



Cross-Border Fraud Trends

January – December 2004



Federal Trade Commission

March 9, 2005

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INTRODUCTION

Consumer Sentinel Leading Partners & Data Contributors

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 **two 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 2004, 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 2004, Consumer Sentinel received over **390,000** fraud-related complaints about transactions involving more than **\$540 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, 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.

 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



The Sentinel Network



www.econsumer.gov

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 (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, Korean, 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.



www.consumer.gov/idtheft

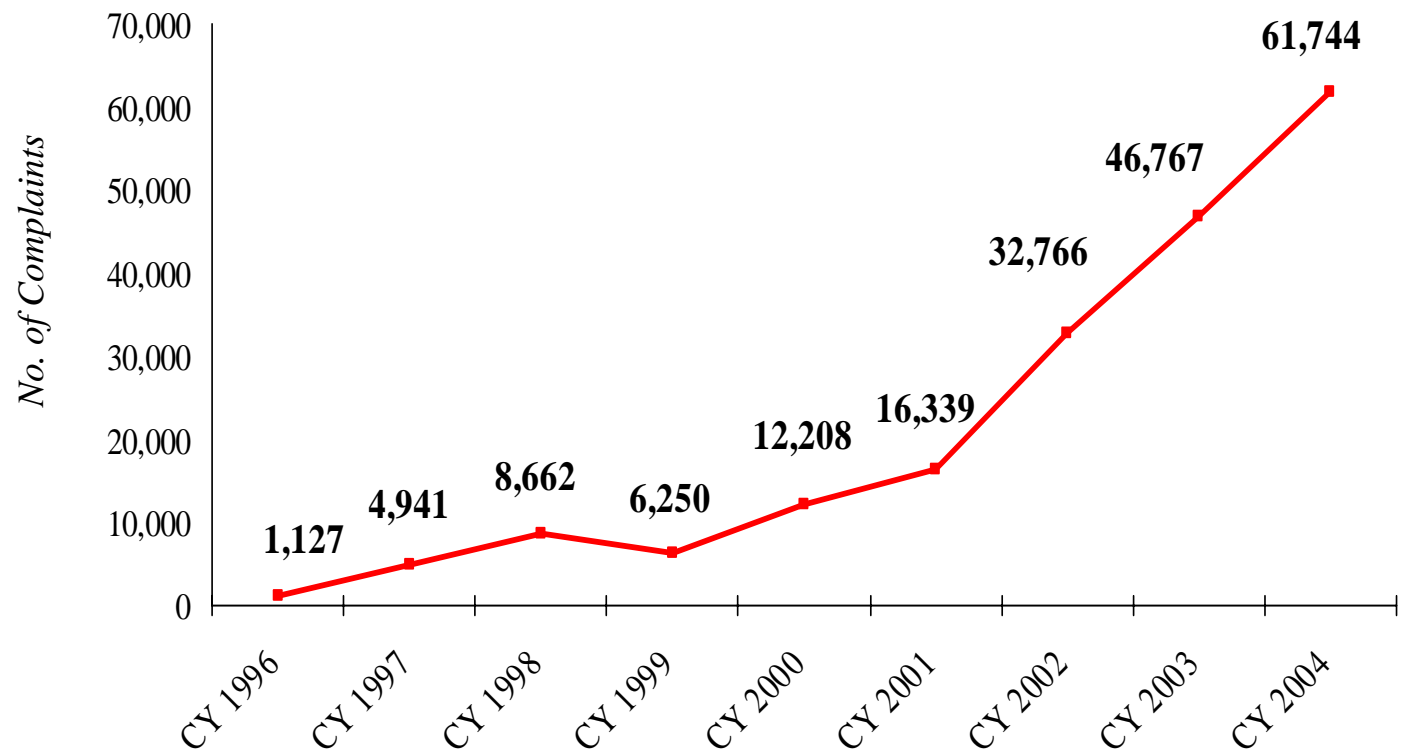
The Identity Theft Data Clearinghouse was launched in November 1999 and is the sole national repository of consumer complaints about identity theft. The Clearinghouse provides specific investigative material for law enforcement and larger, trend-based information providing insight to both private and 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 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

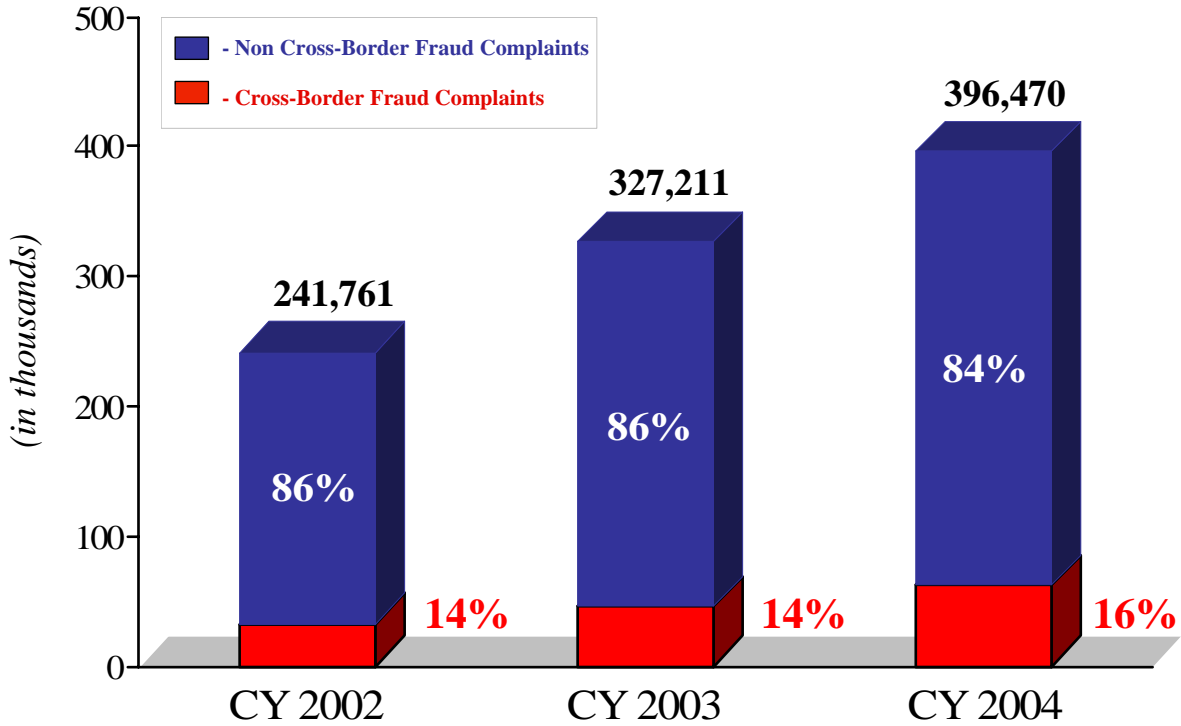
Military Sentinel, which was established in September 2002, is a project of the Federal Trade Commission and the Department of Defense to identify and target consumer protection issues that affect members of the United States Armed Forces and their families. Military Sentinel also provides a gateway 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 government password-protected 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.

Cross-Border Complaint Count by Calendar Year¹



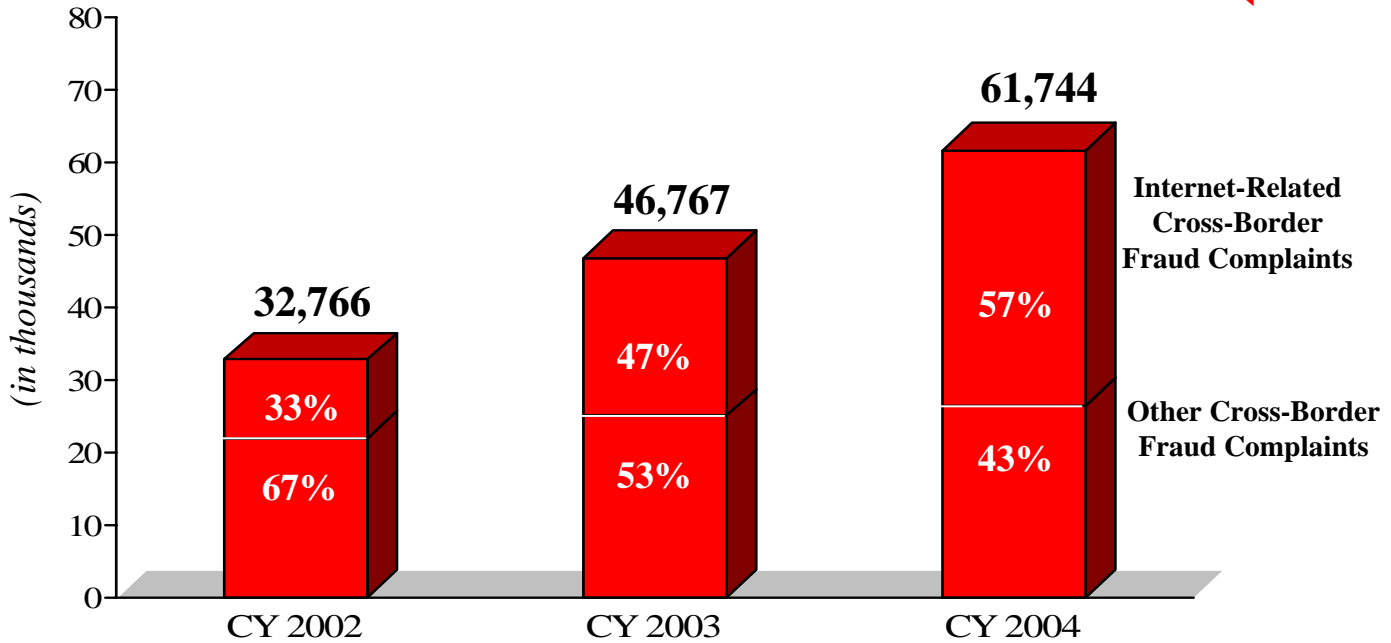
¹For the purposes of this report, a fraud complaint is “cross-border” if: (1) a U.S. consumer complained about a company located in Canada or another foreign country, (2) a Canadian consumer complained about a company located in the U.S. or another foreign country, or (3) a consumer from a foreign country 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.

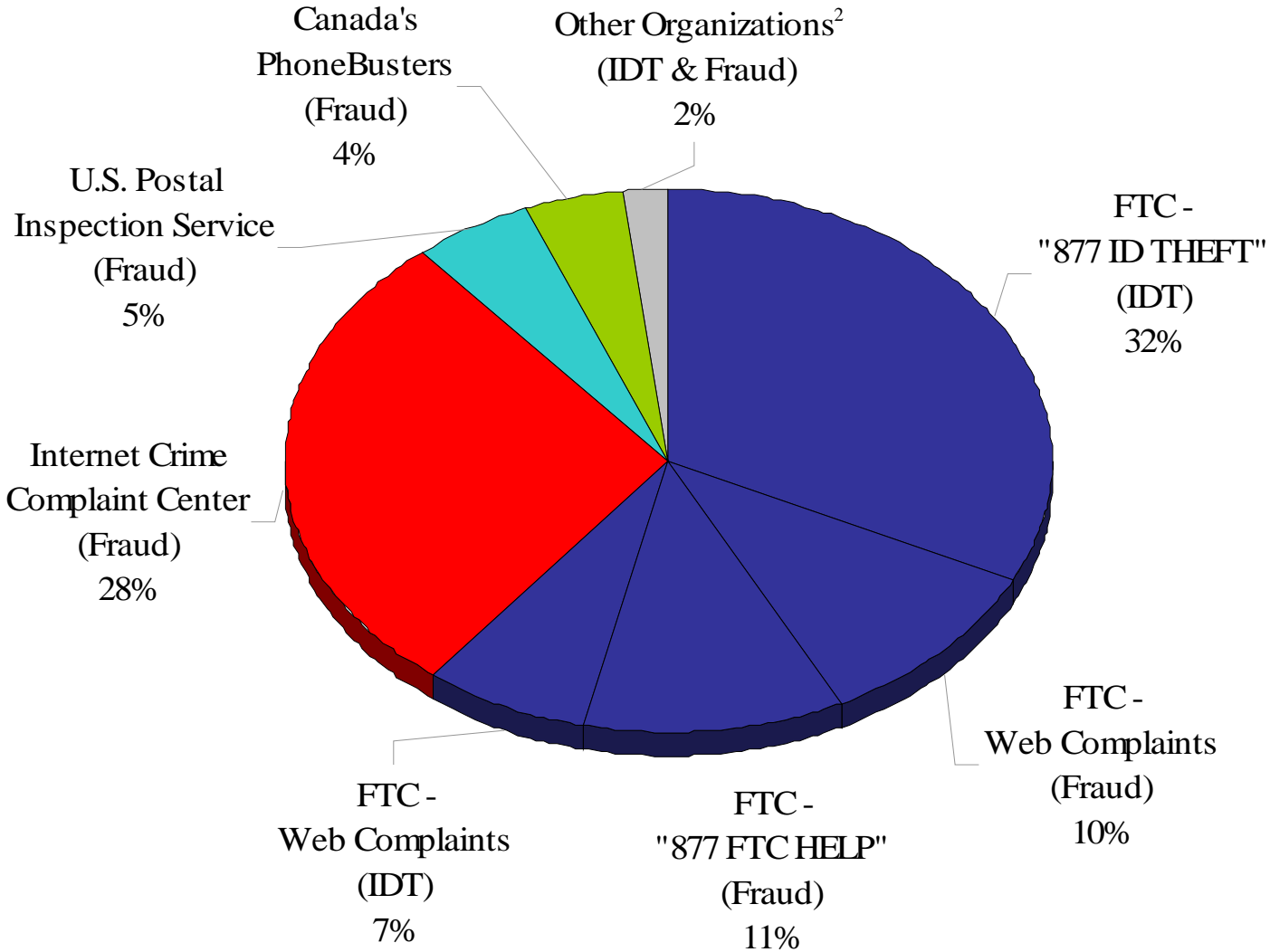
Cross-Border Fraud Complaints by Calendar Year²



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.

Sentinel Data Contributors¹

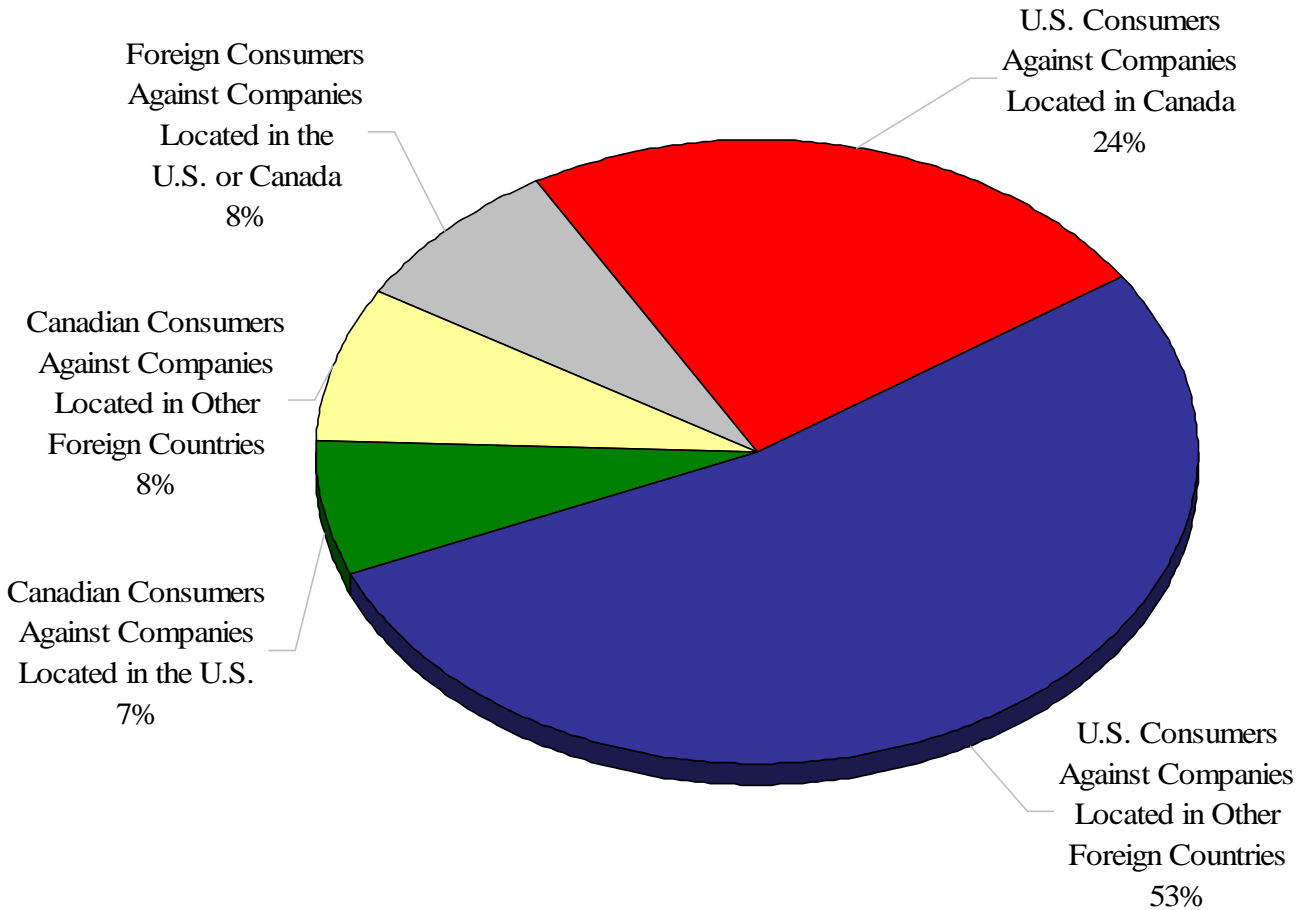
January 1 – December 31, 2004



¹Percentages are based on the total number of Sentinel complaints (643,213) received between January 1 and December 31, 2004. The type of complaints provided by the organization is indicated in parentheses.

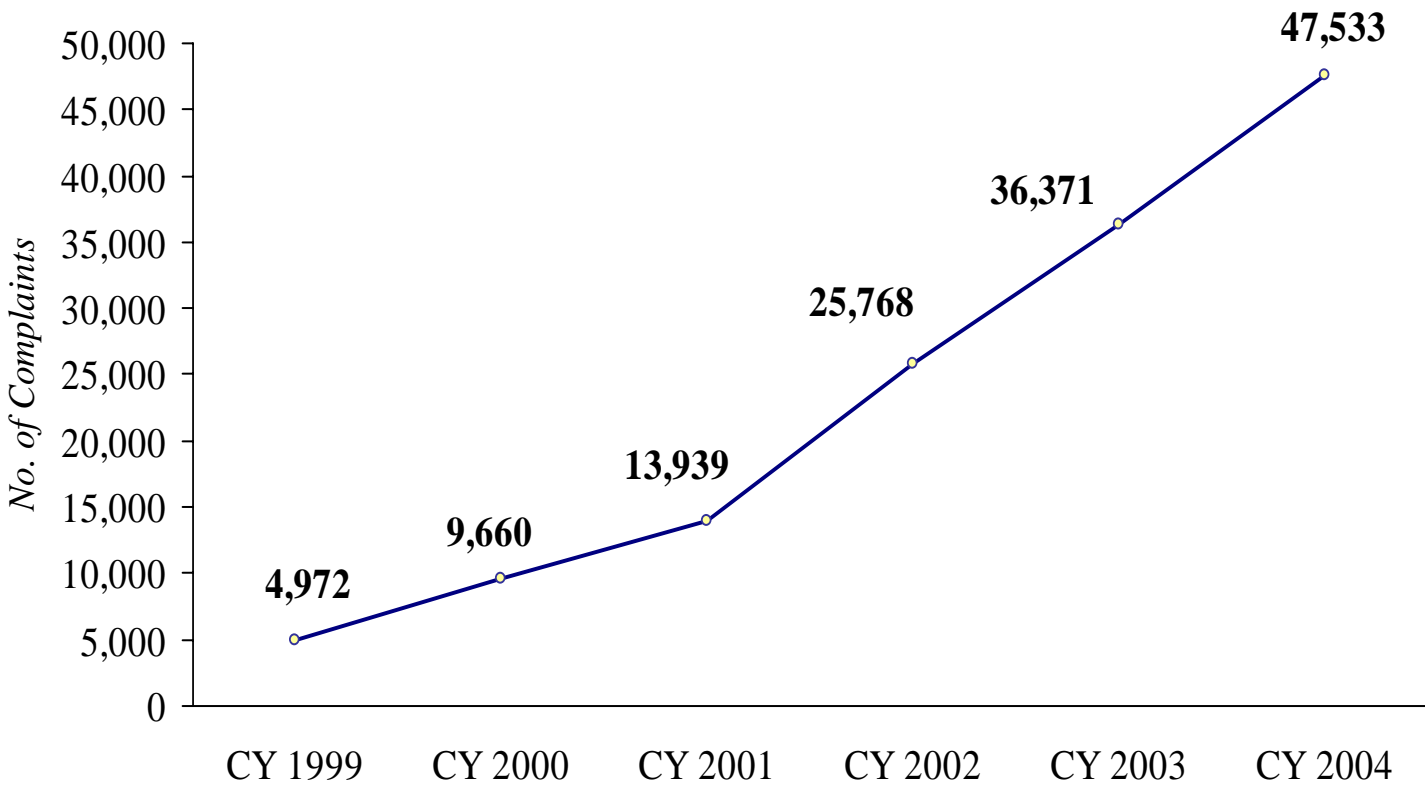
²For a list of other organizations contributing to Sentinel, see Appendix.

Cross-Border Fraud Complaints By Consumer and Company Location¹ *January 1 – December 31, 2004*



¹Percentages are based on the total number of cross-border fraud complaints (61,744) received between January 1 and December 31, 2004.

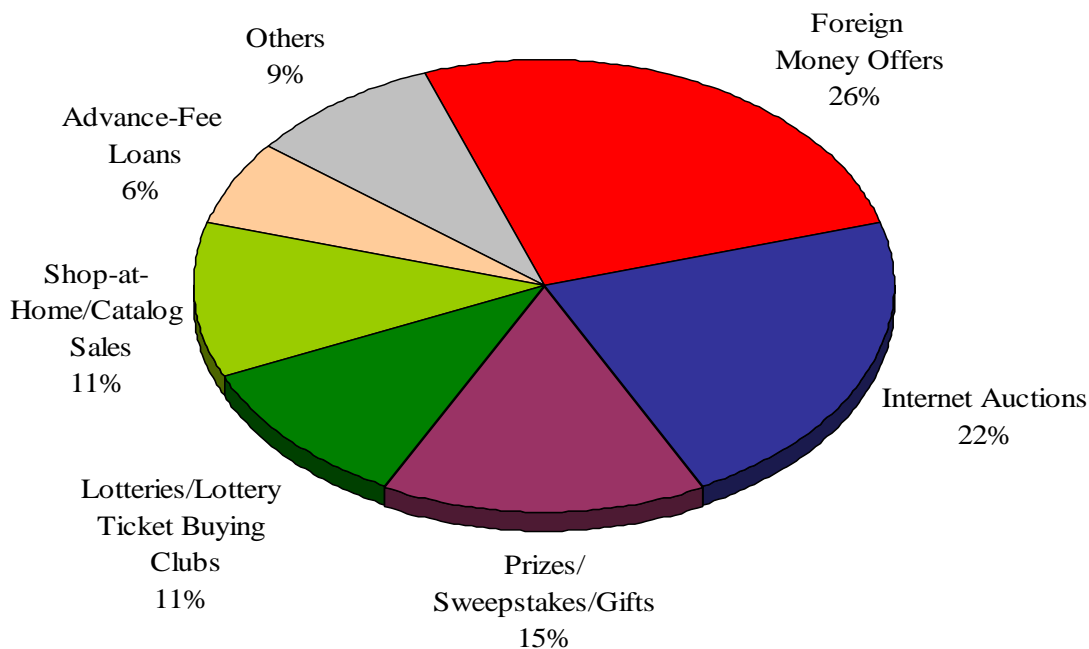
Complaints from U.S. Consumers Against¹ Companies Located in Foreign Countries By Calendar Year



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

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

January 1 – December 31, 2004



¹Percentages are based on the total number of cross-border fraud complaints (**47,533**) from U.S. consumers against companies located in Canada or another foreign country received between January 1 and December 31, 2004.

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

January 1 – December 31, 2004

Rank	Product or Service	No. of Complaints	Percentage ²
1	Prizes\Sweepstakes\Gifts	5,888	40%
2	Advance-Fee Loans, Credit Arrangers	2,898	20%
3	Internet Auction	1,964	13%
4	Shop-at-Home\Catalog Sales	1,028	7%
5	Nigerian/Other Foreign Money Offers	672	5%

²Percentages are based on the total number of cross-border fraud complaints (**14,834**) from U.S. consumers against companies located in Canada received between January 1 and December 31, 2004.

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

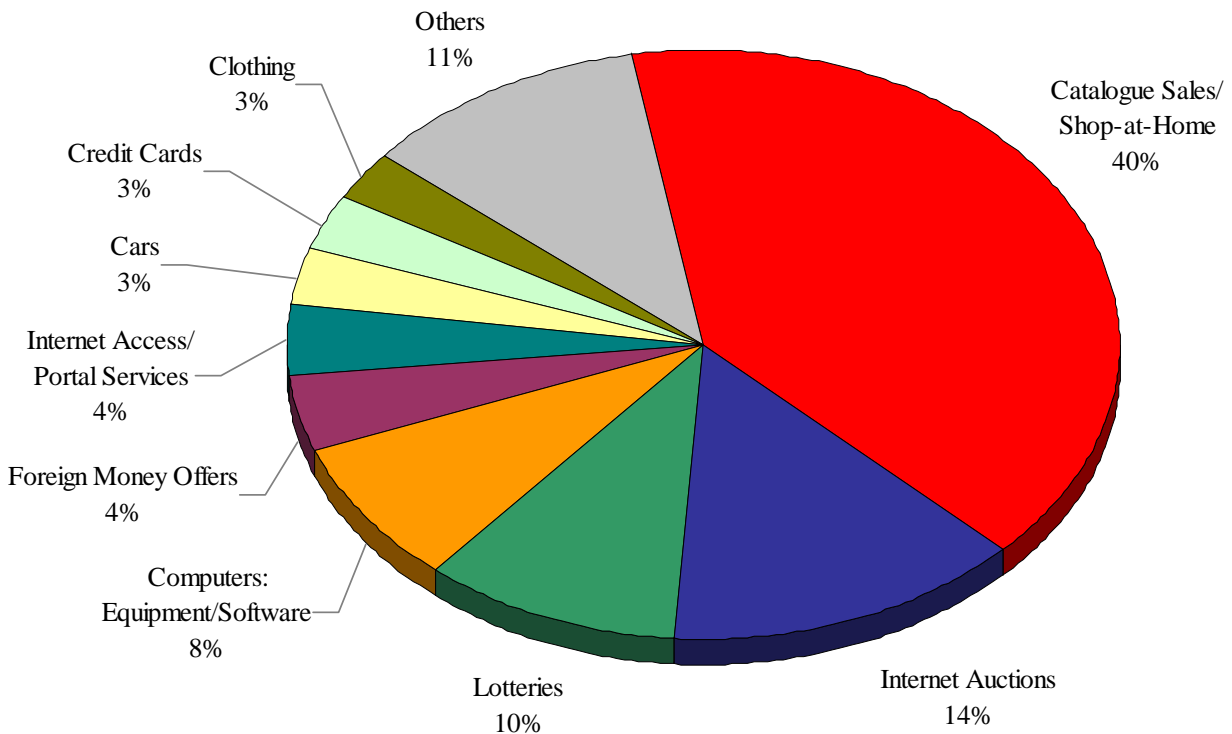
January 1 – December 31, 2004

Rank	Product or Service	No. of Complaints	Percentage ³
1	Nigerian/Other Foreign Money Offers	11,456	35%
2	Internet Auction	8,719	27%
3	Lotteries\Lottery Ticket Buying Clubs	4,590	14%
4	Shop-at-Home\Catalog Sales	4,143	13%
5	Prizes\Sweepstakes\Gifts	1,362	4%

³Percentages are based on the total number of cross-border fraud complaints (**32,699**) from U.S. consumers against companies located in other foreign countries received between January 1 and December 31, 2004.

Top Products or Services for Econsumer Complaints¹

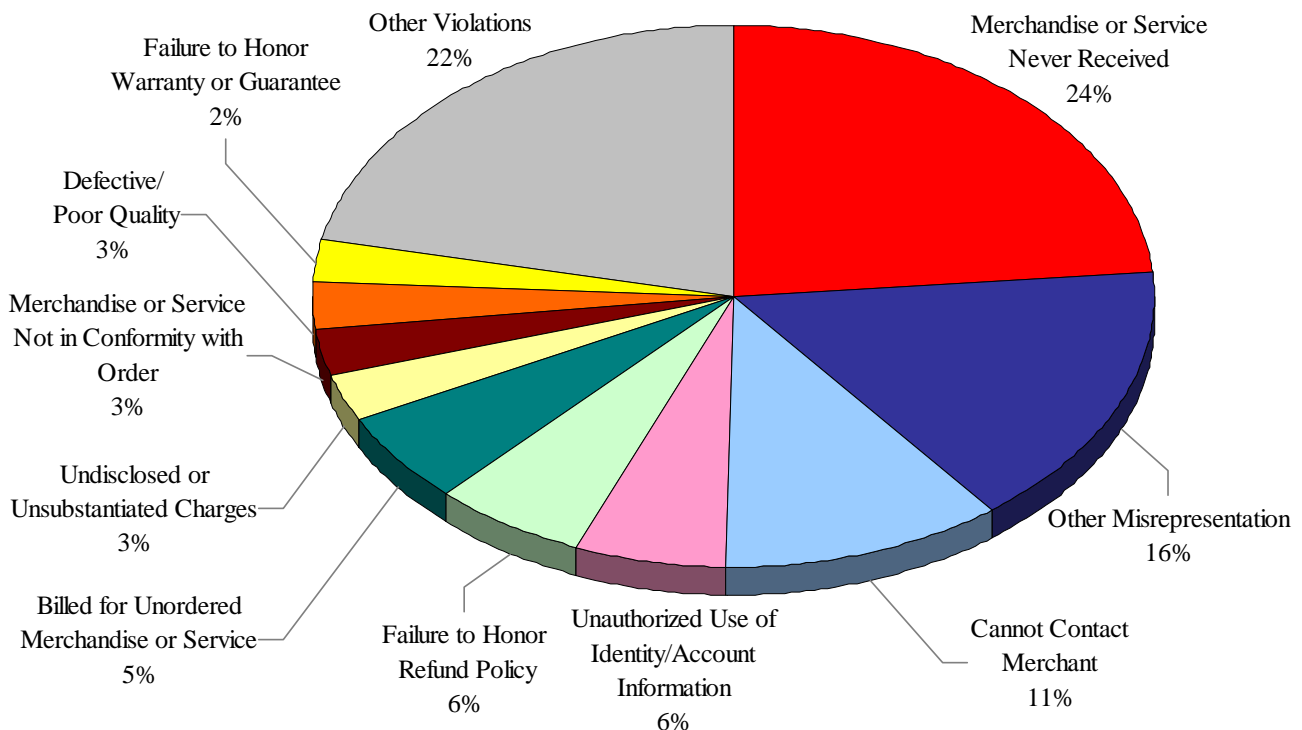
January 1 – December 31, 2004



¹Percentages are based on the 7,222 consumer complaints received from January 1 to December 31, 2004.

Top Law Violations for Econsumer Complaints¹

January 1 – December 31, 2004



¹Percentages are based on the 9,884 econsumer law violations reported from January 1 to December 31, 2004. One complaint may have multiple law violations.

Law Violation	CY 2004		CY 2003		CY 2002	
	No. of Complaints ²	Percentage ³	No. of Complaints ²	Percentage ³	No. of Complaints ²	Percentage ³
Merchandise or Service Never Received	2,335	23.6%	1,953	26.2%	1,115	29.0%
Other Misrepresentation	1,552	15.7%	1,032	13.8%	494	12.8%
Cannot Contact Merchant	1,069	10.8%	829	11.1%	467	12.1%
Unauthorized Use of Identity / Account Information	601	6.1%	388	5.2%	152	4.0%
Failure to Honor Refund Policy	570	5.8%	482	6.5%	267	6.9%
Billed for Unordered Merchandise or Service	536	5.4%	371	5.0%	212	5.5%
Undisclosed or Unsubstantiated Charges	282	2.9%	196	2.6%	108	2.8%
Merchandise or Service Not in Conformity with Order	280	2.8%	259	3.5%	128	3.3%
Defective / Poor Quality	278	2.8%	257	3.4%	140	3.6%
Failure to Honor Warranty or Guarantee	226	2.3%	209	2.8%	106	2.8%
Other Violations	2,155	21.8%	1,483	19.9%	659	17.1%

²Number 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 2004 = 7,222; CY 2003 = 5,263; CY 2002 = 2,681.

³Percentages are based on the total econsumer law violations reported in each time period: CY 2004 = 9,884; CY 2003 = 7,459; CY 2002 = 3,848. One complaint may have multiple law violations.

Fraud Complaints and Amount Paid

U.S. Consumers Against Companies Located in Canada

January 1 – December 31, 2004

CY	Total No. of Complaints	Complaints	Percentage of	Amount Paid Reported	Average Amount Paid ¹	Median Amount Paid ²
		Reporting Amount Paid	Complaints Reporting Amount Paid			
2004	14,834	12,943	87%	\$42,572,172	\$3,289	\$1,066

¹Average is based on the total number of consumers who reported amount paid (12,943). One consumer reported an amount paid of \$6.2 million.

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.

Amount Paid Distribution

Amount Paid	No. of Complaints	
	Complaints	Percentage ³
\$0	1,284	10%
\$1 - 25	398	3%
\$26 - 50	468	4%
\$51 - 75	230	2%
\$76 - 100	204	2%
\$101 - 250	1,055	8%
\$251 - 500	1,418	11%
\$501 - 1,000	1,979	15%
\$1,001 - 5,000	4,991	39%
More than \$5,000	916	7%

³Percentages are based on the total number of consumers who reported amount paid (12,943). 87% of consumers reported this information.

Fraud Complaints and Amount Paid

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

January 1 – December 31, 2004

CY	Total No. of Complaints	Complaints	Percentage of	Amount Paid Reported	Average Amount Paid ⁴	Median Amount Paid ⁵
		Reporting Amount Paid	Complaints Reporting Amount Paid			
2004	32,699	21,975	67%	\$50,116,184	\$2,281	\$1,250

⁴Average is based on the total number of consumers who reported amount paid (21,975). Two consumers reported an amount paid of \$1 million or more (2.5M and 1M).

⁵Median 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

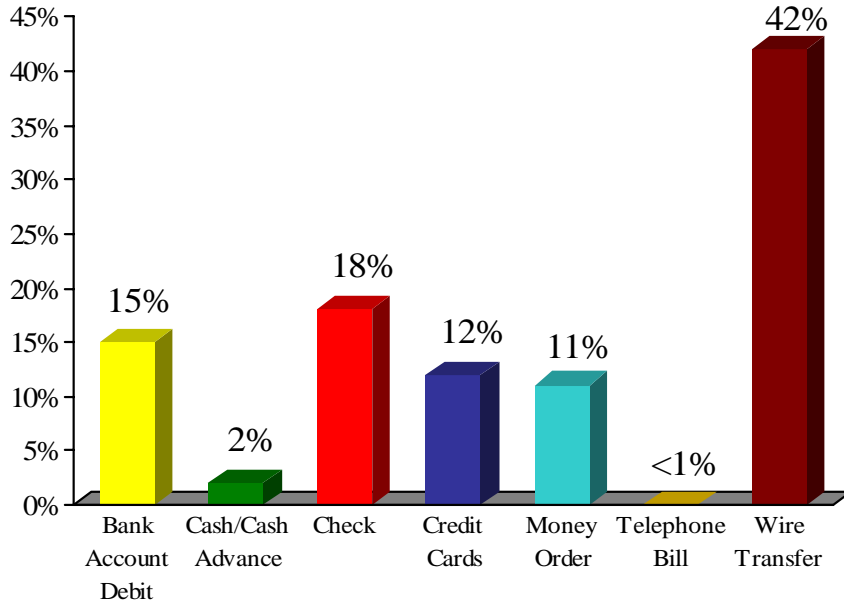
Amount Paid	No. of Complaints	
	Complaints	Percentage ⁶
\$0	6,530	30%
\$1 - 25	319	1%
\$26 - 50	393	2%
\$51 - 75	263	1%
\$76 - 100	286	1%
\$101 - 250	1,161	5%
\$251 - 500	1,875	9%
\$501 - 1,000	2,556	12%
\$1,001 - 5,000	7,114	32%
More than \$5,000	1,478	7%

⁶Percentages are based on the total number of consumers who reported amount paid (21,975). 67% of consumers reported this information.

Methods of Payment Reported by Consumers

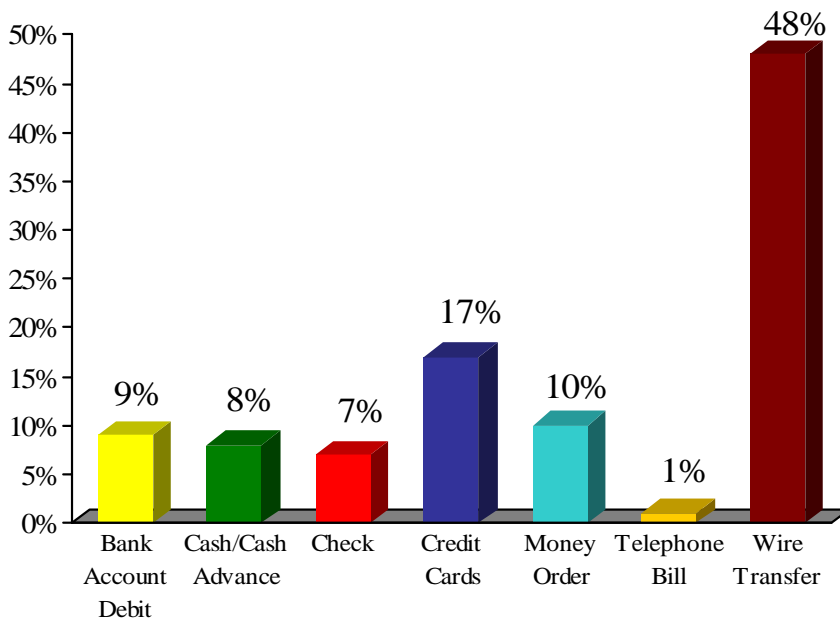
January 1 - December 31, 2004

U.S. Consumers Against Companies Located in Canada¹



¹Percentages are based on the total number of consumers who reported the method of payment (1,917). **13%** of consumers reported this information.

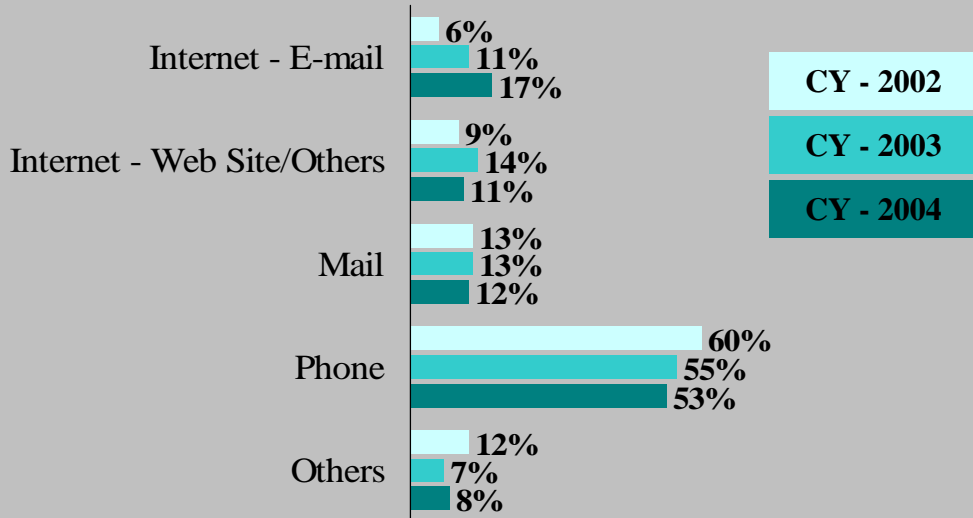
U.S. Consumers Against Companies Located in Other Foreign Countries²



²Percentages are based on the total number of consumers who reported the method of payment (3,342). **10%** of consumers reported this information.

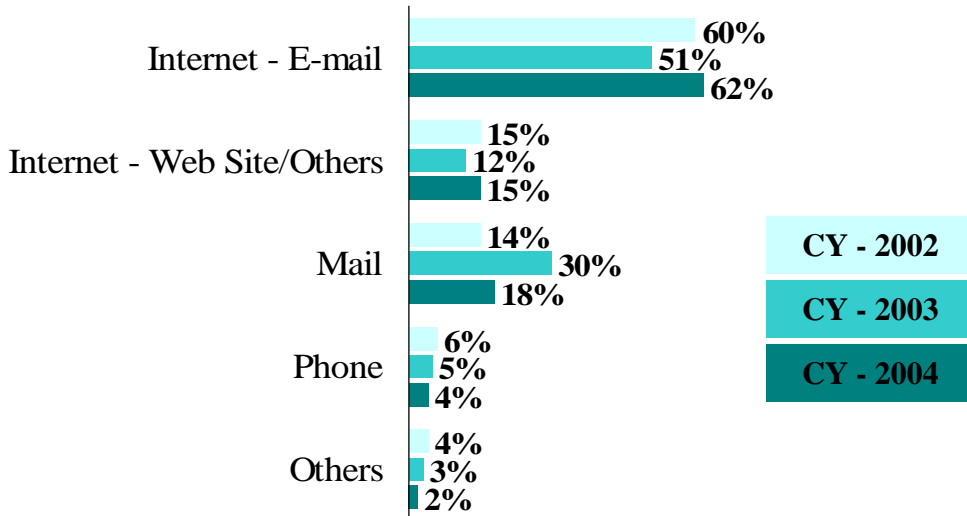
Methods of Initial Contact by Calendar Year

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 2002 = 11,874 with 81% reporting this information; CY 2003 = 13,402 with 82% reporting this information; CY 2004 = 12,171 with 82% 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 2002 = 6,663 with 60% reporting this information; CY 2003 = 16,307 with 81% reporting this information; CY 2004 = 25,415 with 78% reporting this information).

Appendix: Other Sentinel Data Contributors

Calendar Year 2004

Federal Agencies

Federal Bureau of Investigation
U.S. Attorneys Office for the Eastern District
of New York
U.S. Social Security Administration

Attorneys General Offices

Alabama
Arkansas
District of Columbia
Indiana
Kansas
Louisiana
Maine
New Mexico
North Carolina
North Dakota
Ohio
Oklahoma
Texas
Vermont

Other State & Local Agencies

California, Stanislaus County District Attorney
California, Monterey County District Attorney
Georgia Governor's Office of Consumer Affairs
Kansas, Johnson County District Attorney
Tennessee Regulatory Authority
Washington Securities Division
Wisconsin Department of Financial Institutions
Wisconsin Department of Agriculture

Others

Better Business Bureaus
National Fraud Information Center
Xerox Corporation

Local Police/Sheriff Departments

Arizona, Phoenix Police Department
California, Roseville Police Department
Connecticut, West Haven Police Department
Florida, Pasco Sheriff's Office
Illinois, Lincolnshire Police Department
Iowa, Clinton Police Department
Idaho, Chubbuck Police Department
Indiana, White County Sheriff's Office
Kansas, Pottawatomie County Sheriff's Office
Michigan, Genesee County Sheriff's Office
Michigan, Port Huron Police Department
Minnesota, Morris Police Department
Missouri, Taney County Sheriff's Office
Montana, Lake County Sheriff's Office
New Jersey, Moorestown Township Police Department
New York, Newark Police Department
North Carolina, Wilson County Sheriff's Office
Pennsylvania, Dallas Township Police Department
Texas, Dalhart Police Department
Virginia, Front Royal Police Department
Washington, Mount Vernon Police Department
Washington, Washougal Police Department