just completed in Mornington. They also sent details of their new bank account and requested the funds be paid into their new account. The employee in the accounting department called the number on the signature of the same email to verify the changes to the bank account details. The information was confirmed to be correct and the invoice was paid. A week later, the firm received an email from the outsourced supplier with an invoice requesting payment for their recent work in Mornington. The employee in accounting called the supplier and told them they had already paid the previous invoice they sent. The supplier informed them they had not sent a previous invoice and that they needed payment within 14 days. The employee checked the email received the previous week and noticed that the email address was not the supplier's but was very similar.

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Initial Response: The client followed their Incident Response Plan, which included calling the Incident Response Hotline provided to them by their Insurer. After notifying the hotline, responders immediately contacted the Insured's bank to see if funds were recoverable. Unfortunately, too much time had passed and they were unable to get the money back. They also didn't have enough spare funds to cover the real invoice, which still had not been paid.

Impact: The Insured had opted for the Funds Transfer Fraud section of coverage and therefore, the Insurer paid the $102,558 which was sent to the fraudulent bank account. They were able to pay the real invoice thanks to this money. The Incident Responders stressed the importance of cyber awareness training and how to spot a fake invoice. They also told the company to always use the details already held on file to verify changes to bank account details and never the details on the same email.

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