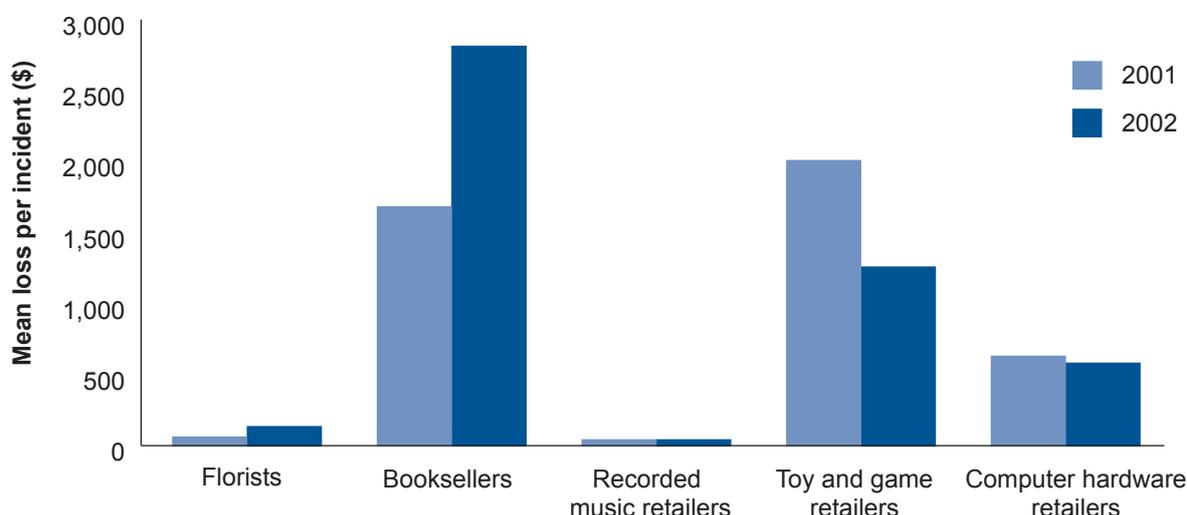


Losses from online credit card fraud against small businesses

In 2003 the Australian Institute of Criminology randomly surveyed 1,078 small businesses across Australia in five business types (florists, computer retailers, booksellers, recorded music retailers and toy and game retailers) to identify the proportion of these businesses trading online, the extent to which online traders had experienced online credit card fraud in 2001 and 2002, and the losses associated with such fraud. Overall, 32 per cent of businesses had been the victim of online credit card fraud, with 51 per cent of traders experiencing more than one incident over the two years. The mean dollar loss per incident was very high for booksellers and toy and game retailers, and considerably lower for florists and recorded music retailers. As the small businesses themselves are generally liable for these online losses, risk minimisation is essential. Apart from electronic authorisation, traders can reduce fraud risk by phoning the customer to confirm details, checking the delivery address against the phone directory or with the financial institution, asking for details that only the customer would know, such as the three-digit number on the back of the credit card, and maintaining a database of good and bad customers. Improved reporting to police is also important to help identify the extent of the problem and patterns of fraud. Financial institutions can assist by ensuring that small businesses are aware of liability issues in online credit card trading, and advising traders as soon as they know that a fraud has occurred.

Mean loss per incident in Australia in 2001 and 2002



SOURCE: Charlton K & Taylor N 2004. *Online credit card fraud against small business*. Research and public policy series no 60. Canberra: Australian Institute of Criminology

National Crime Prevention Programme 2004. *E-crime: a crime prevention kit for small businesses*. Canberra: Australian Government Attorney-General's Department. Available online at http://www.ncp.gov.au/agd/WWW/ncphome.nsf/Page/Information_Kits

Full report available on the AIC web site: <http://www.aic.gov.au/publications/rpp/60/index.html>