



Cross-Border Fraud Complaints

January – December 2006



Federal Trade Commission

March 2007

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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 includes over **3.5 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 2006, more than 150 organizations contributed data to Consumer Sentinel. More information on this joint project is available at www.consumer.gov/sentinel.

During calendar year 2006, Consumer Sentinel received over **428,000** fraud-related complaints, of which 22% were cross-border fraud-related. 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, likely understates the number of cross-border complaints. In some instances the company address provided by the consumer actually may be a mail drop in the consumer’s country rather than the physical location of the company in a foreign country, and in other cases, the consumer does not know whether the location is in the U.S. or abroad. Please also note that we continue to add data provided by various organizations, which may contain complaint data from previous months. This may retroactively change some totals and percentages on our graphs and charts.

Consumer Sentinel Leading Partners & Data Contributors

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

The Consumer Sentinel Network (For detailed description and data contributors, see Appendices A1 through A3)

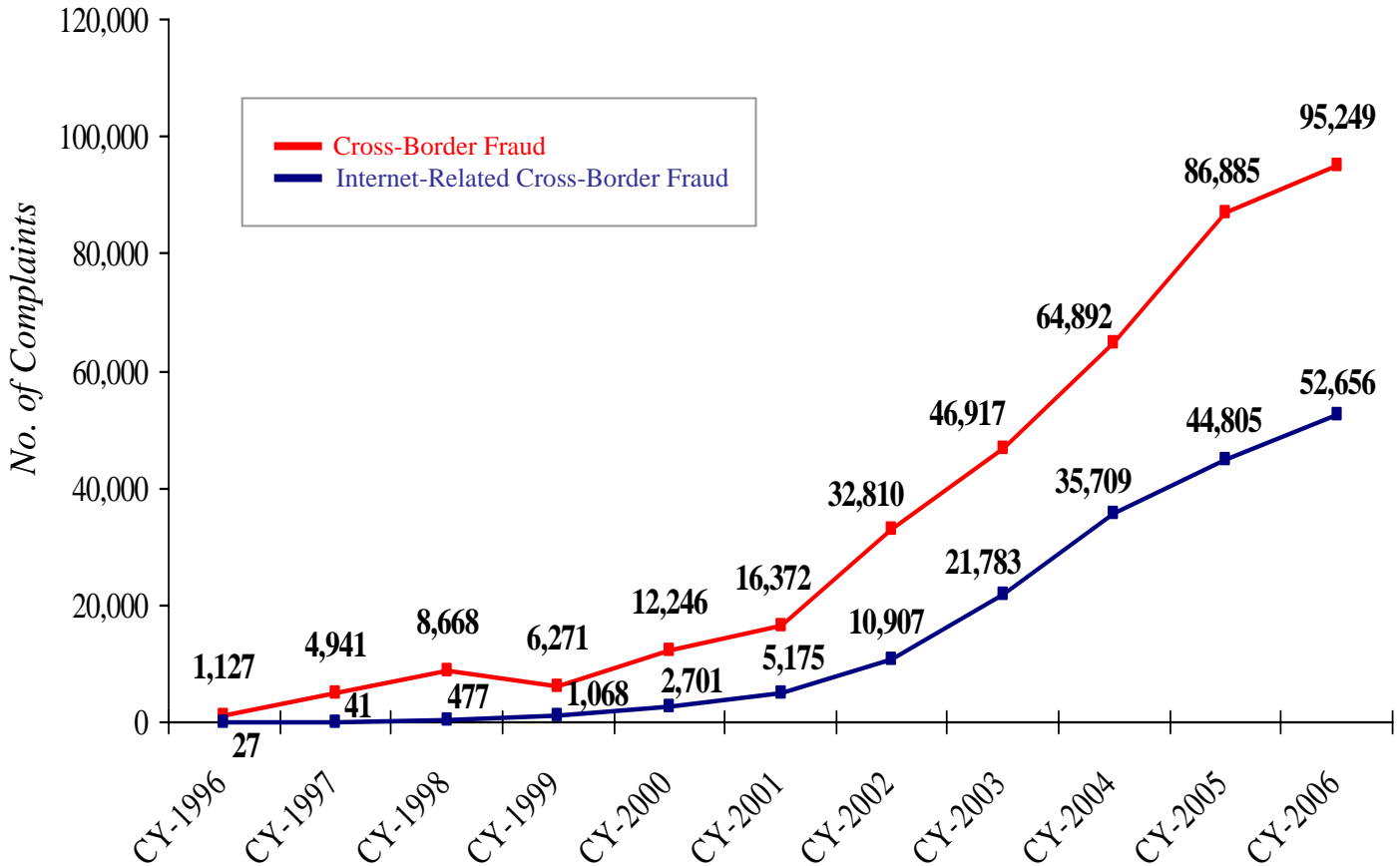
Executive Summary
Cross-Border Fraud Complaints
January – December 2006

- The Commission received over 95,000 cross-border fraud complaints during calendar year 2006. Cross-border fraud complaints comprised 22% of all fraud complaints received during calendar year 2006, 16% and 20% for CY-2004 and CY-2005, respectively.
- Prizes/Sweepstakes/Gifts was the leading product/service category in U.S. consumers' cross-border complaints (16%), followed by Lotteries/Lottery Ticket Buying Clubs (8%), Internet Auctions (8%), Foreign Money Offers (7%), and Shop-at-Home/Catalog Sales (7%).
- Internet-related complaints comprised 55% (52,656) of the total cross-border fraud complaints (95,249) received during calendar year 2006.
- 26% (24,573) of all cross-border fraud complaints (95,249) were from U.S. consumers complaining about Canadian companies and 60% (57,137) of all cross-border fraud complaints were from U.S. consumers complaining about other foreign companies. Prizes/Sweepstakes/Gifts was the top reported product/service category in complaints from U.S. consumers against Canadian companies, and Internet Auctions was the top reported product/service category in complaints from U.S. consumers against other foreign companies.
- U.S. consumers reported fraud losses of over \$93 million against companies located in Canada, and losses of over \$141 million against companies located in other foreign countries.
- Mail is the most frequently reported method used by companies located in Canada to initially contact U.S. consumers. From CY-2005 to CY-2006, the percentage of complaints by U.S. consumers against companies located in Canada, when the initial contact was by mail, grew from 40% to 59%, while the percentage of complaints where the initial contact was by phone dropped from 35% to 20%.
- "Wire Transfer" was the highest reported payment method used in cross-border fraud complaints in calendar year 2006; 67% of the complaints from U.S. consumers against companies located in Canada reported "Wire Transfer" as the payment method, and 62% of the complaints from U.S. consumers against other foreign companies reported "Wire Transfer" as the payment method.

ECONSUMER.GOV – Collecting and sharing cross-border e-commerce complaints (for details see Appendix A1).

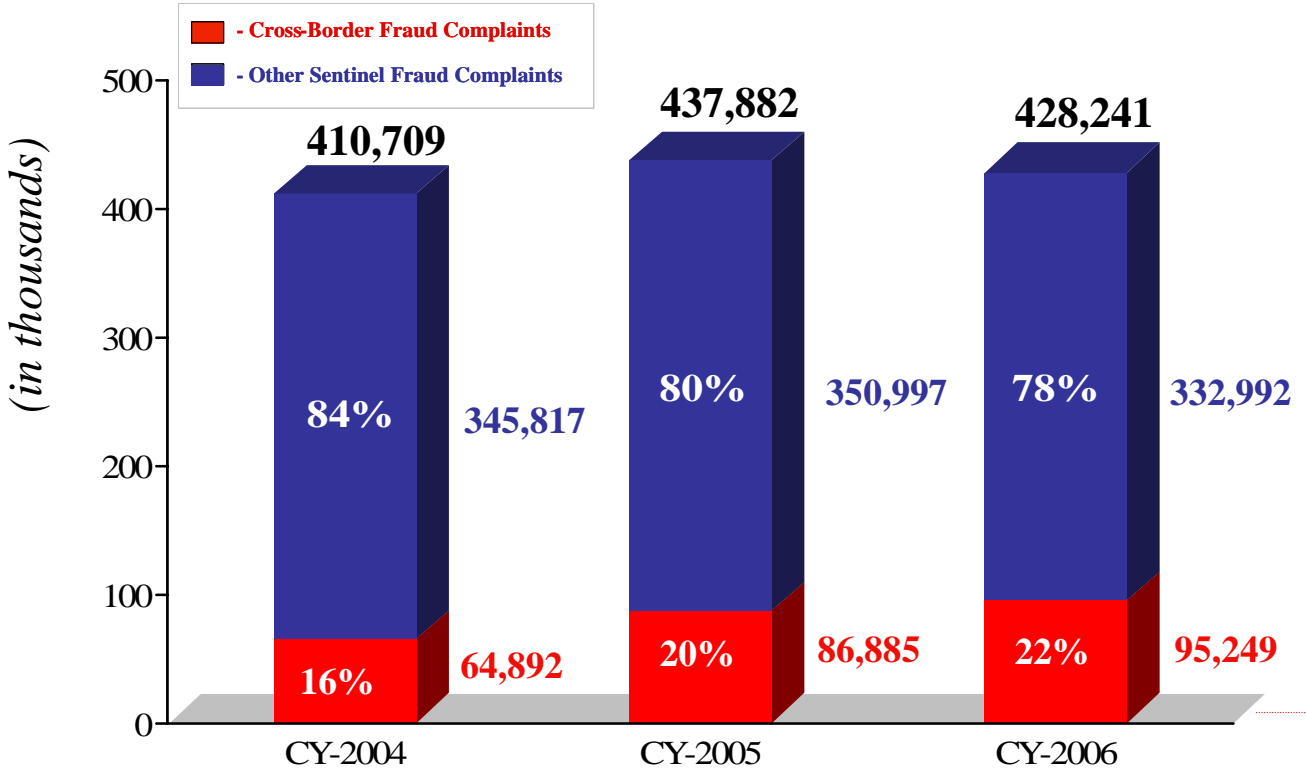
- Econsumer received over 30,000 complaints between CY-2004 and CY-2006; 7,222 complaints in CY-2004, 10,179 in CY-2005, and 13,123 complaints in CY-2006.
- Shop-at-Home/Catalog Sales was the most commonly reported complaint category in Econsumer complaints during calendar years 2004 through 2006, with over 40% of all Econsumer complaints. "Merchandise or Service Never Received" accounts for over 20% of the Econsumer law violations in the same time period.

Cross-Border Complaint Count by Calendar Year¹



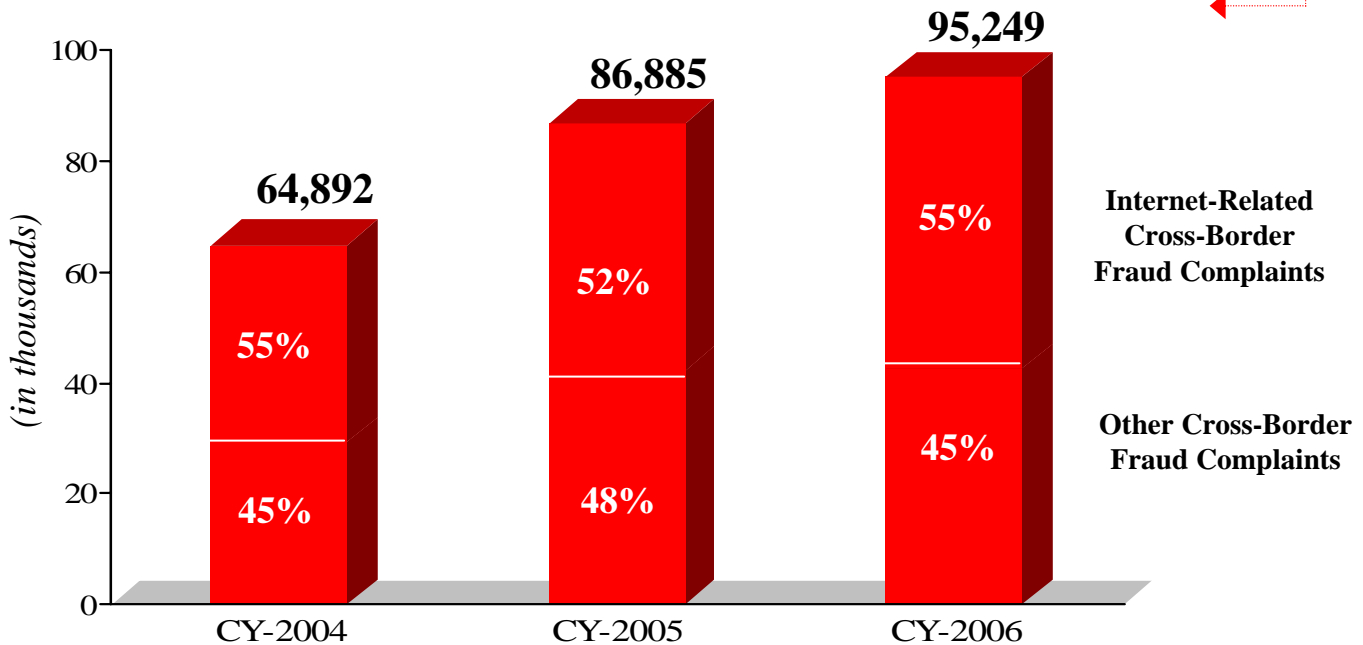
¹For the purposes of this report, a fraud complaint is “cross-border” if: (1) a U.S. consumer complained about a company located in Canada or another foreign country; (2) a Canadian consumer complained about a company located in the U.S. or another foreign country; or (3) a consumer from a foreign country complained about a company located in the U.S. or Canada. Excludes identity theft and Do Not Call registry complaints.

Sentinel Fraud Complaints by Calendar Year¹



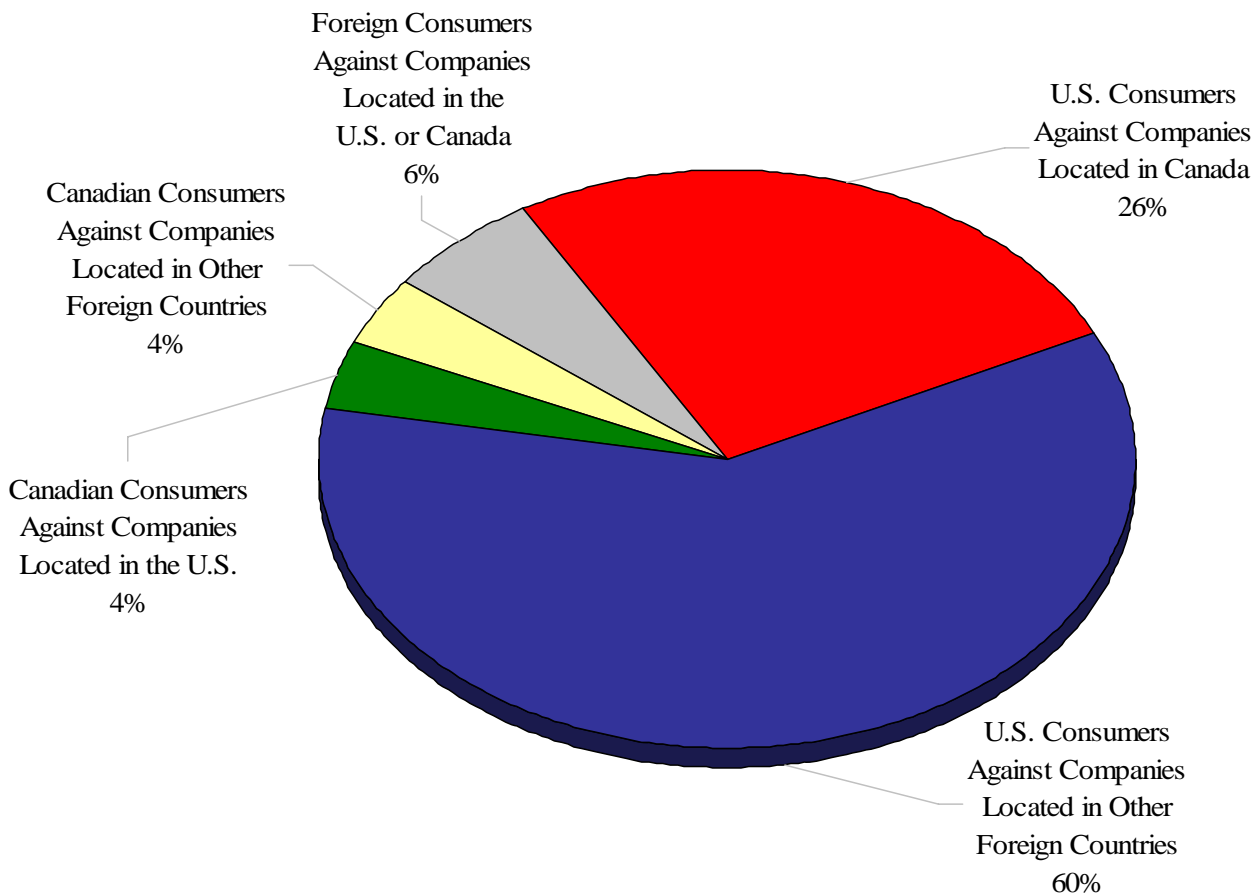
¹Percentages are based on the total number of Consumer Sentinel fraud complaints by calendar year. These figures exclude "Identity Theft" and "Do Not Call" registry complaints.

Cross-Border Fraud Complaints by Calendar Year²



²Percentages are based on the total number of Consumer Sentinel cross-border fraud complaints by calendar year. These figures exclude "Identity Theft" and "Do Not Call" registry complaints.

Cross-Border Fraud Complaints By Consumer and Company Location¹ *January 1 – December 31, 2006*

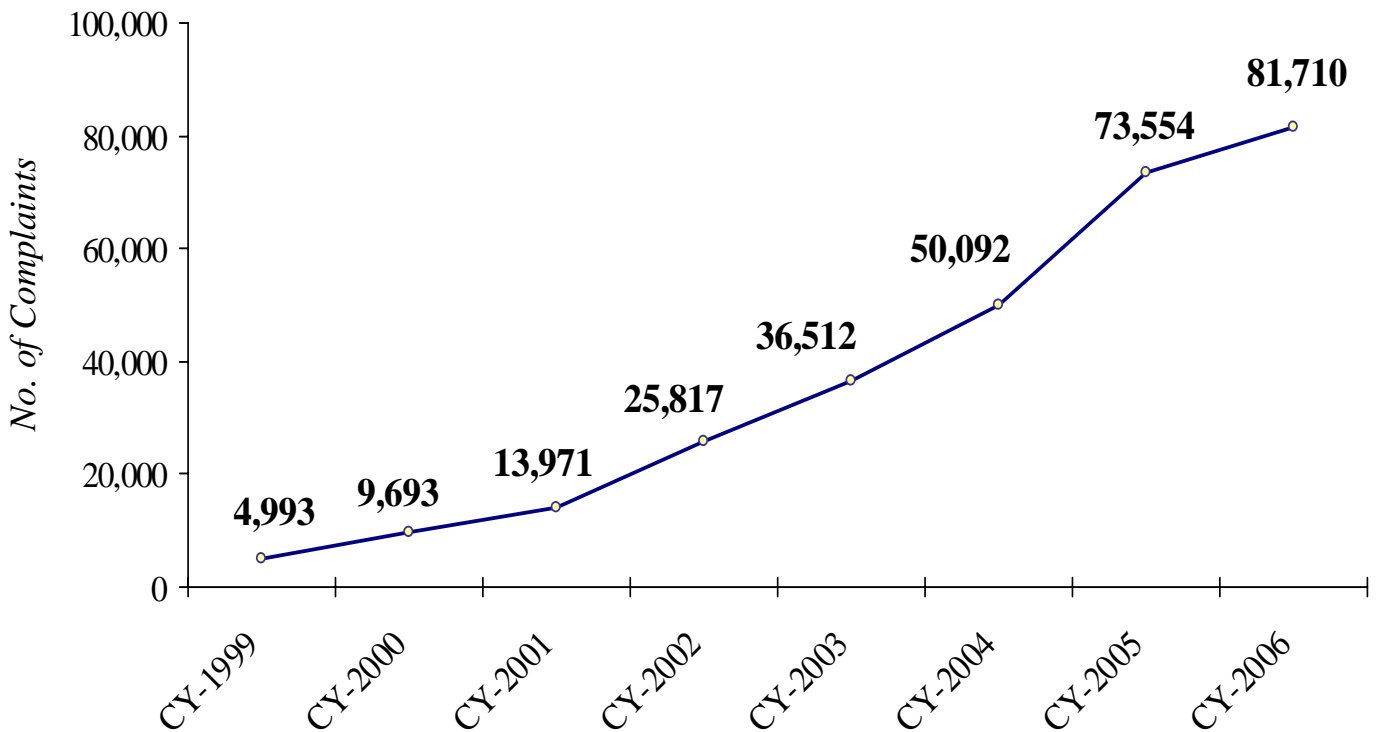


Cross-Border Fraud Complaints By Consumer and Company Location¹ *Calendar Years 2004 through 2006*

CY	U.S. Consumers Against Companies Located in Canada	U.S. Consumers Against Companies Located in Other Foreign Countries	Canadian Consumers Against Companies Located in the U.S.	Canadian Consumers Against Companies Located in Other Foreign Countries	Foreign Consumers Against Companies Located in the U.S. or Canada
2004	25%	52%	7%	8%	8%
2005	21%	64%	5%	4%	6%
2006	26%	60%	4%	4%	6%

¹Percentages are based on the total number of cross-border fraud complaints for each calendar year: CY-2004 = 64,892; CY-2005 = 86,885; and CY-2006 = 95,249.

Complaints from U.S. Consumers Against Companies Located in Foreign Countries By Calendar Year¹



¹Number of cross-border fraud complaints from U.S. consumers against companies located in Canada or other foreign countries by calendar year.

Top Products or Services for Cross-Border Fraud Complaints From U.S. Consumers¹

January 1 – December 31, 2006

Rank	Top Products or Services	Complaints	Percentage ¹
1	Prizes\Sweepstakes\Gifts	13,037	16%
2	Lotteries\Lottery Ticket Buying Clubs	6,441	8%
3	Internet Auction	6,305	8%
4	Foreign Money Offers	5,815	7%
5	Shop-at-Home\Catalog Sales	5,476	7%

¹Percentages are based on the total number of cross-border fraud complaints (**81,710**) from U.S. consumers against companies located in Canada or other foreign countries received between January 1 and December 31, 2006. Forty-seven percent (38,304) of the cross-border complaints from U.S. consumers against companies located in Canada or other foreign countries did not contain specific product service codes.

Top Products or Services for Complaints from U.S. Consumers Against Companies Located in Canada

January 1 – December 31, 2006

Rank	Product or Service	Complaints	Percentage ²
1	Prizes\Sweepstakes\Gifts	11,469	47%
2	Lotteries\Lottery Ticket Buying Clubs	3,760	15%
3	Advance-Fee Loans, Credit Arrangers	1,909	8%
4	Foreign Money Offers	1,132	5%
5	Shop-at-Home\Catalog Sales	1,073	4%

²Percentages are based on the total number of cross-border fraud complaints (**24,573**) from U.S. consumers against companies located in Canada received between January 1 and December 31, 2006.

Top Products or Services for Complaints from U.S. Consumers Against Companies Located in Other Foreign Countries

January 1 – December 31, 2006

Rank	Product or Service	Complaints	Percentage ³
1	Internet Auction	5,719	10%
2	Foreign Money Offers	4,686	8%
3	Shop-at-Home\Catalog Sales	4,403	8%
4	Lotteries\Lottery Ticket Buying Clubs	2,688	5%
5	Prizes\Sweepstakes\Gifts	1,570	3%

³Percentages are based on the total number of cross-border fraud complaints (**57,137**) from U.S. consumers against companies located in other foreign countries received between January 1 and December 31, 2006.

Fraud Complaints and Amount Paid by U.S. Consumers Against Companies Located in Canada *Calendar Years 2004 through 2006*

CY	Total No. of Complaints	Complaints Reporting Amount Paid	Percentage of Complaints Reporting Amount Paid	Amount Paid Reported	Average Amount Paid ¹	Median Amount Paid ²
2004	16,304	14,207	87%	\$47,092,903	\$3,315	\$1,110
2005	18,112	13,746	76%	\$47,851,916	\$3,481	\$1,809
2006	24,573	20,108	82%	\$93,322,862	\$4,641	\$2,500

¹Average is based on the total number of consumers who reported amount paid for each calendar year: CY-2004 = 14,207; CY-2005 = 13,746 ; and CY-2006 = 20,108. Four consumers reported an amount paid of \$1 million or more during CY-2006; 2 consumers in CY-2004 and 2 consumers in CY-2005.

²Median 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.

Fraud Complaints and Amount Paid by U.S. Consumers Against Companies Located in Other Foreign Countries *Calendar Years 2004 through 2006*

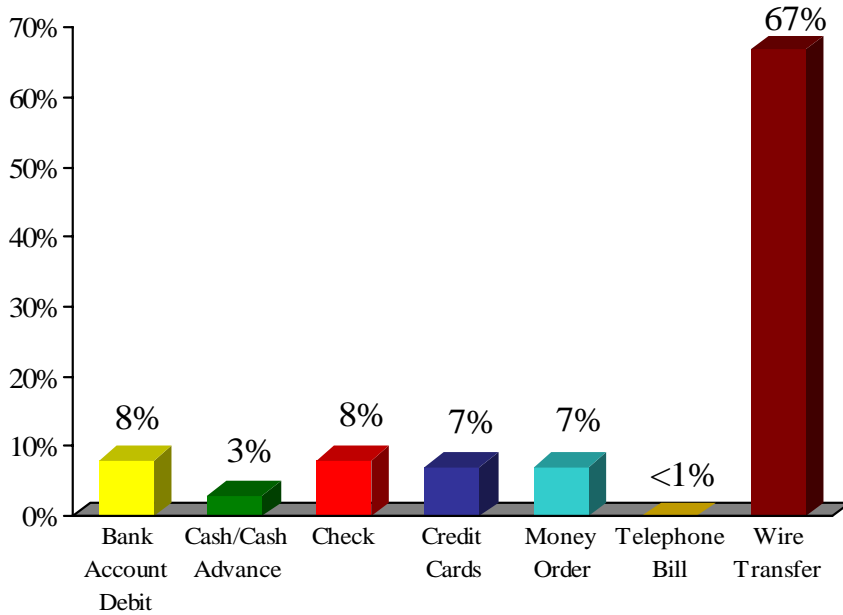
CY	Total No. of Complaints	Complaints Reporting Amount Paid	Percentage of Complaints Reporting Amount Paid	Amount Paid Reported	Average Amount Paid ³	Median Amount Paid ⁴
2004	33,788	22,115	65%	\$50,568,375	\$2,287	\$1,251
2005	55,442	28,728	52%	\$136,649,204	\$4,757	\$1,307
2006	57,137	50,000	88%	\$141,611,050	\$2,832	\$1,060

³Average is based on the total number of consumers who reported amount paid for each calendar year: CY-2004 = 22,115; CY-2005 = 28,728; and CY-2006 = 50,000. Eighteen consumers reported an amount paid of \$1 million or more during CY-2006; 2 consumers in CY-2004 and 7 consumers in CY-2005.

⁴Median 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.

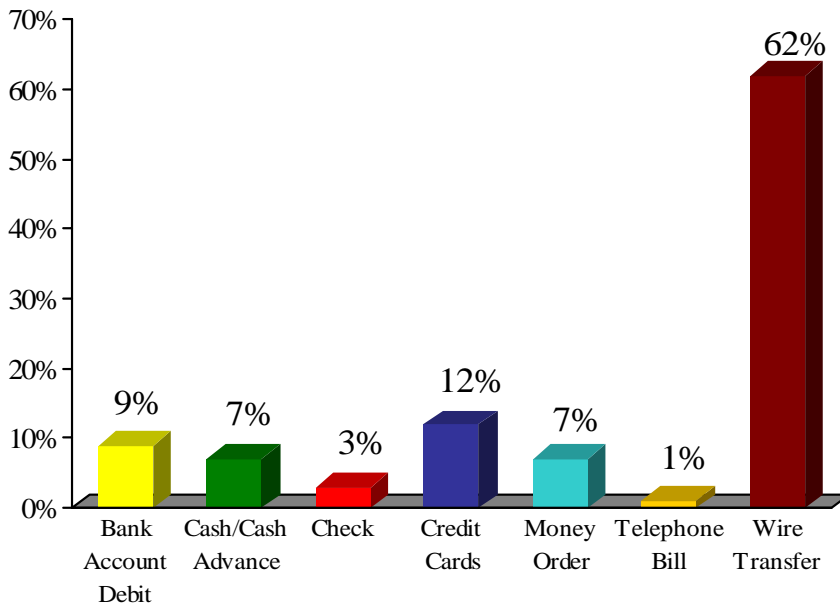
Methods of Payment Reported by Consumers January 1 - December 31, 2006

U.S. Consumers Against Companies Located in Canada¹



¹Percentages are based on the total number of consumers who reported the method of payment (3,339). **14%** of consumers reported this information.

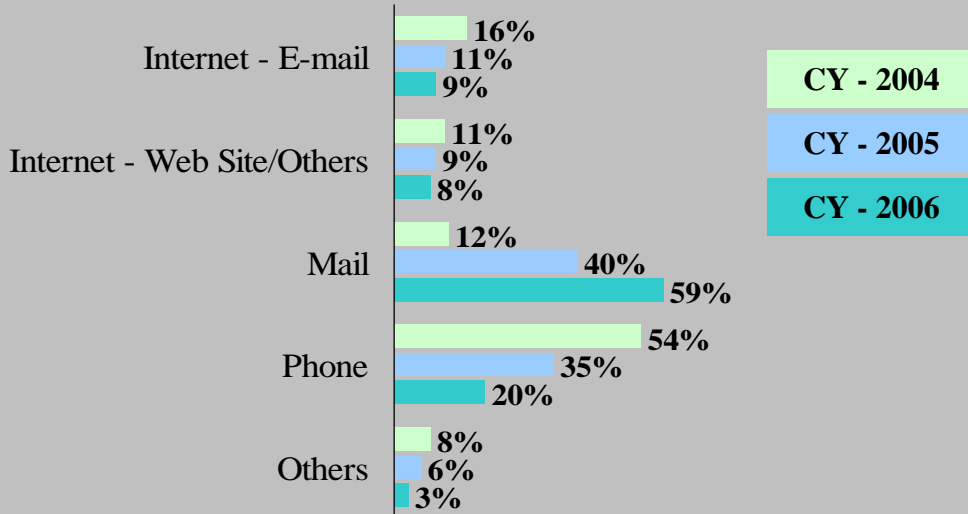
U.S. Consumers Against Companies Located in Other Foreign Countries²



²Percentages are based on the total number of consumers who reported the method of payment (5,179). **9%** of consumers reported this information.

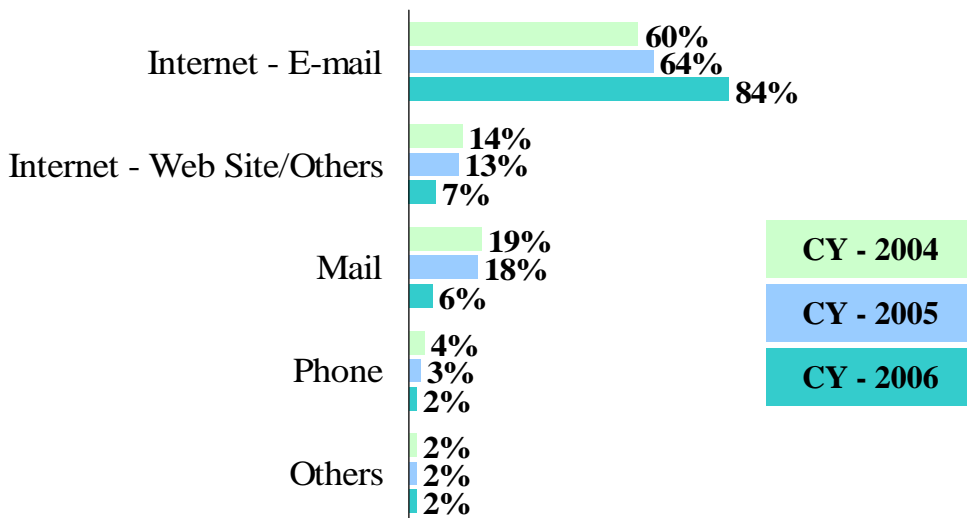
Methods of Initial Contact by Calendar Year

U.S. Consumers Against Companies Located in Canada¹



¹Percentages are based on the total number of consumers who reported the company's method of initial contact: CY-2004 = 13,368 with 82% reporting this information; CY-2005 = 15,951 with 88% reporting this information; and CY-2006 = 20,951 with 85% reporting this information.

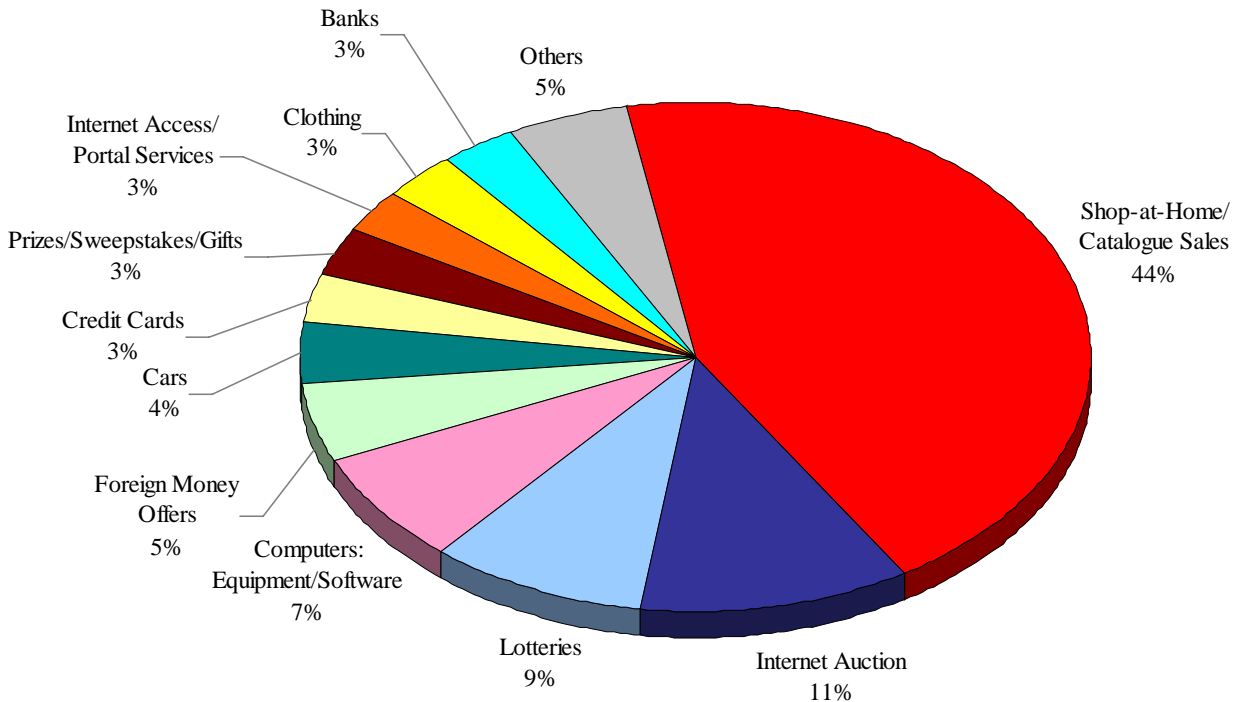
U.S. Consumers Against Companies Located in Other Foreign Countries²



²Percentages are based on the total number of consumers who reported the company's method of initial contact: CY-2004 = 25,871 with 77% reporting this information; CY-2005 = 39,002 with 70% reporting this information; and CY-2006 = 43,102 with 75% reporting this information.

Top Products or Services for Econsumer Complaints¹

January 1 – December 31, 2006



¹Percentages are based on the 13,123 econsumer complaints received from January 1 to December 31, 2006.

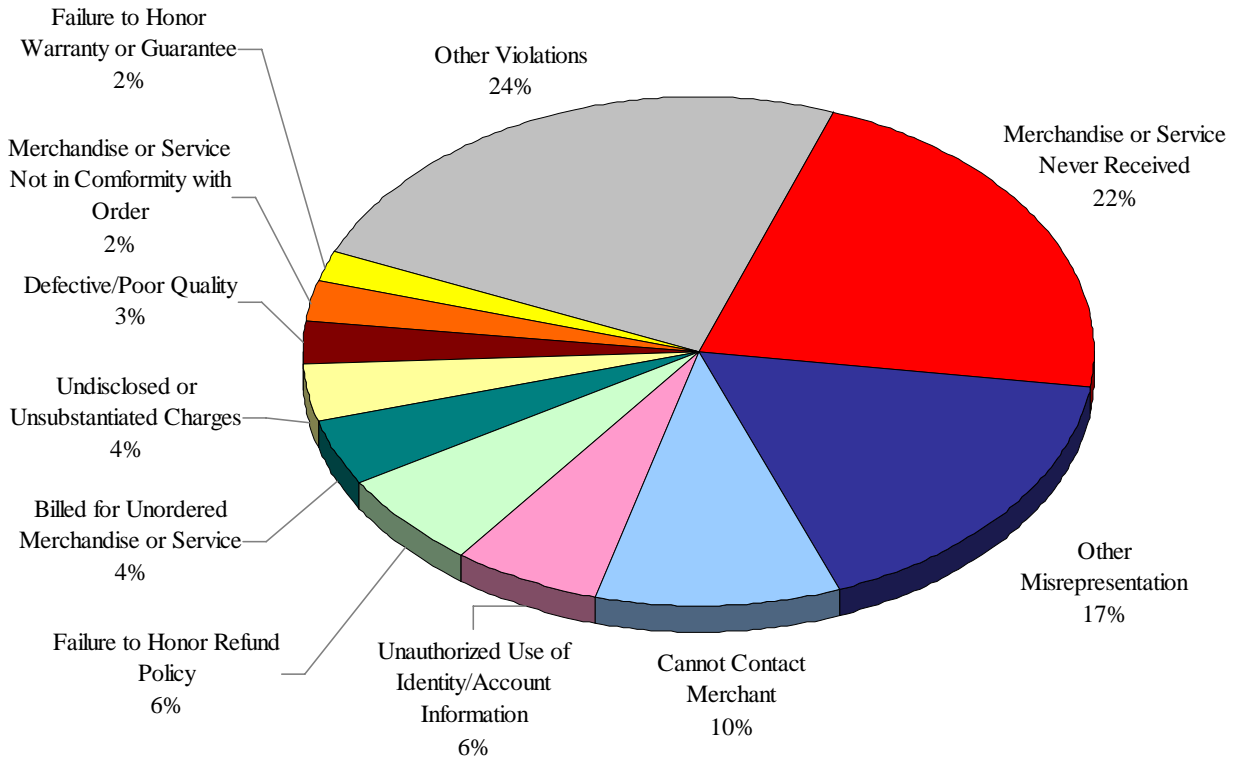
Top Products or Services for Econsumer Complaints

Calendar Years 2004 through 2006

Top Product or Service	CY-2004		CY-2005		CY-2006	
	Complaints	Percentages ²	Complaints	Percentages ²	Complaints	Percentages ²
Shop-at-Home\Catalogue Sales	2,911	40.3%	4,477	44.0%	5,828	44.4%
Internet Auction	977	13.5%	917	9.0%	1,441	11.0%
Lotteries\Lottery Ticket Buying Clubs	725	10.0%	1,002	9.8%	1,117	8.5%
Computers: Equipment\Software	569	7.9%	706	6.9%	859	6.5%
Foreign Money Offers	315	4.4%	579	5.7%	659	5.0%
Cars	251	3.5%	439	4.3%	492	3.7%
Credit Cards	198	2.7%	285	2.8%	426	3.2%
Prizes\Sweepstakes\Gifts	148	2.0%	248	2.4%	371	2.8%
Internet Access\Portal Services	279	3.9%	280	2.8%	367	2.8%
Clothing	192	2.7%	264	2.6%	358	2.7%
Banks	176	2.4%	330	3.2%	350	2.7%

²Percentages are based on the total number of econsumer complaints reported in each time period: CY-2004 = 7,222; CY-2005 = 10,179; and CY-2006 = 13,123.

Top Law Violations for Econsumer Complaints¹ January 1 – December 31, 2006



¹Percentages are based on the **17,811** econsumer law violations reported from January 1 to December 31, 2006. One complaint may have multiple law violations.

Top Law Violations for Econsumer Complaints Calendar Years 2004 through 2006

Law Violation	CY-2004		CY-2005		CY-2006	
	Complaints ²	Percentages ³	Complaints ²	Percentages ³	Complaints ²	Percentages ³
Merchandise or Service Never Received	2,335	23.6%	2,777	20.3%	3,847	21.6%
Other Misrepresentation	1,552	15.7%	2,317	16.9%	3,031	17.0%
Cannot Contact Merchant	1,069	10.8%	1,301	9.5%	1,800	10.1%
Unauthorized Use of Identity/Account Information	601	6.1%	786	5.7%	1,088	6.1%
Failure to Honor Refund Policy	570	5.8%	884	6.5%	1,066	6.0%
Billed for Unordered Merchandise or Service	536	5.4%	649	4.7%	737	4.1%
Undisclosed or Unsubstantiated Charges	282	2.9%	488	3.6%	662	3.7%
Defective/Poor Quality	278	2.8%	362	2.6%	492	2.8%
Merchandise or Service Not in Conformity with Order	280	2.8%	378	2.8%	421	2.4%
Failure to Honor Warranty or Guarantee	226	2.3%	309	2.3%	368	2.1%

²Number of complaints reporting each econsumer law violation in each time period. The total number of law 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-2004 = 7,222; CY-2005 = 10,179; and CY-2006 = 13,123.

³Percentages are based on the total number of econsumer law violations reported in each time period: CY-2004 = 9,884; CY-2005 = 13,699; and CY-2006 = 17,811. One complaint may have multiple law violations.

Appendix A1: The Sentinel Network



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 broader reports that provide 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 secure, password-protected government Web site. This access enables law enforcers to readily spot identity theft problems in their own backyards, and to coordinate with other law enforcement officers where the data reveals common schemes or perpetrators.



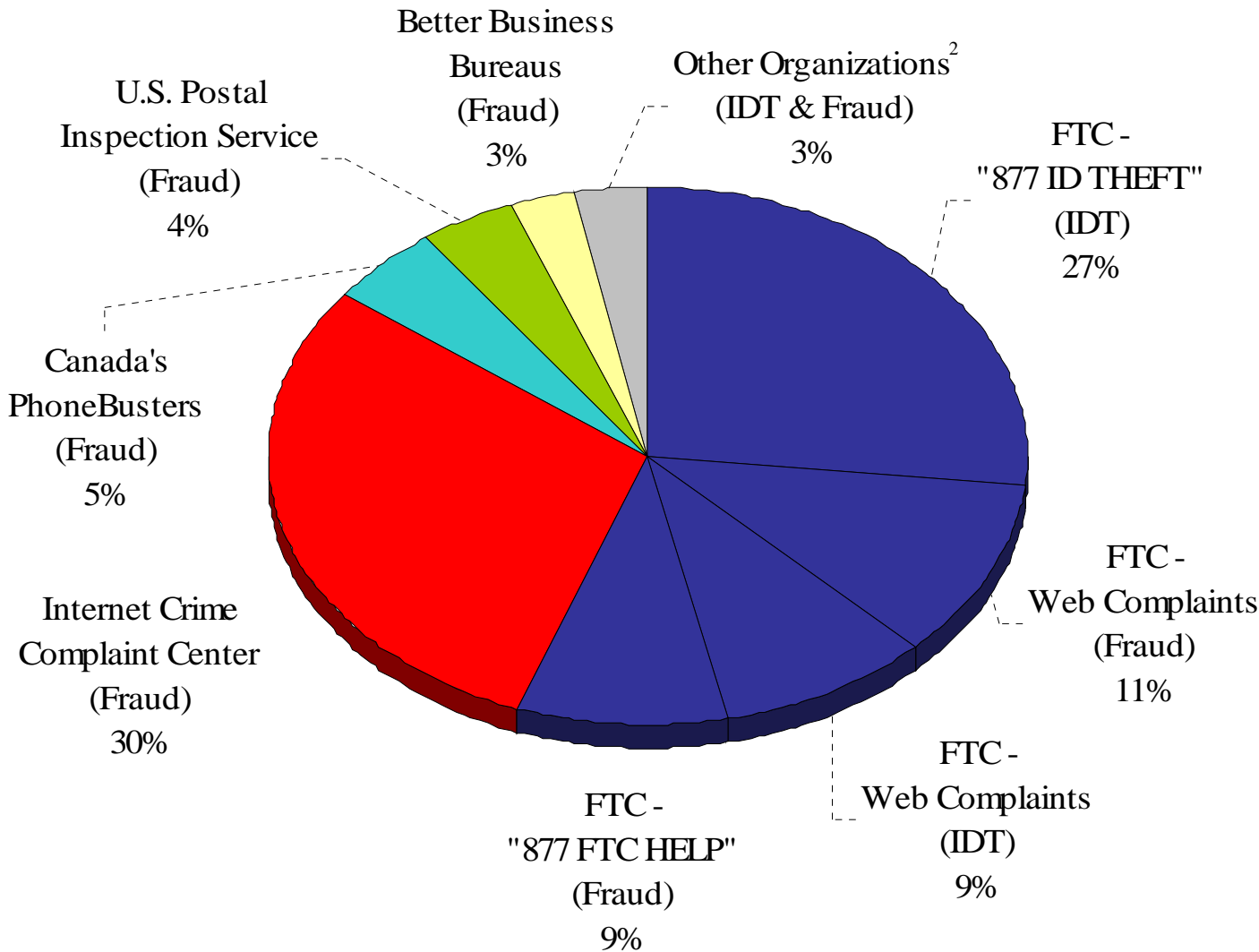
Econsumer.gov was created in April 2001 to gather and share cross-border e-commerce complaints in order to respond to the challenges of multinational Internet fraud, and enhance consumer confidence in e-commerce. The multilingual public Web site provides general information about consumer protection in all countries that belong to the International Consumer Protection and Enforcement Network, contact information for consumer protection authorities in those countries, and an online complaint form. All information is available in English, French, German, Korean, Polish, and Spanish. Using the existing Consumer Sentinel Network, the incoming complaints are shared through the government Web site with participating consumer protection law enforcers from 19 nations.



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 can enter complaints directly into Consumer Sentinel. Through Consumer Sentinel, the secure password-protected government Web site, this information is 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.

Appendix A2: Sentinel Data Contributors¹

January 1 – December 31, 2006



¹Percentages are based on the total number of Sentinel complaints (674,354) received between January 1 and December 31, 2006. The type of complaints provided by the organization is indicated in parentheses.

²For a list of other organizations contributing to Sentinel, see Appendix A3.

Appendix A3: Other Sentinel Data Contributors

January 1 – December 31, 2006

Federal Agencies

Commodity Futures Trading Commission
Federal Bureau of Investigation
U.S. Department of Justice
U.S. Social Security Administration

Attorneys General Offices

District of Columbia
Kentucky
New York
Nevada
North Dakota
Texas
Vermont

Other State & Local Agencies

California, Stanislaus County District Attorney
Connecticut, Department of Consumer Protection
Georgia Governor's Office of Consumer Affairs
Louisiana Department of Justice
Montana Office of Consumer Protection
North Carolina Department of Justice
Tennessee Regulatory Authority
Wisconsin Department of Financial Institutions
Pennsylvania State Police

Others

Belgian Ministry of Economic Affairs
Identity Theft Assistance Center
National Fraud Information Center
Ohio University Police Department
Xerox Corporation

Local Police/Sheriff Departments

California, Inglewood Police Department
California, Los Angeles County Sheriff's
Colorado, Steamboat Springs Police Department
Connecticut, Danbury Police Department
Florida, Clearwater Police Department
Illinois, Broadview Police Department
Indiana, DeMotte Police Department
Indiana, Fulton County Sheriff's Department
Iowa, Clinton Police Department
Massachusetts, Northampton Police Department
Michigan, Buena Vista Township Police Department
Michigan, Genesee County Sheriff's Department
Michigan, South Haven Police Department
New Jersey, Hanover Township Police Department
New Jersey, Harrison Township Police Department
New Mexico, Clovis Police Department
New York, Newark Police Department
Ohio, Bexley Police Department
Ohio, Olmsted Falls Police Department
Ohio, Streetsboro Police Department
Ohio, Upper Arlington Police Department
Pennsylvania, Colonial Regional Police Department
Pennsylvania, Doylestown Township Police Department
Pennsylvania, Lower Frederick Police Department
Pennsylvania, York Police Department
Wisconsin, Altoona Police Department
Texas, Dalhart Police Department
Virginia, Goochland County Sheriff's Office