



# Cross-Border Fraud Trends

## January – December 2003



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**Federal Trade Commission**

*March 18, 2004*

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# INTRODUCTION

Consumer Sentinel is a secure automated consumer complaint database developed by the Federal Trade Commission (FTC), in cooperation with its law enforcement partners, to collect and make available investigative information about consumer fraud and deception. Currently, the Consumer Sentinel database has over **one million** complaints received by the FTC and other data contributors. The collected investigative information is accessible to federal, state, and local law enforcement agencies in the United States, Canada, and Australia through a secure, password-protected Web site. Between January 1999 and December 2003, more than 100 organizations contributed data to Consumer Sentinel. More information on this joint project is available at [www.consumer.gov/sentinel](http://www.consumer.gov/sentinel).

During calendar year 2003, Consumer Sentinel received over **300,000** fraud-related complaints about transactions involving more than **\$430 million**. The following are a series of statistical reports from the Consumer Sentinel database presenting information about cross-border fraud-related complaints. For the purposes of this report, a fraud complaint is “cross-border” if: (1) a U.S. consumer complained about a company located in Canada or another foreign country, (2) a Canadian consumer complained about a company located in the U.S. or another foreign country, or (3) a consumer from a foreign country complained about a company located in the U.S. or Canada. Company location is based on addresses reported by the complaining consumers and thus, understates the number of cross-border complaints. In some instances the company address provided by the consumer may actually be a mail drop rather than the physical location of the company, and in other cases, the consumer does not know whether the location is in the U.S. or abroad. Please also note that we are constantly adding data provided by other organizations, and transfers of data from these organizations may contain complaints from previous months. This may retroactively change some totals and percentages on our graphs and charts.

## Consumer Sentinel Leading Partners & Data Contributors

|   |   |
|---|---|
| <br>Australian Competition and Consumer Commission | <br>Better Business Bureaus          |
| <br>Department of Defense                          | <br>Federal Bureau of Investigation  |
| <br>Federal Trade Commission                       | <br>Internet Crime Complaint Center  |
| <br>National Association of Attorneys General    | <br>National Consumers League      |
| <br>Canada's Phonebusters                        | <br>Social Security Administration |
| <br>U.S. Postal Inspection Service               | <br>U.S. Secret Service            |

## The Consumer Sentinel Network



## The Consumer Sentinel Network



[www.econsumer.gov](http://www.econsumer.gov)

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Econsumer.gov was created in April 2001 as a joint effort involving thirteen countries to gather and share cross-border e-commerce complaints in order to respond to the challenges of multinational Internet fraud, and enhance consumer confidence in e-commerce. Today, 17 countries and the Organisation for Economic Cooperation and Development participate in this project. The multilingual public Web site provides general information about consumer protection in all countries that belong to the International Consumer Protection and Enforcement Network (formerly called the International Marketing Supervision Network), contact information for consumer protection authorities in those countries, and an online complaint form. All information is available in English, French, German, and Spanish. Using the existing Consumer Sentinel network, the incoming complaints will be shared through the government Web site with participating consumer protection law enforcers.



[www.consumer.gov/idtheft](http://www.consumer.gov/idtheft)

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The Identity Theft Data Clearinghouse was launched in November 1999 and is the sole national repository of consumer complaints about identity theft. The Clearinghouse provides specific investigative material for law enforcement and larger, trend-based information providing insight to both private and public sector partners on ways to reduce the incidence of identity theft. Information in the Clearinghouse is available to law enforcement members via Consumer Sentinel, the secured, password-protected government Web site. This access enables law enforcers to readily and easily spot identity theft problems in their own backyards, and to coordinate with other law enforcement officers where the data reveals common schemes or perpetrators.

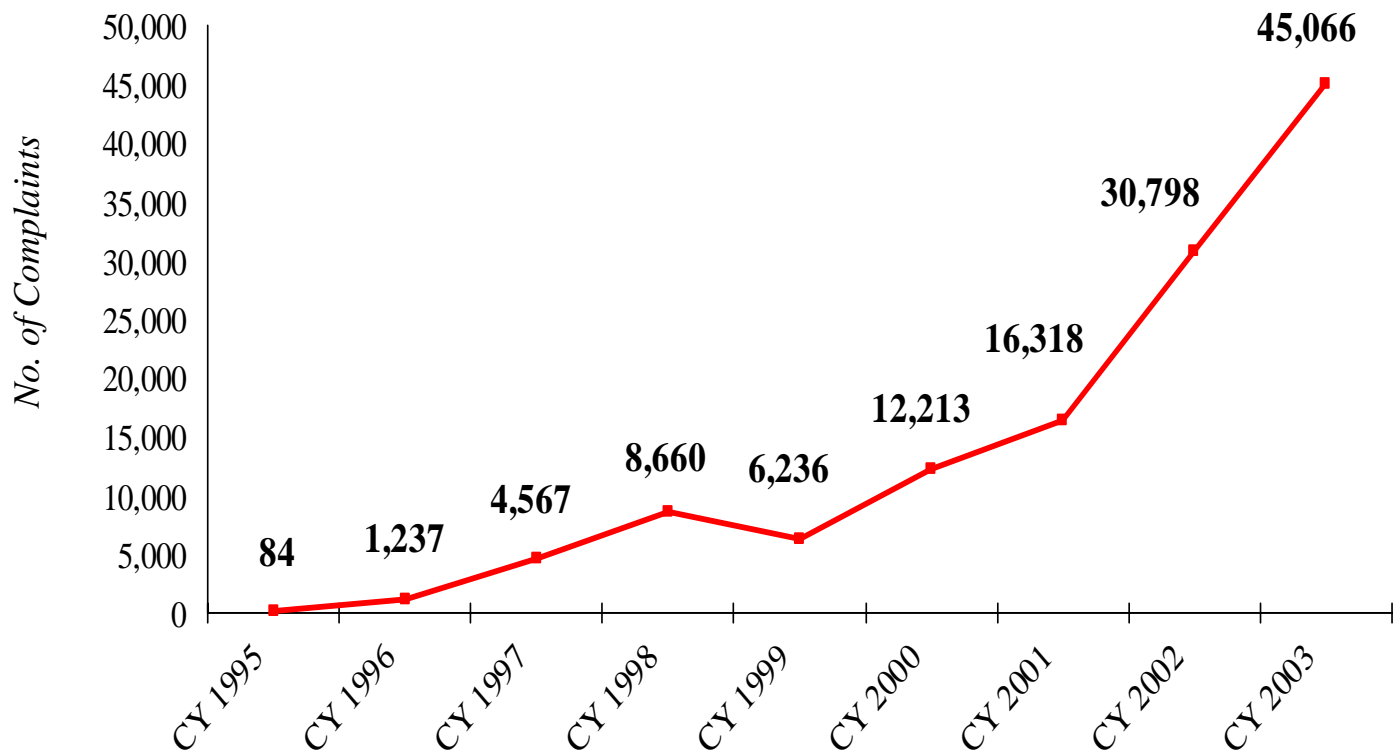


[www.consumer.gov/military](http://www.consumer.gov/military)

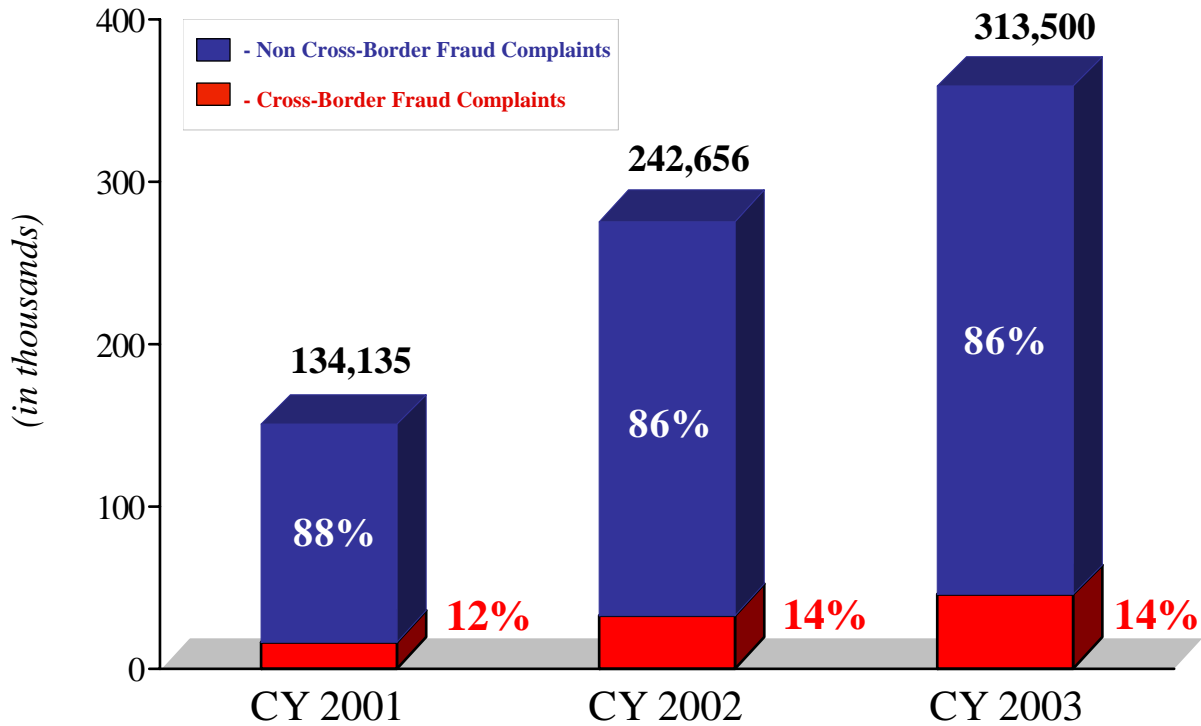
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Military Sentinel, which was established in September 2002, is a project of the Federal Trade Commission and the Department of Defense to identify and target consumer protection issues that affect members of the United States Armed Forces and their families. Military Sentinel also provides a gateway to consumer education materials covering a wide range of consumer protection issues, such as auto leasing, identity theft, and work-at-home scams. Members of the United States Armed Forces are able to enter complaints directly into Consumer Sentinel. Through Consumer Sentinel, the government password-protected Web site, this information can be used by law enforcement agencies, members of the JAG staff, and others in the Department of Defense to help protect armed services members and their families from consumer protection-related problems.

## Cross-Border Complaint Count by Calendar Year

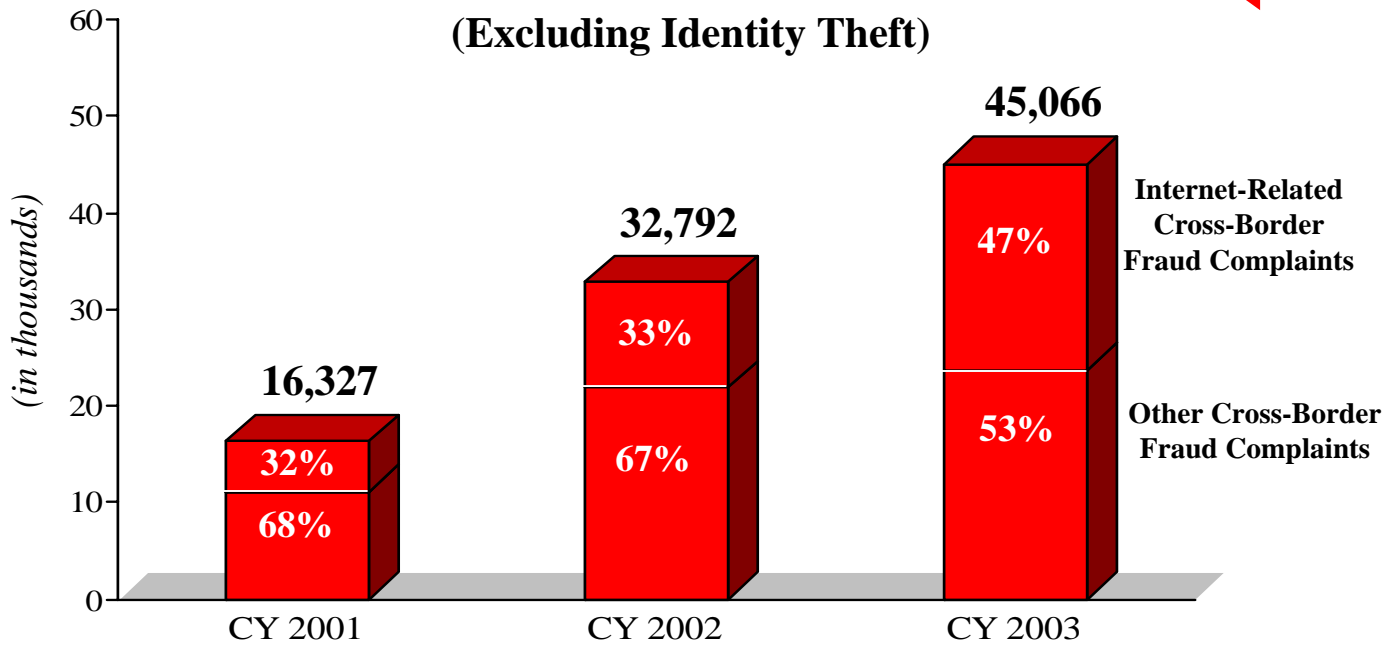


## Sentinel Fraud Complaints by Calendar Year<sup>1</sup> (Excluding Identity Theft)



<sup>1</sup>Percentages are based on the total number of Consumer Sentinel fraud complaints by calendar year.

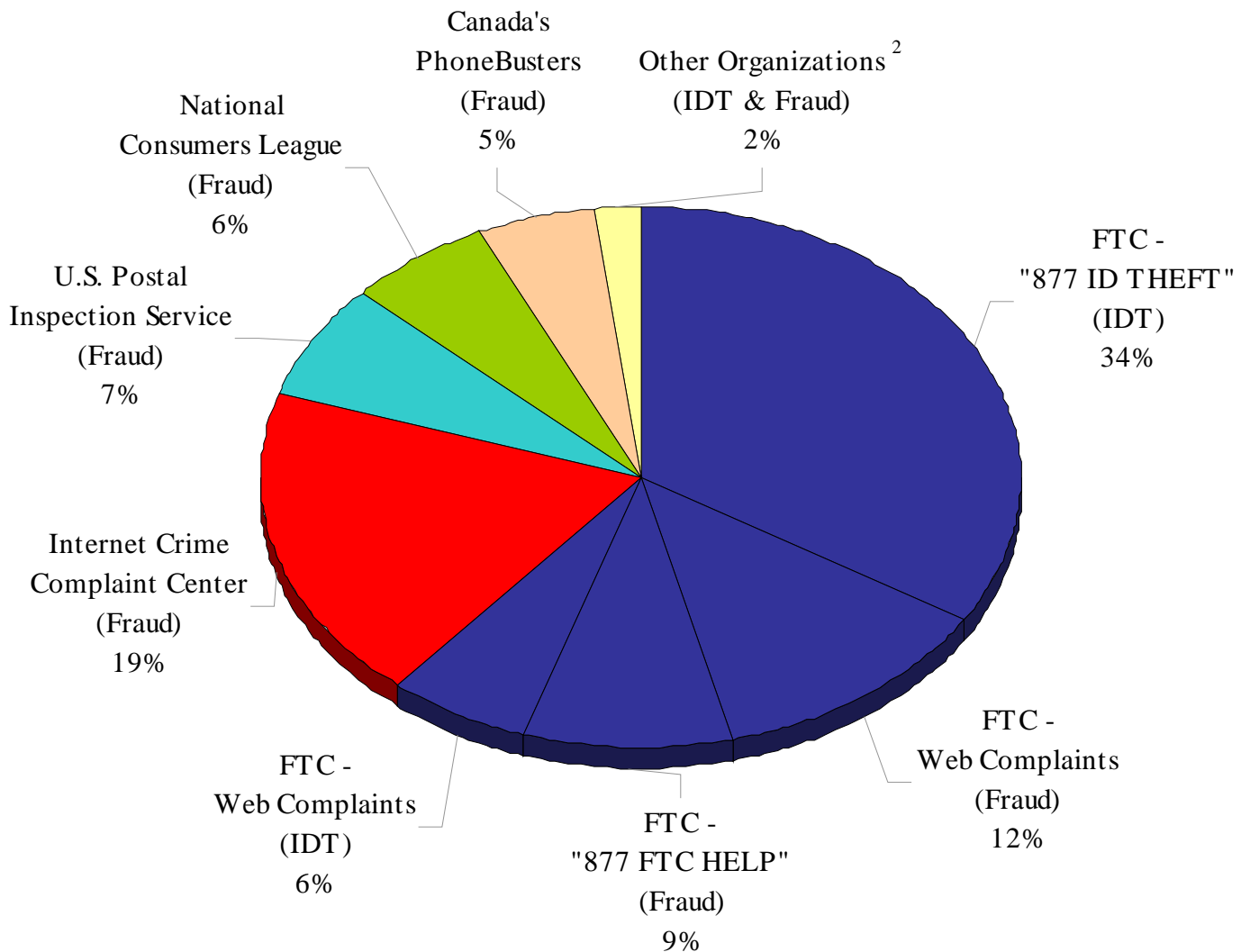
## Cross-Border Fraud Complaints by Calendar Year<sup>2</sup> (Excluding Identity Theft)



<sup>2</sup>Percentages are based on the total number of Consumer Sentinel cross-border fraud complaints by calendar year.

## Sentinel Data Contributors<sup>1</sup>

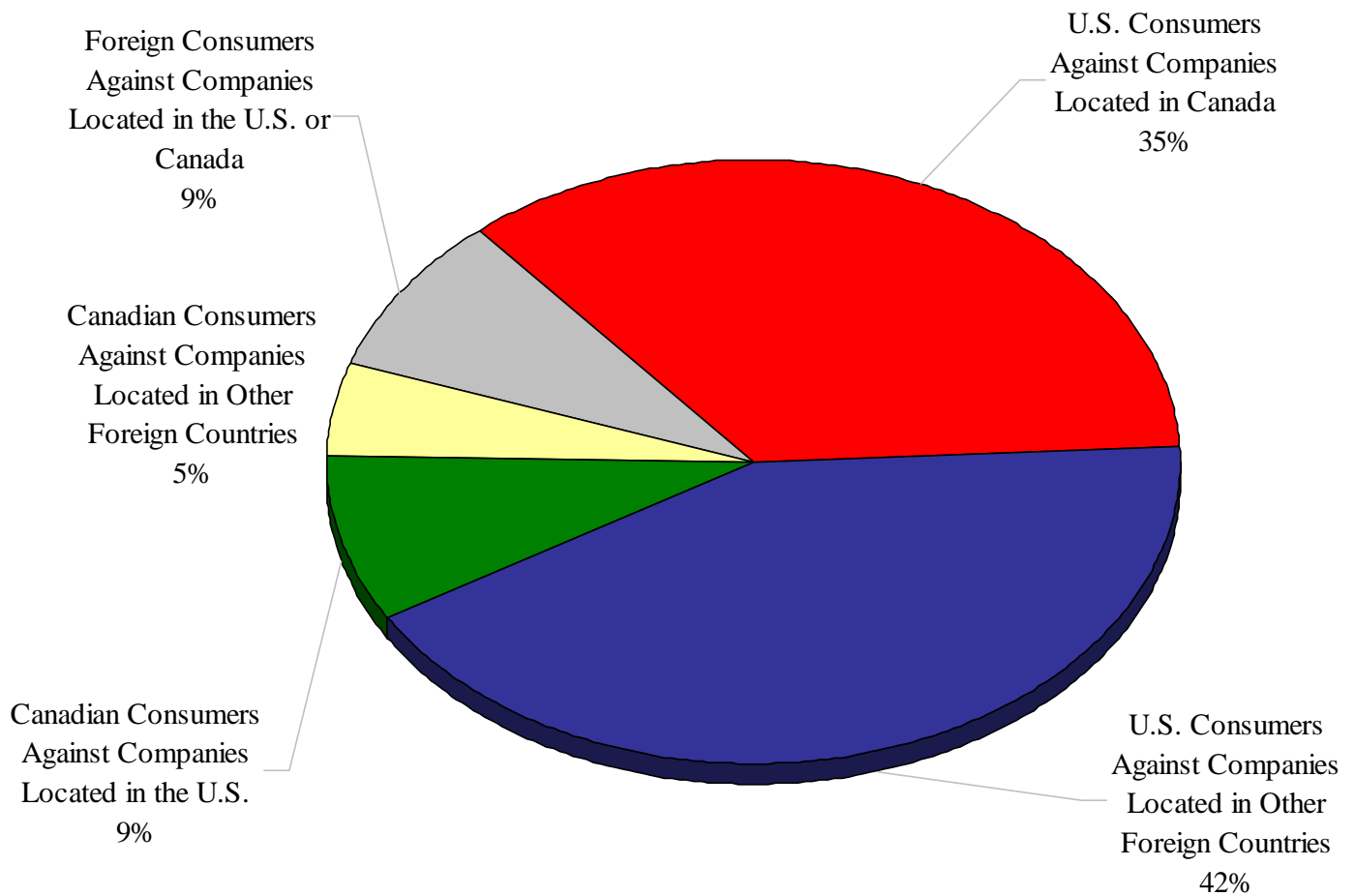
*January 1 – December 31, 2003*



<sup>1</sup>Percentages are based on the total number of Sentinel complaints (**528,498**) received between January 1 and December 31, 2003. The type of complaints provided by the organization is indicated in parentheses.

<sup>2</sup>For a list of other organizations contributing to Sentinel, see Appendix.

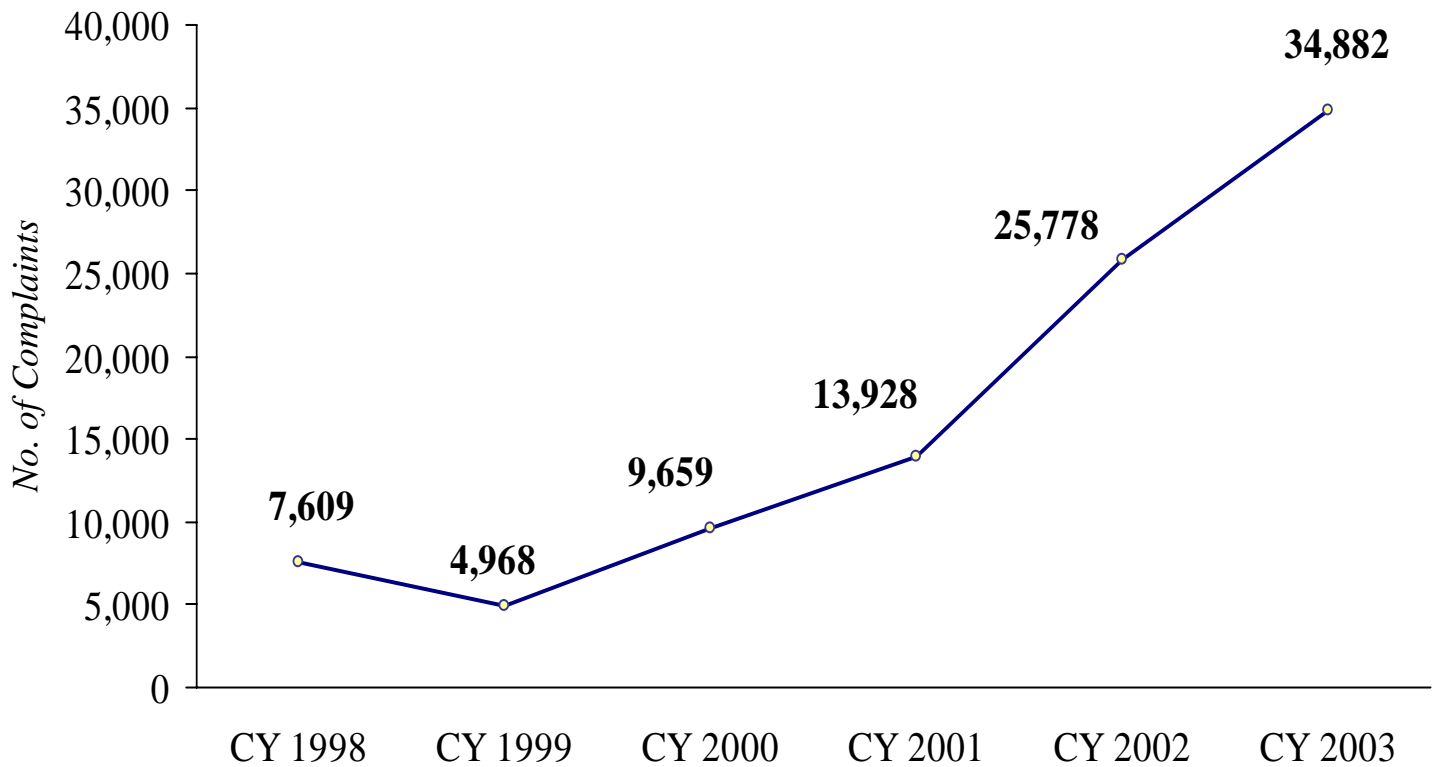
## Cross-Border Fraud Complaints By Consumer and Company Location<sup>1</sup> *January 1 – December 31, 2003*



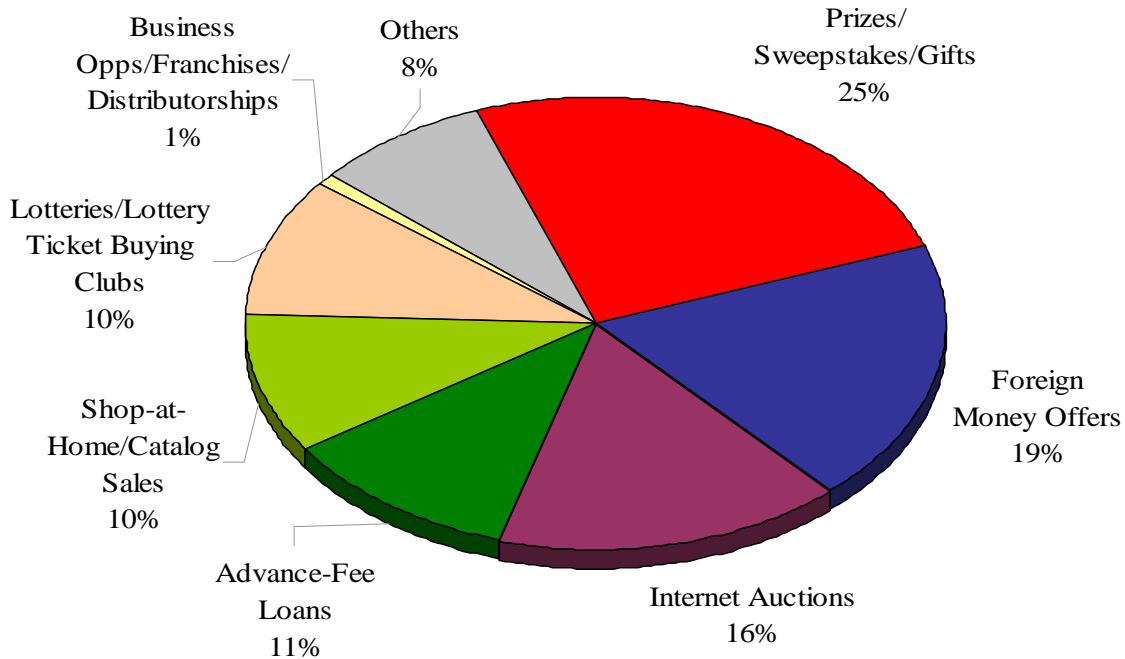
<sup>1</sup>Percentages are based on the total number of cross-border fraud complaints (45,066) received between January 1 and December 31, 2003.



## Complaints from U.S. Consumers Against Companies Located in Foreign Countries By Calendar Year



# Top Products or Services for Cross-Border Fraud Complaints From U.S. Consumers<sup>1</sup> *January 1 – December 31, 2003*



<sup>1</sup>Percentages are based on the total number of cross-border fraud complaints (**34,882**) from U.S. consumers against companies located in Canada or another foreign country received between January 1 and December 31, 2003.

### Top Products or Services for Complaints from U.S. Consumers Against Companies Located in Canada *January 1 – December 31, 2003*

| Rank | Product or Service                    | No. of Complaints | Percentage <sup>2</sup> |
|------|---------------------------------------|-------------------|-------------------------|
| 1    | Prizes\Sweepstakes\Gifts              | 6,888             | 43%                     |
| 2    | Advance-Fee Loans, Credit Arrangers   | 3,783             | 24%                     |
| 3    | Internet Auction                      | 1,962             | 12%                     |
| 4    | Shop-at-Home\Catalog Sales            | 1,028             | 6%                      |
| 5    | Lotteries\Lottery Ticket Buying Clubs | 587               | 4%                      |

<sup>2</sup>Percentages are based on the total number of cross-border fraud complaints (**15,913**) from U.S. consumers against companies located in Canada received between January 1 and December 31, 2003.

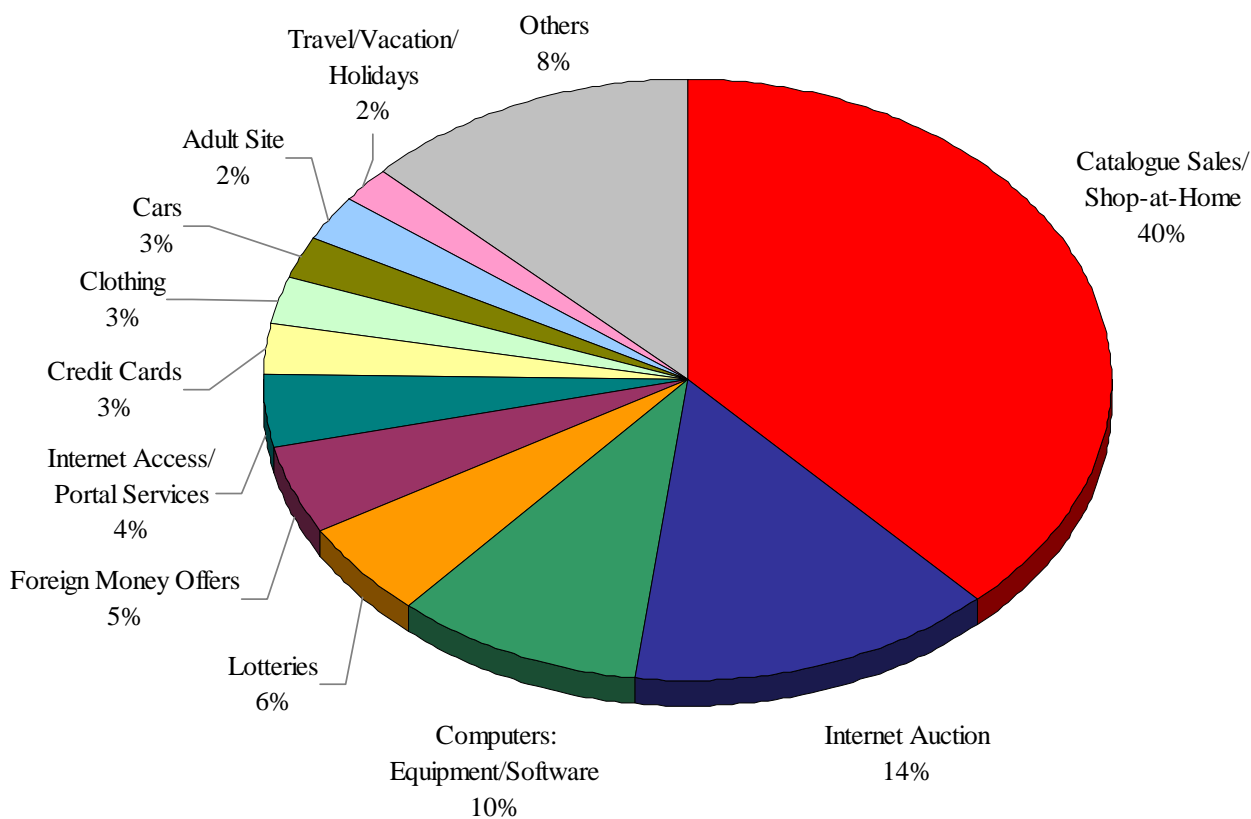
### Top Products or Services for Complaints from U.S. Consumers Against Companies Located in Other Foreign Countries *January 1 – December 31, 2003*

| Rank | Product or Service                    | No. of Complaints | Percentage <sup>3</sup> |
|------|---------------------------------------|-------------------|-------------------------|
| 1    | Nigerian/Other Foreign Money Offers   | 6,241             | 33%                     |
| 2    | Internet Auction                      | 3,663             | 19%                     |
| 3    | Lotteries\Lottery Ticket Buying Clubs | 2,923             | 15%                     |
| 4    | Shop-at-Home\Catalog Sales            | 2,529             | 13%                     |
| 5    | Prizes\Sweepstakes\Gifts              | 1,712             | 9%                      |

<sup>3</sup>Percentages are based on the total number of cross-border fraud complaints (**18,969**) from U.S. consumers against companies located in other foreign countries received between January 1 and December 31, 2003.



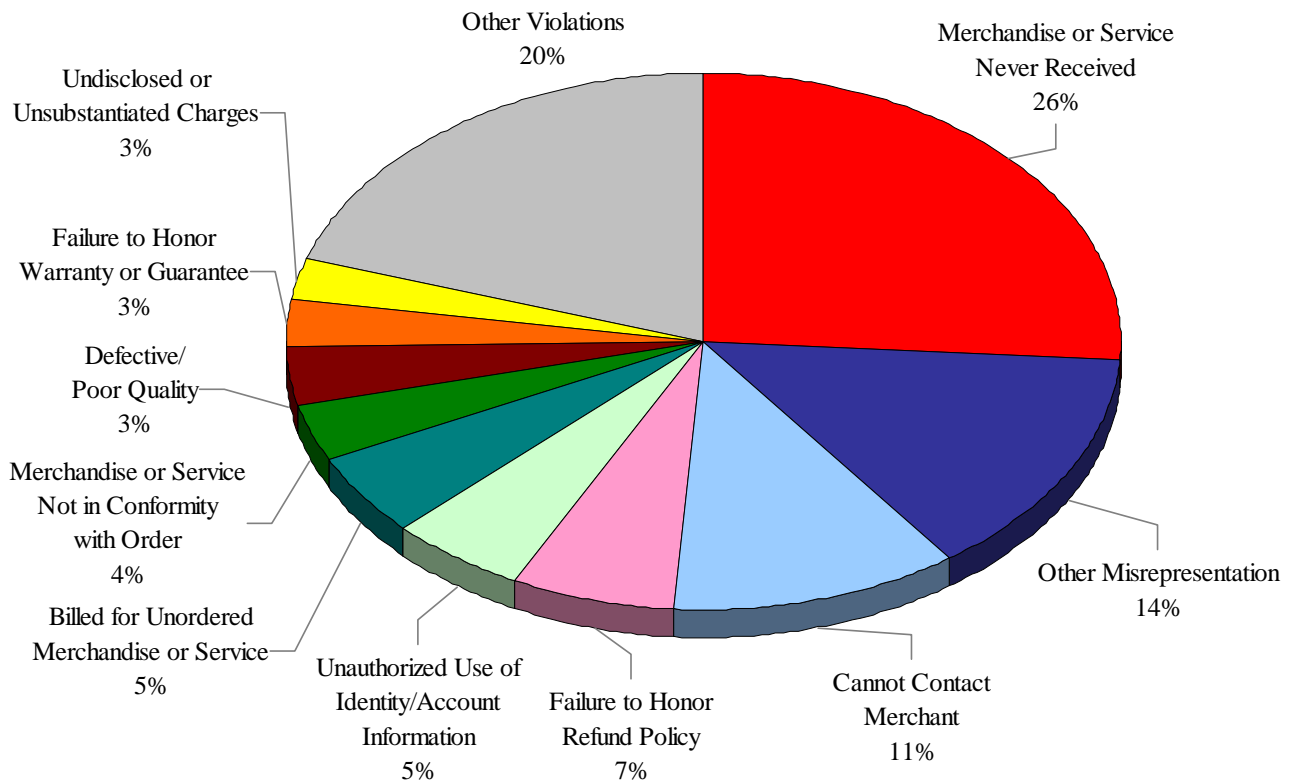
## Econsumer Complaints Top Products or Services by Complaint Count<sup>1</sup> *January 1 – December 31, 2003*



<sup>1</sup>Percentages are based on the 5,263 consumer complaints received from January 1 to December 31, 2003.



## Econsumer Complaints Top Violations<sup>1</sup> January 1 – December 31, 2003



<sup>1</sup>Percentages are based on the 7,459 econsumer law violations reported from January 1 to December 31, 2003. One complaint may have multiple law violations.

| Law Violation                                       | CY 2003                        |                         | CY 2002                        |                         | April-December 2001            |                         |
|---|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|   | No. of Complaints <sup>2</sup> | Percentage <sup>3</sup> | No. of Complaints <sup>2</sup> | Percentage <sup>3</sup> | No. of Complaints <sup>2</sup> | Percentage <sup>3</sup> |
| Merchandise or Service Never Received               | 1,953                          | 26.2%                   | 1,115                          | 29.0%                   | 353                            | 30.1%                   |
| Other Misrepresentation                             | 1,032                          | 13.8%                   | 494                            | 12.8%                   | 156                            | 13.3%                   |
| Cannot Contact Merchant                             | 829                            | 11.1%                   | 467                            | 12.1%                   | 154                            | 13.1%                   |
| Failure to Honor Refund Policy                      | 482                            | 6.5%                    | 267                            | 6.9%                    | 61                             | 5.2%                    |
| Unauthorized Use of Identity / Account Information  | 388                            | 5.2%                    | 152                            | 4.0%                    | 47                             | 4.0%                    |
| Billed for Unordered Merchandise or Service         | 371                            | 5.0%                    | 212                            | 5.5%                    | 62                             | 5.3%                    |
| Merchandise or Service Not in Conformity with Order | 259                            | 3.5%                    | 128                            | 3.3%                    | 35                             | 3.0%                    |
| Defective / Poor Quality                            | 257                            | 3.4%                    | 140                            | 3.6%                    | 37                             | 3.2%                    |
| Failure to Honor Warranty or Guarantee              | 209                            | 2.8%                    | 106                            | 2.8%                    | 23                             | 2.0%                    |
| Undisclosed or Unsubstantiated Charges              | 196                            | 2.6%                    | 108                            | 2.8%                    | 31                             | 2.6%                    |
| Other Violations                                    | 1,483                          | 19.9%                   | 659                            | 17.1%                   | 213                            | 18.2%                   |

<sup>2</sup>Number of complaints reporting each econsumer law violation in each time period. The total violations are more than the number of complaints reported in each time period because one complaint may have multiple law violations. The total number of econsumer complaints reported in each time period are: CY 2003 = 5,263; CY 2002 = 2,681; April-December 2001= 817.

<sup>3</sup>Percentages are based on the total econsumer law violations reported in each time period: CY 2003 = 7,459; CY 2002 = 3,848; April-December 2001 = 1,172. One complaint may have multiple law violations.

## Fraud Complaints and Amount Paid U.S. Consumers Against Companies Located in Canada *January 1 – December 31, 2003*

| CY   | Total No. of Complaints | Complaints            | Percentage of                    | Amount Paid Reported | Average Amount Paid <sup>1</sup> | Median Amount Paid <sup>2</sup> |
|------|-------------------------|-----------------------|----------------------------------|----------------------|----------------------------------|---------------------------------|
|      |                         | Reporting Amount Paid | Complaints Reporting Amount Paid |                      |                                  |                                 |
| 2003 | 15,913                  | 14,045                | 88%                              | \$40,662,184         | \$2,895                          | \$980                           |

<sup>1</sup>Average is based on the total number of consumers who reported amount paid (14,045). One consumer reported an amount paid of \$1 million or more.

<sup>2</sup>Median is the middle number in a set of numbers so that half the numbers have values that are greater than the median and half have values that are less. Calculation of the median excludes complaints with amount paid reported as \$0.

### Amount Paid Distribution

| Amount Paid       | No. of     |                         |
|-------------------|------------|-------------------------|
|                   | Complaints | Percentage <sup>3</sup> |
| \$0               | 709        | 5%                      |
| \$1 - 25          | 406        | 3%                      |
| \$26 - 50         | 593        | 4%                      |
| \$51 - 75         | 241        | 2%                      |
| \$76 - 100        | 221        | 2%                      |
| \$101 - 250       | 1,158      | 8%                      |
| \$251 - 500       | 1,691      | 12%                     |
| \$501 - 1,000     | 2,767      | 20%                     |
| \$1,001 - 5,000   | 5,335      | 38%                     |
| More than \$5,000 | 924        | 7%                      |

<sup>3</sup>Percentages are based on the total number of consumers who reported amount paid (14,045). 88% of consumers reported this information.

## Fraud Complaints and Amount Paid U.S. Consumers Against Companies Located in Other Foreign Countries *January 1 – December 31, 2003*

| CY   | Total No. of Complaints | Complaints            | Percentage of                    | Amount Paid Reported | Average Amount Paid <sup>4</sup> | Median Amount Paid <sup>5</sup> |
|------|-------------------------|-----------------------|----------------------------------|----------------------|----------------------------------|---------------------------------|
|      |                         | Reporting Amount Paid | Complaints Reporting Amount Paid |                      |                                  |                                 |
| 2003 | 18,969                  | 11,278                | 59%                              | \$31,087,148         | \$2,756                          | \$1,100                         |

<sup>4</sup>Average is based on the total number of consumers who reported amount paid (11,278). Two consumers reported an amount paid of \$1 million or more for a total that exceeds \$27 million.

<sup>5</sup>Median is the middle number in a set of numbers so that half the numbers have values that are greater than the median and half have values that are less. Calculation of the median excludes complaints with amount paid reported as \$0.

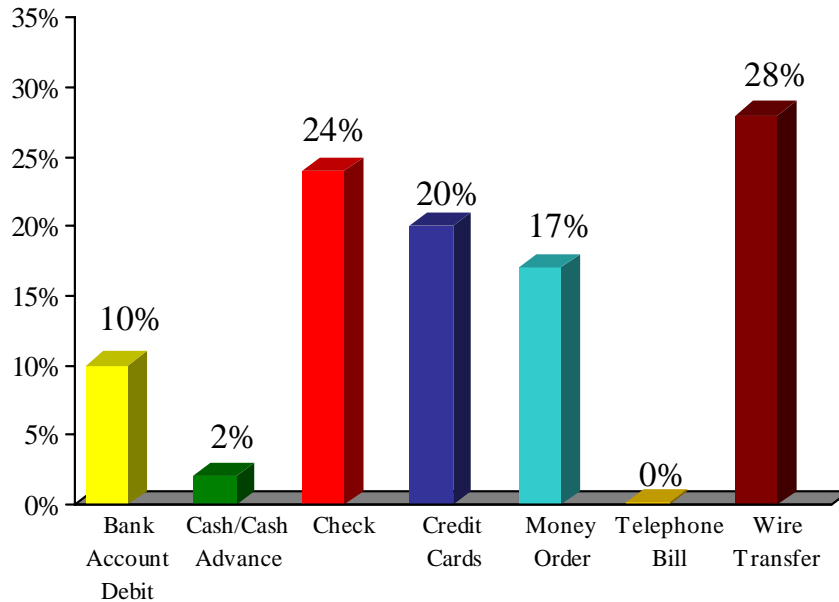
### Amount Paid Distribution

| Amount Paid       | No. of     |                         |
|-------------------|------------|-------------------------|
|                   | Complaints | Percentage <sup>3</sup> |
| \$0               | 2883       | 26%                     |
| \$1 - 25          | 182        | 2%                      |
| \$26 - 50         | 277        | 2%                      |
| \$51 - 75         | 147        | 1%                      |
| \$76 - 100        | 133        | 1%                      |
| \$101 - 250       | 546        | 5%                      |
| \$251 - 500       | 1,001      | 9%                      |
| \$501 - 1,000     | 1,593      | 14%                     |
| \$1,001 - 5,000   | 3,795      | 34%                     |
| More than \$5,000 | 721        | 6%                      |

<sup>6</sup>Percentages are based on the total number of consumers who reported amount paid (11,278). 59% of consumers reported this information.

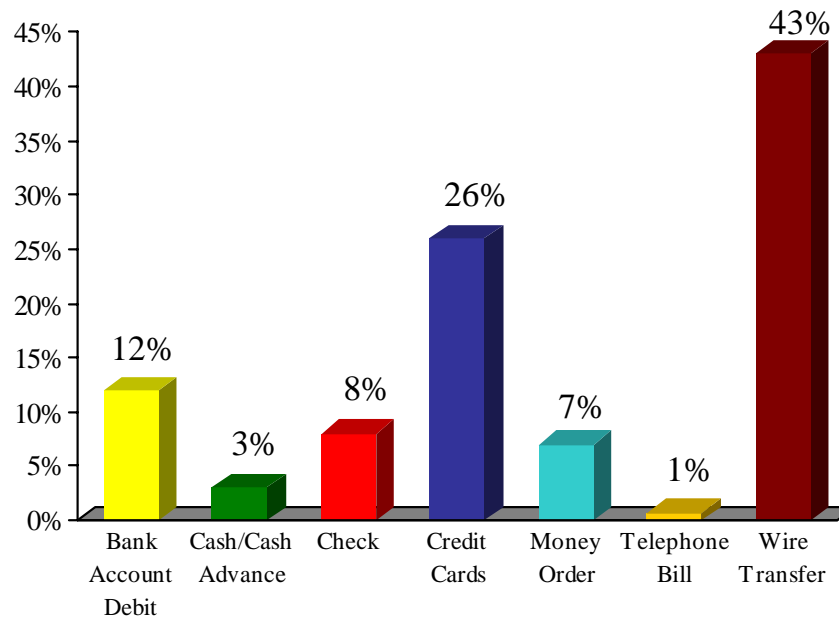
## Methods of Payment Reported by Consumers January 1 - December 31, 2003

### U.S. Consumers Against Companies Located in Canada<sup>1</sup>



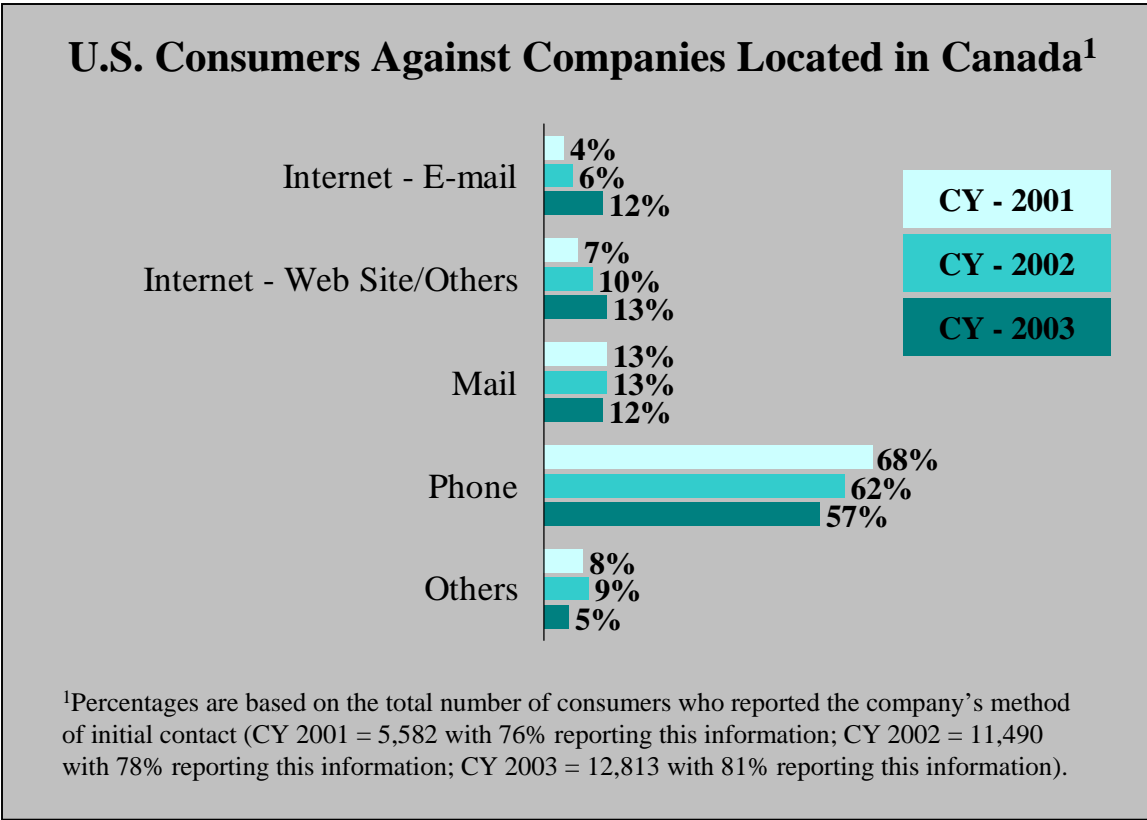
<sup>1</sup>Percentages are based on the total number of consumers who reported the method of payment (2,458). 16% of consumers reported this information.

### U.S. Consumers Against Companies Located in Other Foreign Countries<sup>2</sup>

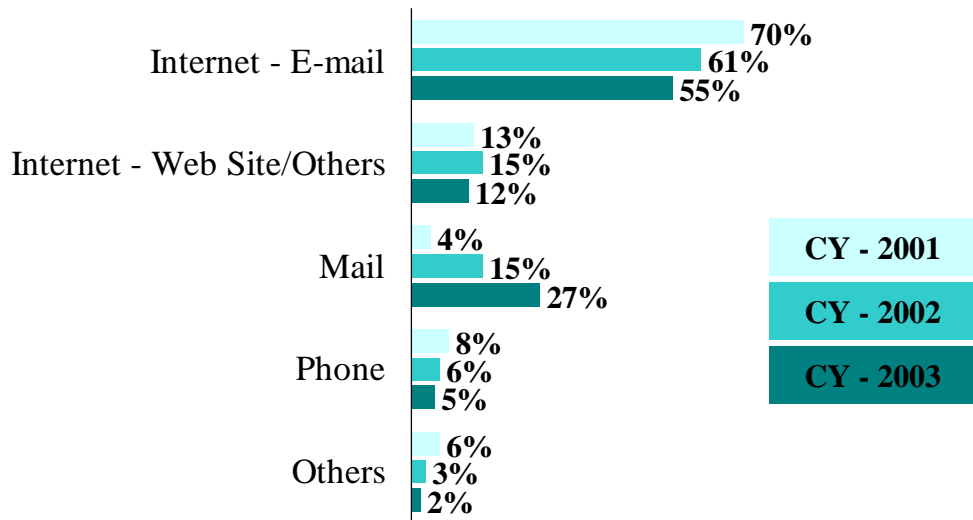


<sup>2</sup>Percentages are based on the total number of consumers who reported the method of payment (1,750). 9% of consumers reported this information.

## Methods of Initial Contact by Calendar Year



### U.S. Consumers Against Companies Located in Other Foreign Countries<sup>2</sup>



<sup>2</sup>Percentages are based on the total number of consumers who reported the company's method of initial contact (CY 2001 = 3,378 with 52% reporting this information; CY 2002 = 6,641 with 60% reporting this information; CY 2003 = 15,042 with 79% reporting this information).



## Appendix: Other Sentinel Data Contributors

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### Federal Agencies

Federal Bureau of Investigation  
U.S. Social Security Administration  
Executive Office for U.S. Trustees

### Attorneys General Offices

Alabama  
Arkansas  
Illinois  
Indiana  
Kansas  
Louisiana  
Maine  
North Carolina  
Pennsylvania  
Texas  
Vermont  
Virginia  
Wisconsin  
Wyoming

### Other State & Local Agencies

California, Stanislaus County District Attorney  
Florida, Orange County Consumer Fraud Unit  
Georgia Governor's Office of Consumer Affairs  
Tennessee Regulatory Authority  
Washington Securities Division  
Wisconsin Department of Financial Institutions  
Wisconsin Department of Agriculture

### Others

Better Business Bureaus  
Norwegian Consumer Ombudsman  
Xerox Corporation

### Local Police/Sheriff Departments

Alabama, Homewood Police Department  
Arkansas, Springdale Police Department  
California, Los Altos Police Department  
California, Los Angeles County Sheriff's Office  
California, Piedmont Police Department  
California, Roseville Police Department  
California, Torrance Police Department  
Colorado, Pueblo County Sheriff's Office  
Connecticut, Groton Long Point Police Department  
Georgia, College Park Police Department  
Illinois, Lincolnshire Police Department  
Illinois, Olympia Fields Police Department  
Illinois, Park Forest Police Department  
Michigan, Battle Creek Police Department  
Michigan, Genesee County Sheriff's Office  
Minnesota, Oak Park Heights Police Department  
Missouri, Taney County Sheriff's Office  
New Hampshire, Moultonborough Police Department  
New Jersey, Berkeley Township Police Department  
New Jersey, Clinton Township Police Department  
New Jersey, Franklin Lakes Police Department  
New Jersey, Moorestown Township Police Department  
New York, Spring Valley Police Department  
North Carolina, Blowing Rock Police Department  
North Carolina, Boiling Springs Police Department  
North Carolina, Wilson County Sheriff's Office  
North Carolina, Woodland Police Department  
Ohio, Riverside Police Department  
Ohio, Wickliffe Police Department  
Texas, Copperas Cove Police Department  
Vermont, Montpelier Police Department  
Virginia, Front Royal Police Department  
Virginia, Loudoun County Sheriff's Office  
Washington, Mount Vernon Police Department  
Wisconsin, Mount Horeb Police Department