

Avoiding Credit Card Fraudsters

A dealer is generally liable for credit card chargebacks for 'Card Not Present' sales (mail order, telephone/fax order, and internet sales) even when the bank has authorized the transaction. After a dealer is stung by a fraud, the credit card processors often hike the dealer's rates, citing increased risk. The dealer also risks losing their accounts with the card companies if their fraud rate gets too high.

Credit card fraud is something that can never be completely eliminated, but rather something that must be managed. Here are some preventative methods and procedures that merchants can perform to limit credit card fraud.

Here are a few things you can do to avoid fraudulent credit card transactions and chargebacks resulting from stolen cards.

- **Ask for ID** - In a bricks-and-mortar retail environment, you can simply ask for identification. If they give you a credit card, ask for a driver's license. Make sure you check that the credit card has not expired.
- **Ask for CVC2 and CVV2 Verification Numbers** - In an e-commerce purchase, stopping credit card fraud is tougher. Always ask for those little numbers on the back of the credit card. That will stop someone who has a stolen credit card number but doesn't have the actual credit card. (Note: The merchant is not allowed to store the verification numbers. Merchants should also never keep the customer's credit card "on file").
- **Use Address Verification** - Most e-commerce settings have varying levels of verification. Make sure you enable address verification. If the credit card address doesn't match the given billing address, don't process the order. (WARNING - Once a fraudster has a legitimate customer name and the stolen credit card number, they can use the Internet to look up their victim's telephone number, address, and zip code.) Tip: Ask the customer for the full nine digit zip code instead of five digits).
- **Call the Customer** - Calling customers is not only an excellent way to detect fraud, but it can also be a valuable part of your customer service. Sometimes the fraudster will submit the actual phone number of the person whose card was stolen. If the card holder did not authorize the charge, suggest that they call their credit card company to report their card as stolen. You may find that the telephone number had been disconnected, or the number had been changed. This certainly sent up some red flags.
- **Search the Customer Name** at www.google.com; www.ussearch.com/consumer/index.jsp or www.anywho.com. You may be able to verify the address, age, phone number, etc. of the customer.
- **Require Customer to Fax Information to You** - Require the customer to fax copies of both sides of the credit card. This at least provides proof that the customer has possession of the credit card at the time of the order. You should also require a copy of their state-issued ID, or driver's license.
- **Calling the Card-Issuing Bank** - You can ask the card-issuing bank to make a courtesy call to the customer to verify the charge. When you call the card-issuing bank, have your merchant number, your phone number, the customer's full name, address, and phone number ready. To find the card-issuing bank, enter the first 6 digits of the credit card (Bank Identification Number-BIN) at <http://www.all-nettools.com/toolbox/bin-search.php>. The site provides the bank name, card type, and a 3 character code for the country.

Another Scam?

Time and time again we hear of "deals" that dealers are getting on their credit card merchant processing. When looking at merchant processing fees they are broken down to three items, they are interchange, assessment and processing. EVERYONE has to pay the same interchange and assessment fees to MC or VISA. The only item that changes is what the processor charges. On your statement, the processor charges a percentage of the transaction amount, and possibly a line item fee and a monthly fee. Some charge all three. Most statements are confusing and there is a reason for that. The more confusing it is the more they can charge without businesses noticing it.

The Association has reviewed numerous plans and found savings for dealers. You can trust the Association in analyzing your credit card processing statement. If you have a better plan we will tell you. If the Association can save you money, we will let you make the decision if you want to change. Let us do the work of comparing plans by e-mailing your statement to donnam@ineda.com or faxing it to 515-223-7832.