

The Changing Face of Fraud

Fraud Prevention

Cyber Security

Credit Card Protection

Data Protection

nets 



Introduction

Fraud is not a new phenomenon

In our increasingly digital world, it's an issue that everyone is all too aware of, particularly in the banking community. However, fraud is changing, and the technical and professional competencies of online fraudsters are growing on an international scale.

Banks are constantly facing new challenges as criminals shift their tactics towards targeting consumers directly.

So the question is:

***how can
banks keep up?***



'Too Good To Be True' Deals – *at what price?*

One way criminals are targeting consumers directly is through social media channels. Scams on social media are nothing new, but they are evolving constantly and all share a similar aim: to take advantage of unsuspecting victims online.

'*Scam clickbait*' is one such example. This practice involves offering the consumer deals that are simply too good to be true. The product offering usually includes a variety of goods such as smartphones, gift cards, diet pills, skincare products, televisions etc.

The clickbait deal is offered under two guises. One scam entices consumers with legitimate products at an unfeasibly low price, like the chance to purchase an iPhone for €1. But, once ordered and paid for, the consumer never receives the product. Since it is such a small amount, consumers often overlook it as unimportant, or classify it as too insignificant to report to their bank or the police.

Recurring Payments

Recurring Problems

Another clickbait scam promotes products such as diet pills or skincare items which are promised to be sent to the customer for the cost of shipping only. In these cases, even though the product is much more likely to reach the customer, the purpose of the scam is different: it is intended to persuade the consumer to initiate a transaction that exposes their card details.

By accepting the cost of shipping, the consumer must also agree to a subscription fee. According to scheme rules, the terms of a subscription should be made very clear to the consumer before they initiate the first payment. In these cases, however, it is usually hidden in the terms and conditions or in very small print, often at the bottom of the page.

Once the consumer has executed the first transaction, recurring transactions will follow, usually bi-weekly. Unsolicited recurring payments operate in a similar way to 'too good to be true' deals – by flying under the radar. These subscription costs are usually low value (although they can sometimes amount to €100 or more). Unless the consumer pays close attention to their debit or credit card statement, they will be charged indefinitely.

Most consumers will check their bank statement eventually and detect the ongoing charges. If the consumer does spot the regular payment, many will simply cancel the subscription and accept the charges without raising an official complaint or filing a dispute case with their card issuers.



Just how big is this problem?

Unwanted, recurring transactions have increased dramatically over the last seven years. Based on Nets' experience in the Nordics, 20-25% of card dispute cases relate to unwanted subscriptions often referred to as '*subscription traps*'.

Scammers will continue to use social media channels to target victims with these offers. The fast-paced and deceptive nature of this crime means that once the consumer has accepted the charge, it becomes difficult to dispute; particularly when trying to establish who bears the liability, the bank or the consumer? One reason for this is that both 'too good to be true' offers and unsolicited recurring payments fall into a grey area, as the consumer has voluntarily provided its payment details to the merchant.

subscription
traps

20-25%

of card
dispute cases relate
to unwanted
subscriptions

"This is a growing trend. Subscription traps are becoming more prevalent, and being made more attractive to consumers all the time. It is an issue that industry and law enforcement must tackle together, as there are many challenges on the side of law enforcement. For one, the companies sending out subscription traps might reside in another country. Fraudsters do not respect international boundaries."

*Detective Sergeant Juuso Tschokkinen,
Finnish National Bureau of Investigation,
International Affairs*

What can be done?

Since many occurrences are never reported, and the liability is unclear, retrospective action is not an effective way to tackle clickbait scams. Instead, issuers need to tackle it head-on, with preventative measures. Nets has launched a preventive fraud service which aims to stop these initiatives in their tracks, saving Nordic consumers time, money and disruption to their digital commerce experience.

Nets provides fraud and dispute services to many major banks in the region and, as such, has access to an extensive amount of card dispute data from the whole Nordic region. This means that Nets is well-positioned to identify potentially fraudulent merchants.

Nets Consumer Protection Service

By conducting regular in-depth analysis of the available card dispute data, and using notable markers such as regular business name and acquirer, Nets can identify merchants operating in the fraudulent 'grey zone'. Nets also monitors and analyses vast amounts of data gathered through fraud prevention tools and uses this to proactively identify potential clickbait generated transactions and intervene by declining payment authorisations in real-time.

Tackling financial fraud is a priority for Nets. While scams targeting victims with increasingly sophisticated methods remain significant, the problem can be addressed through collective action between consumers and financial ecosystem stakeholders. Financial institutions must prepare to respond to these incidents appropriately, remaining vigilant to the threats to their customers and working supportively with them to stay one step ahead of cybercrime.



Who benefits?

A better question might be: who doesn't?

The consumer benefits of this service are many and significant. They are protected from the loss of financial resources, as well as from an unpleasant experience with a fraud case which could lead to dissatisfaction with card payments, card security and the issuer or bank that provides the card solution. It also protects consumers whose transactions to merchants are declined from the inconvenience of having to file a dispute.

Card issuers are also benefactors of this service; they experience fewer dissatisfied customers, and a significant reduction in the number of fraud cases, incoming disputes and customer complaints. Nets' customers utilizing the service have experienced a dramatic fall in the number of card disputes. This not only reduces overall operational costs for the issuer in question, but could also increase its customer satisfaction ratings.





*Don't be held back
by complexity.*

*Let Nets take
the strain.*

Keen to learn more
about our Fraud and
Dispute services?

Visit...

www.nets.eu/solutions/Fraud-and-dispute

Nets Financial & Network Services provides tailored outsourced payment solutions for banks across the Nordics and Baltics.

nets 