



# Combating Online Fraud

## The case for better co-operation

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**First Rate Exchange Services**

# First Rate Exchange Services Ltd

- First Rate is a 50/50 Post Office & Bank of Ireland joint venture company
- Birth right: To sell Travel Money/Foreign Currency under the POL Brand through Post Offices and online
- Highly successful:
  - > 25% market share
  - ~ £3.5bn turnover
  - 200 employees
  - ~ £80m profit

# Online Channel

- Online sales have grown to be a significant channel:
  - Click & collect
  - Home delivery
- Along with online sales came card payment and card fraud
- Currency is highly attractive, easily converted, high ATV
- Despite 3D-Secure fraud presents a significant risk to the business
- Early lesson: Must take a zero-tolerance approach to fraud

# Merchant advantages in fraud detection

*A merchant has a number of advantages .....*

- Time - to screen orders prior to release
- Rich information – full order information and customer details
- Identifiable fraud patterns – fraudsters reveal themselves through repeat behaviour
- ‘Customer’ contact – opportunity to contact the customer
- Therefore - more clues and time to investigate them

*..... in comparison with the card issuer*

# Issuer challenges in fraud detection

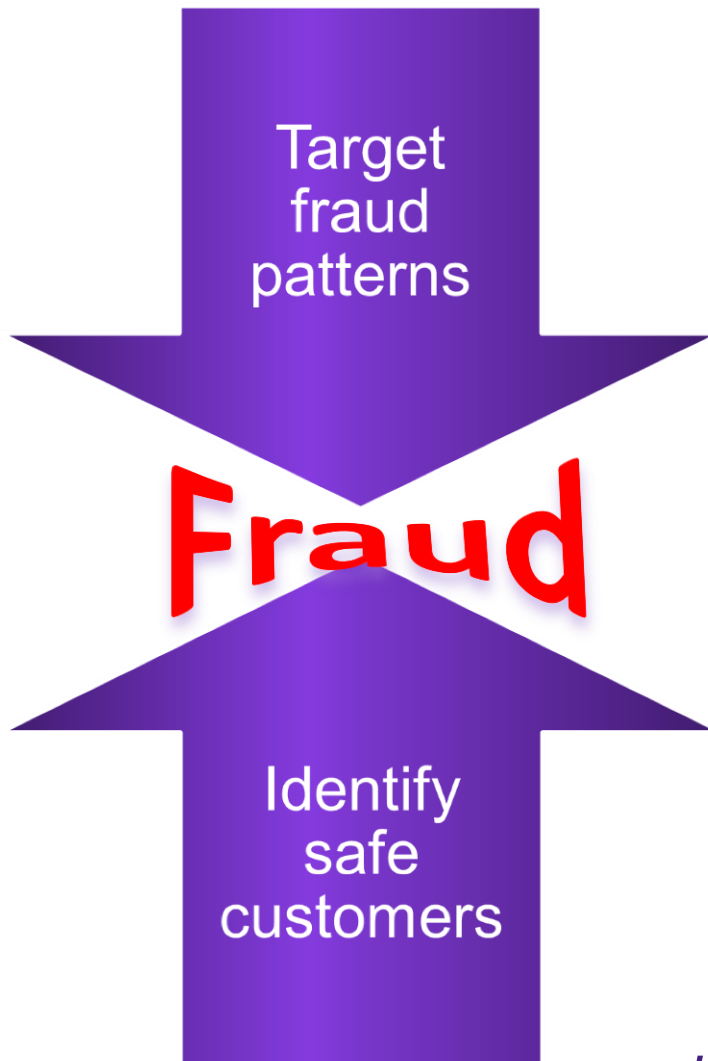
*An issuer has a number of challenges .....*

- Need to make instant decisions
- Limited authorisation message information
- Don't see the fraudsters credentials
- Cannot see the fraudster's MO
- Therefore difficult to identify a fraud from an unusual cardholder transaction

Major threat: Issuers are facing fraudsters armed with a huge quantity of cardholders' genuine credentials

*..... First Rate's approach to fraud prevention*

# First Rate approach to fraud prevention



## Two pronged approach

- Target known fraud patterns:
  - Spot known credentials
  - Identify characteristic behaviours
  - Target suspect areas
- Identify safe customers:
  - Identify low risk repeat customers
  - Reduce target area
  - Focus resources

*..... And one important opportunity to deter fraudsters*

# An opportunity to catch the fraudster

*We know where the fraudster is going to be.....*

- At least twenty hours prior to order collection
- Time available for issuer confirmation of fraud
- Time to organise surveillance or arrest
- Real case study: The 'Mary' Case
  - Two criminals caught red-handed
  - Case went to court December 2010
  - Both pleaded guilty due to weight of evidence
- Excellent demonstration of what can be achieved through co-operation – police, issuer and merchant

*..... The key points and recommendations to take away*

# Summary points

- Merchants have significant advantages in countering fraud
- Merchants should be enlisted to assist in countering fraud
- Co-operation between police, issuers and crucially merchants could reap big benefits

# Recommendations

- Improved support for merchants:
  - Daily issuer reported fraud
  - Issuer contact point for merchants
  - Merchant incentive for blocking fraud
  - Access to BIN table and updates
  
- Active enrolment of merchants in countering fraud
  - Acquirers potentially have an important role in facilitating cooperation between issuers & merchants