

Crime consultancy warns of credit card fraud shift

Submitted by: 2thefore

Friday, 3 October 2003

A consultancy that specialises in the prevention of credit card crime is issuing a few words of caution to Britain's retailers following the nationwide launch of Chip and PIN.

The 3rd Man, a consultancy that helps retailers to protect themselves from Internet and other types of 'card not present' (CNP) credit card fraud, says that retailers need to continue focusing their efforts in preventing CNP fraud and not be distracted by the need to also support Chip and PIN.

"We all appreciate the need to support the Chip and PIN initiative, however not at the expense of other initiatives," explains Steve Tyas, Risk Consultant at the 3rd Man. "The internet is a great place to trade, but many retailers are unaware of the potential exposure they face when trading over the web".

By employing different techniques, criminals appear as bona fide customers but are in fact unscrupulous dupers. Not only do they avoid paying for the goods, but also the retailer helps them out by posting the goods to them: "It's shoplifting with home delivery thrown in!" says Tyas. He adds that consumers should not be concerned: "Consumers actually have very little exposure to credit card crime, it's the retailer that needs to beware."

According to the Association of Payment Clearing Services (APACS), losses incurred as a result of fraud were well in excess of £400 in 2002. CNP fraud rose from £56.8m in 2000 to £95.7m in 2001 and has risen again in 2002 to £110.1 million. In the majority of CNP fraud incidents, the retailer taking the payment is at risk, not the bank that issued the card.

The 3rd Man, as well as other independent organisations such as The Federation of Small Businesses, British Retail Consortium, British Shops and Stores Association and APACS, have spent the past few weeks helping to raise awareness of the issues surrounding credit card fraud. The introduction by UK banks of the new Chip and PIN scheme, which is aiming to eliminate counterfeit and lost/stolen card fraud, has raised concerns regarding the likely increase in fraud on card not present transactions. "We do not suggest that retailers and consumers should not trade online or through interactive television, or be afraid to give credit card details over the phone," explains Tyas. "However, as many people as possible need to be aware that steps should be taken to reduce or indeed prevent credit card crime."

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