



Cross-Border Fraud Complaints

January – December 2005



Federal Trade Commission
February 2006



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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 almost **three 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 2005, 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 2005, Consumer Sentinel received over **430,000** fraud-related complaints, of which 20% 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

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

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



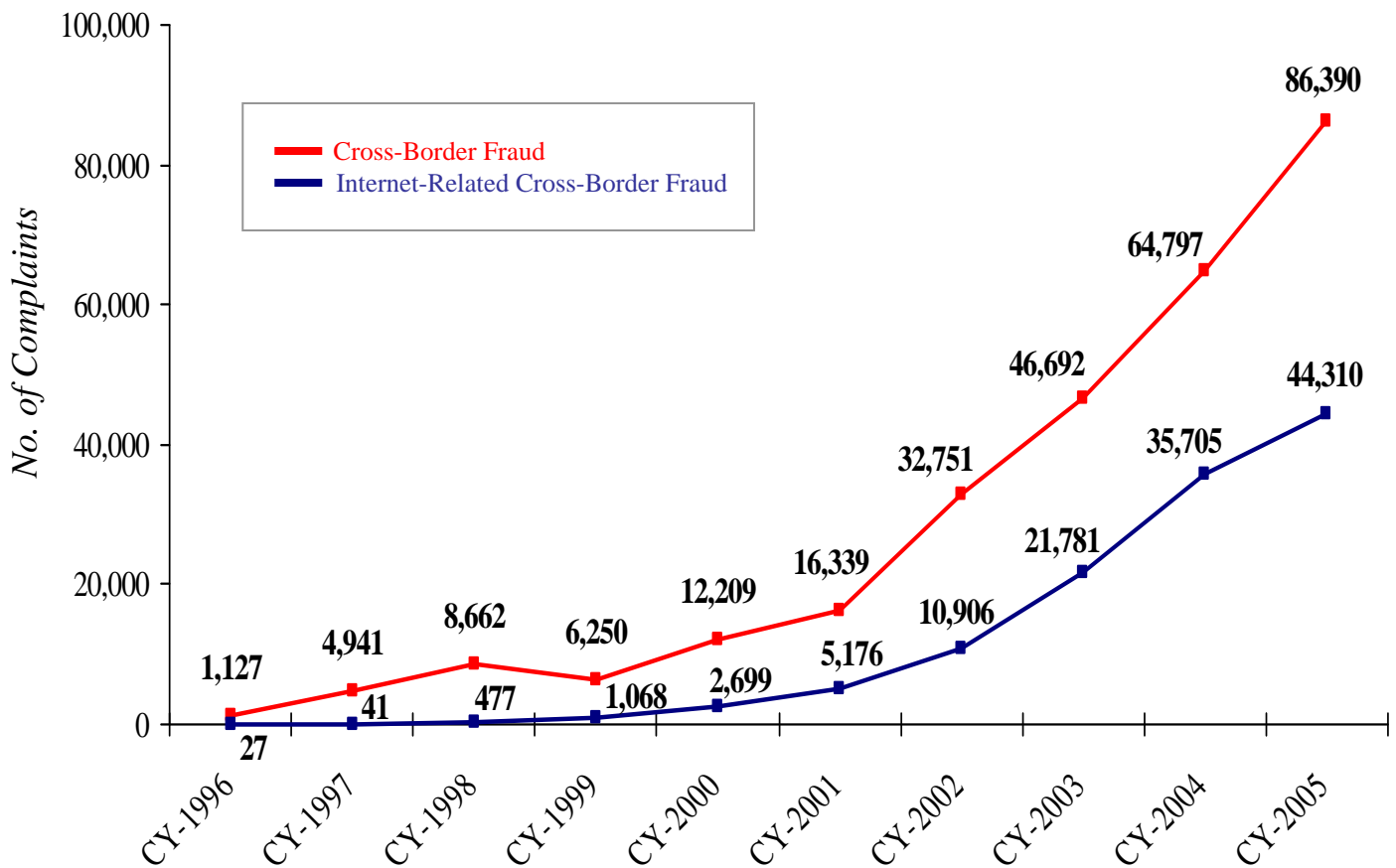
Executive Summary
Cross-Border Fraud Complaints
January – December 2005

- The Commission received over 86,000 cross-border fraud complaints during calendar year 2005. Cross-border fraud complaints comprised 20% of all fraud complaints received during calendar year 2005, 14% and 16% for CY-2003 and CY-2004, respectively.
- Foreign Money Offers was the leading product/service category in U.S. consumers' cross-border complaints (33%), followed by Internet Auctions (19%), Prizes/Sweepstakes/Gifts (14%), Lotteries/Lottery Ticket Buying Clubs (13%), Shop-at-Home/Catalog Sales (9%), and Advance-Fee Loans (3%).
- Internet-related complaints comprised 51% (44,310) of the total cross-border fraud complaints (86,390) received during calendar year 2005.
- 21% (18,200) of all cross-border fraud complaints (86,390) were from U.S. consumers complaining about Canadian companies and 64% (55,176) 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 Foreign Money Offers 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 \$50 million against companies located in Canada, and losses of over \$136 million against companies located in other foreign countries.
- Mail is now the most frequently reported method used by companies located in Canada to initially contact U.S. consumers. From CY-2004 to CY-2005, the percentage of complaints by U.S. consumers against companies located in Canada, when the initial contact was by mail, grew from 12% to 42%, while the percentage of complaints where the initial contact was by phone dropped from 54% to 34%.
- "Wire Transfer" was the highest reported payment method used in cross-border fraud complaints in calendar year 2005; 43% of the complaints from U.S. consumers against companies located in Canada reported "Wire Transfer" as the payment method, and 54% 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).

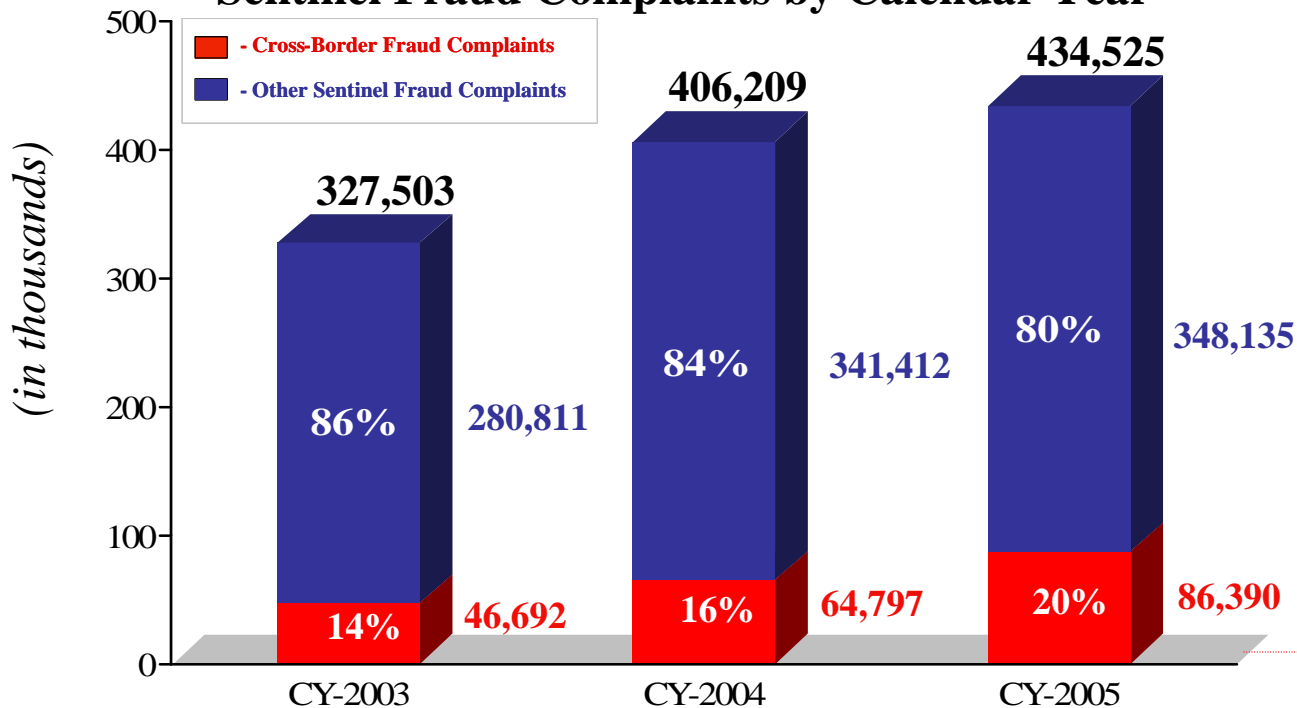
- Econsumer received over 20,000 complaints between CY-2003 and CY-2005; 5,263 complaints in CY-2003, 7,222 in CY-2004, and 10,179 complaints in CY-2005.
- Shop-at-Home/Catalog Sales was the most commonly reported complaint category in Econsumer complaints during calendar years 2003 through 2005, with 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



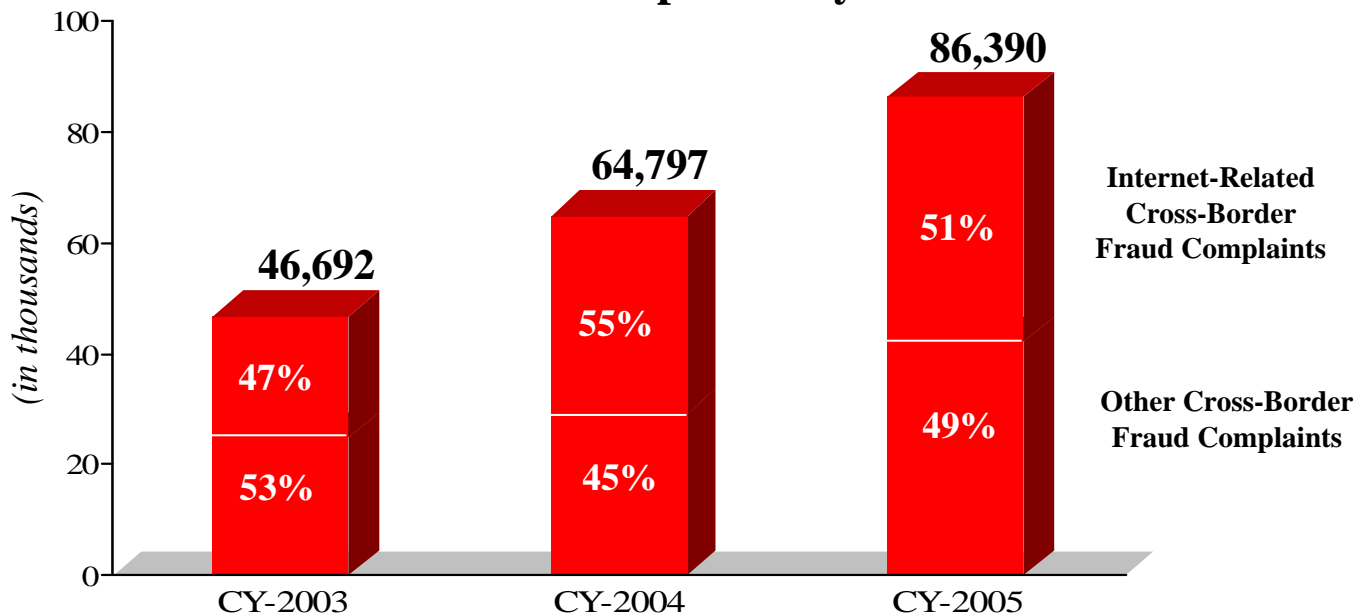
¹For the purposes of this report, a fraud complaint is “cross-border” if: (1) a U.S. consumer complained about a company located in Canada or another foreign country; (2) a Canadian consumer complained about a company located in the U.S. or another foreign country; or (3) a consumer from a foreign country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



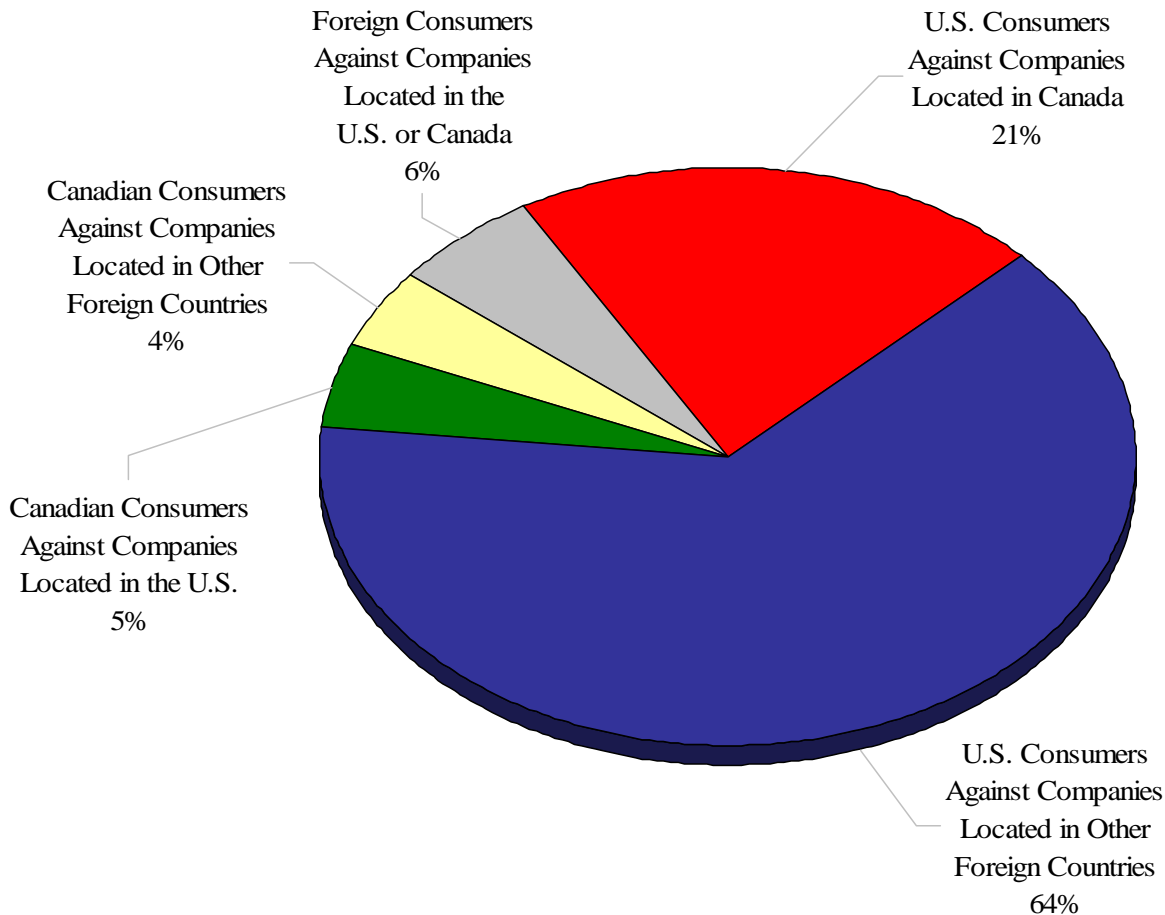
¹Percentages are based on the total number of Consumer Sentinel fraud complaints by calendar year. These figures exclude "Identity Theft" and "Do Not Call" registry complaints.

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, 2005*

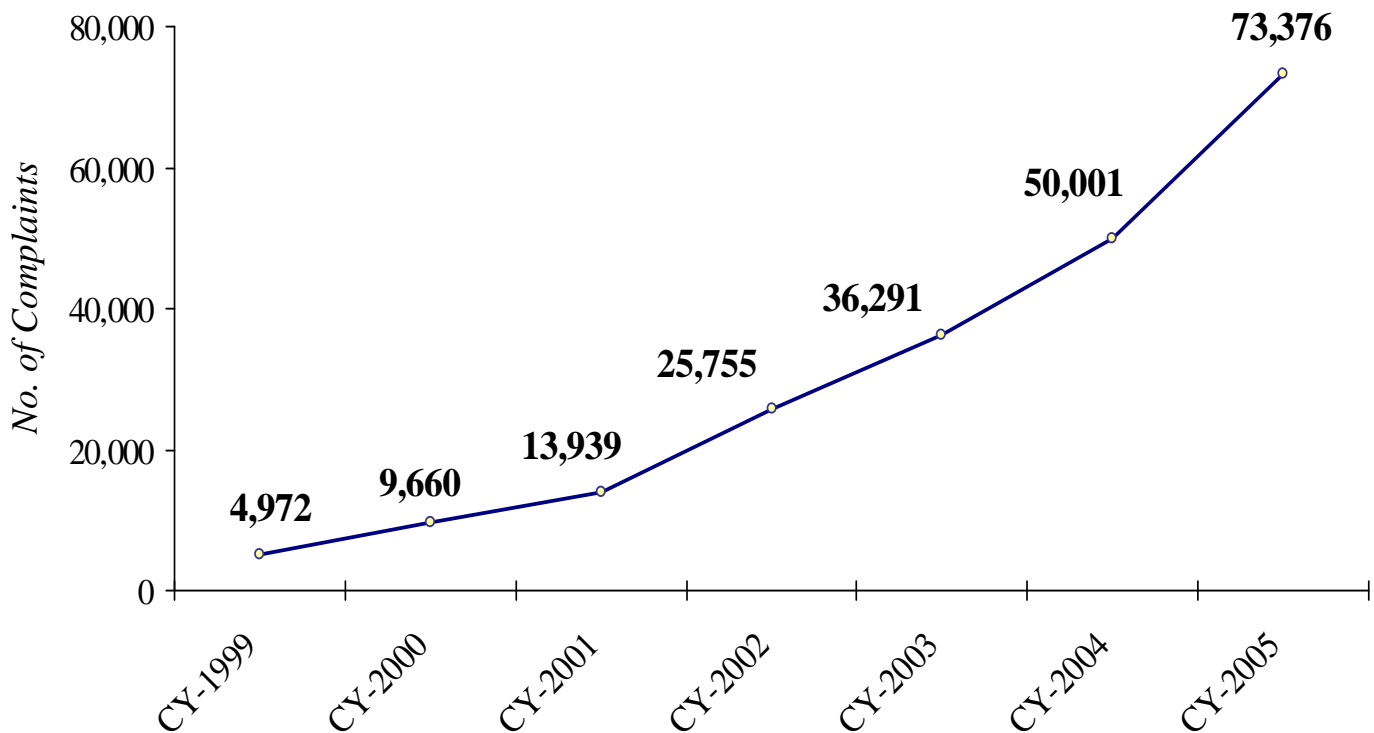


Cross-Border Fraud Complaints By Consumer and Company Location¹ *Calendar Years 2003 through 2005*

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
2003	35%	43%	9%	5%	9%
2004	25%	52%	7%	8%	8%
2005	21%	64%	5%	4%	6%

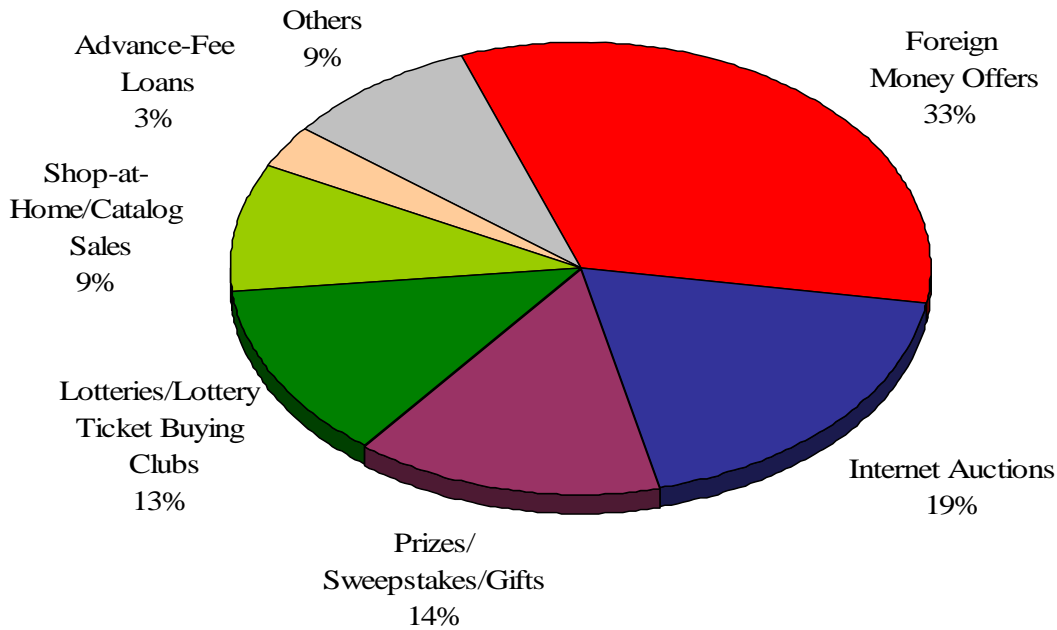
¹Percentages are based on the total number of cross-border fraud complaints for each calendar year: CY-2003 = 46,692; CY-2004 = 64,797 ; and CY-2005 = 86,390.

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, 2005*



¹Percentages are based on the total number of cross-border fraud complaints (**73,376**) from U.S. consumers against companies located in Canada or other foreign countries received between January 1 and December 31, 2005.

Top Products or Services for Complaints from U.S. Consumers Against Companies Located in Canada *January 1 – December 31, 2005*

Rank	Product or Service	Complaints	Percentage ²
1	Prizes/Sweepstakes/Gifts	9,018	50%
2	Lotteries/Lottery Ticket Buying Clubs	2,209	12%
3	Advance-Fee Loans, Credit Arrangers	1,836	10%
4	Foreign Money Offers	1,188	7%
5	Internet Auction	1,178	6%

²Percentages are based on the total number of cross-border fraud complaints (**18,200**) from U.S. consumers against companies located in Canada received between January 1 and December 31, 2005.

Top Products or Services for Complaints from U.S. Consumers Against Companies Located in Other Foreign Countries *January 1 – December 31, 2005*

Rank	Product or Service	Complaints	Percentage ³
1	Foreign Money Offers	22,914	42%
2	Internet Auction	12,737	23%
3	Lotteries/Lottery Ticket Buying Clubs	7,185	13%
4	Shop-at-Home/Catalog Sales	5,684	10%
5	Bus Opps\Franchises\Distributorships	1,522	3%

³Percentages are based on the total number of cross-border fraud complaints (**55,176**) from U.S. consumers against companies located in other foreign countries received between January 1 and December 31, 2005.

Fraud Complaints and Amount Paid by U.S. Consumers Against Companies Located in Canada *Calendar Years 2003 through 2005*

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
2003	16,264	14,490	89%	\$45,580,202	\$3,146	\$1,000
2004	16,264	14,484	89%	\$50,957,398	\$3,518	\$1,200
2005	18,200	14,078	77%	\$50,560,636	\$3,591	\$1,871

¹Average is based on the total number of consumers who reported amount paid for each calendar year: CY-2003 = 14,490; CY-2004 = 14,484 ; and CY-2005 = 14,078. Two consumers reported an amount paid of \$1 million or more during CY-2005 (3M and 1M); 2 consumers in CY-2004 (6.2M and 1M), and 1 consumer in CY-2003 (1M).

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 2003 through 2005*

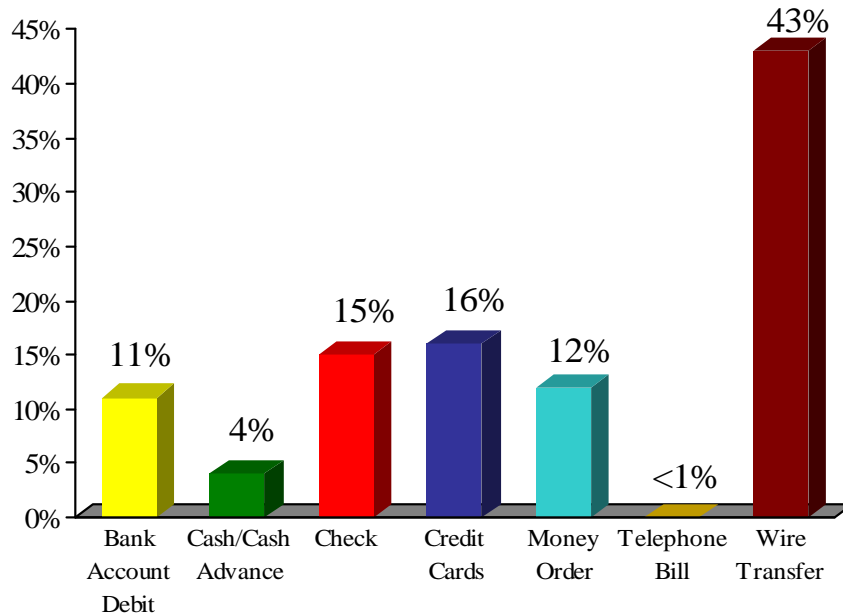
CY	Total No. of Complaints	Complaints Reporting Amount Paid	Percentage of Complaints Reporting Amount Paid	Amount Paid Reported	Average Amount Paid ¹	Median Amount Paid ²
2003	20,027	11,524	58%	\$31,568,724	\$2,739	\$1,100
2004	33,737	22,164	66%	\$50,825,050	\$2,293	\$1,250
2005	55,176	28,618	52%	\$136,772,406	\$4,779	\$1,321

³Average is based on the total number of consumers who reported amount paid for each calendar year: CY-2003 = 11,524; CY-2004 = 22,164; and CY-2005 = 28,618. Seven consumers reported an amount paid of \$1 million or more during CY-2005 (27.6M, 15.7M, 5M, 3.5M, 2.5M, 2.5M, and 1.5M); 2 consumers in CY-2004 (2.5M and 1M), and 2 consumers in CY-2003 (4.3M and 1M).

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.

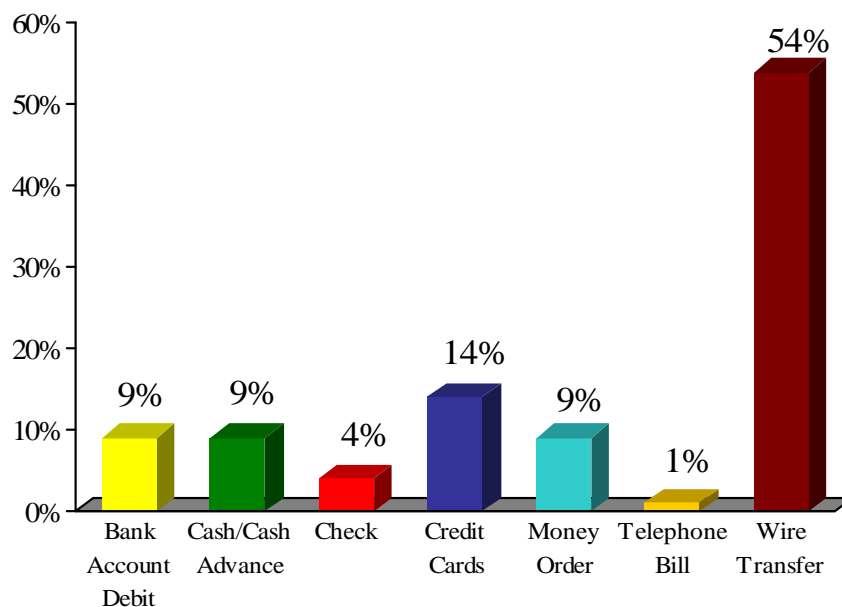
Methods of Payment Reported by Consumers January 1 - December 31, 2005

U.S. Consumers Against Companies Located in Canada¹



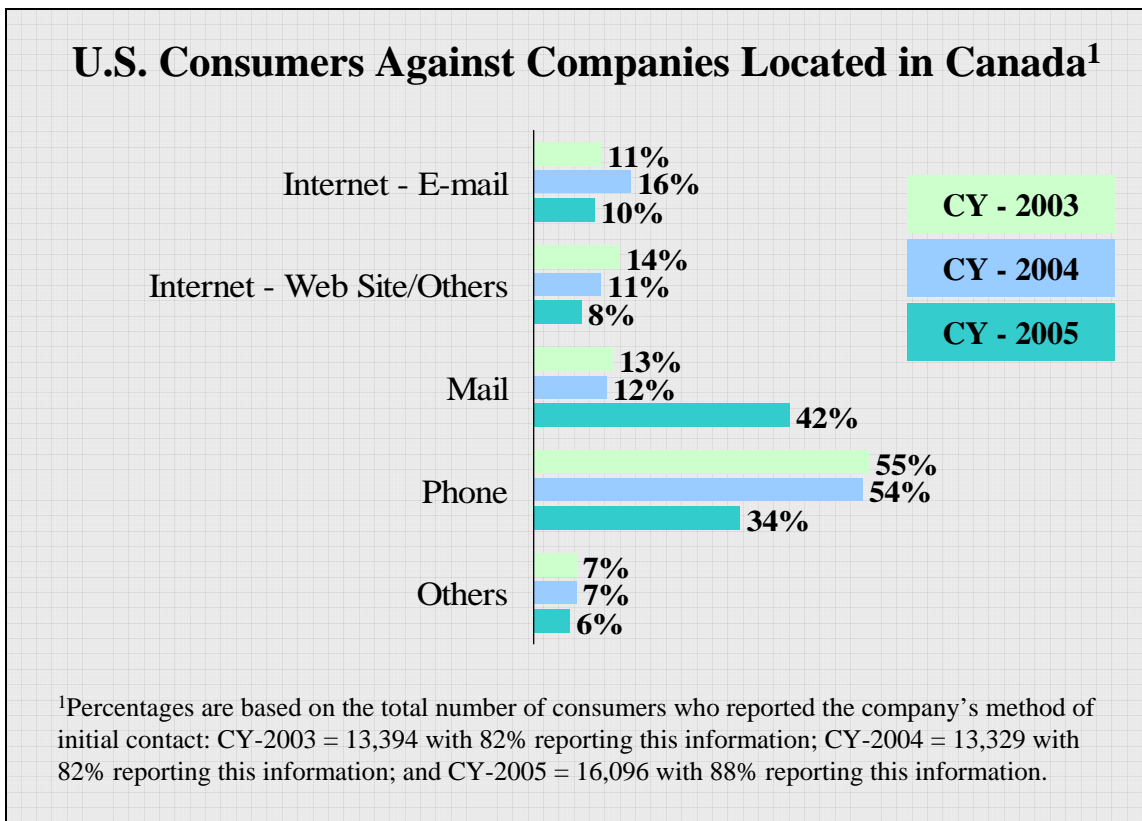
¹Percentages are based on the total number of consumers who reported the method of payment (1,920). **11%** of consumers reported this information.

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

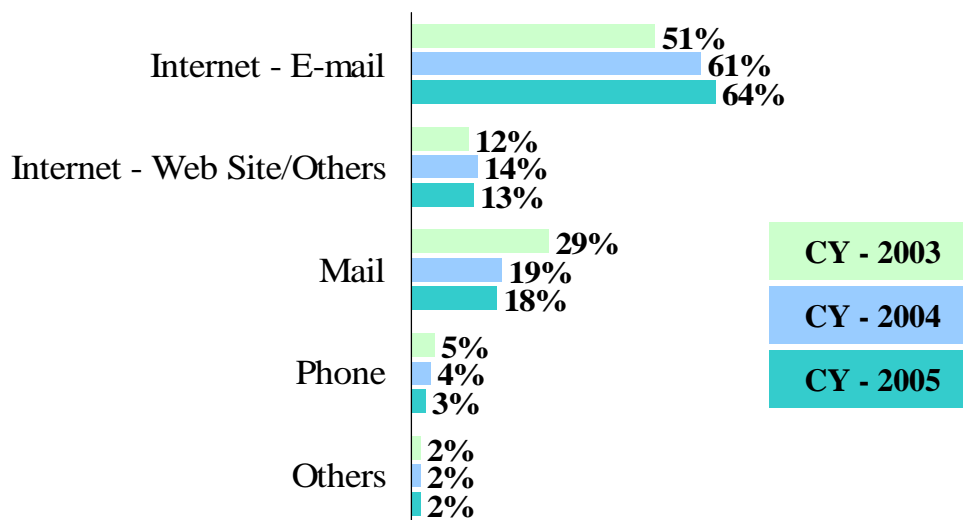


²Percentages are based on the total number of consumers who reported the method of payment (4,210). **8%** of consumers reported this information.

Methods of Initial Contact by Calendar Year



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

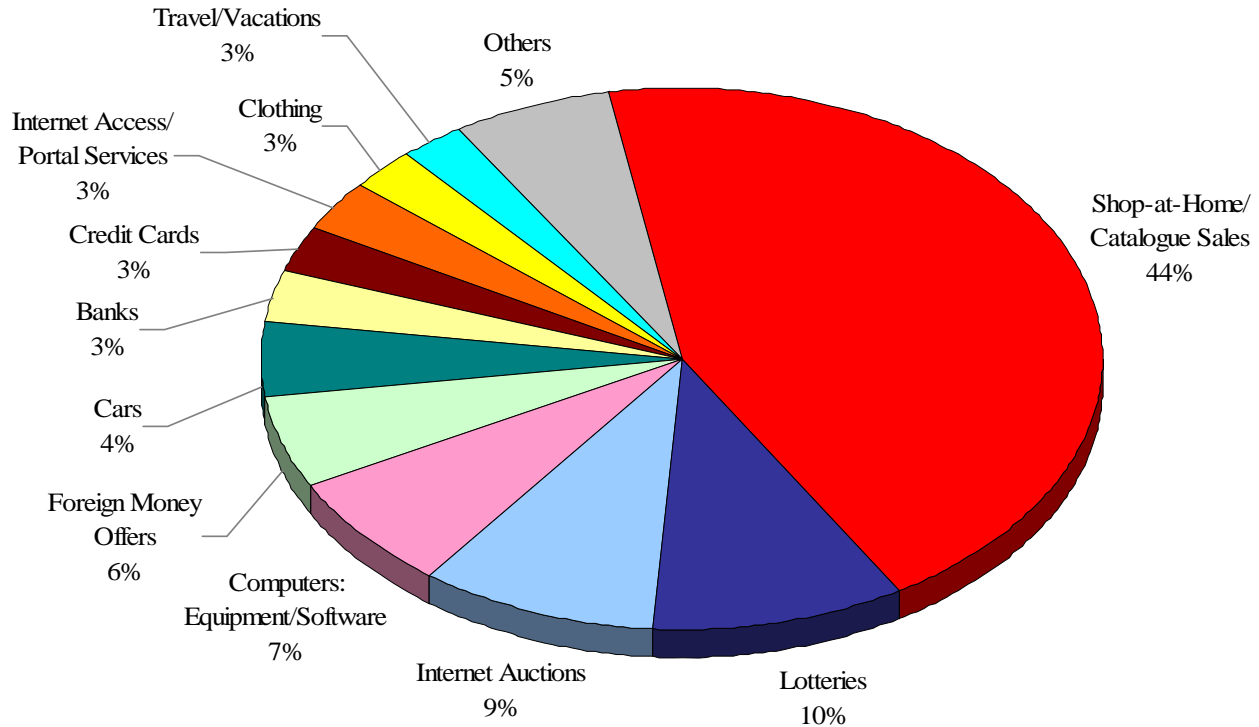


²Percentages are based on the total number of consumers who reported the company's method of initial contact: CY-2003 = 16,234 with 81% reporting this information; CY-2004 = 25,821 with 77% reporting this information; and CY-2005 = 38,834 with 70% reporting this information.



Top Products or Services for Econsumer Complaints¹

January 1 – December 31, 2005



¹Percentages are based on the **10,179** econsumer complaints received from January 1 to December 31, 2005.

Top Products or Services for Econsumer Complaints

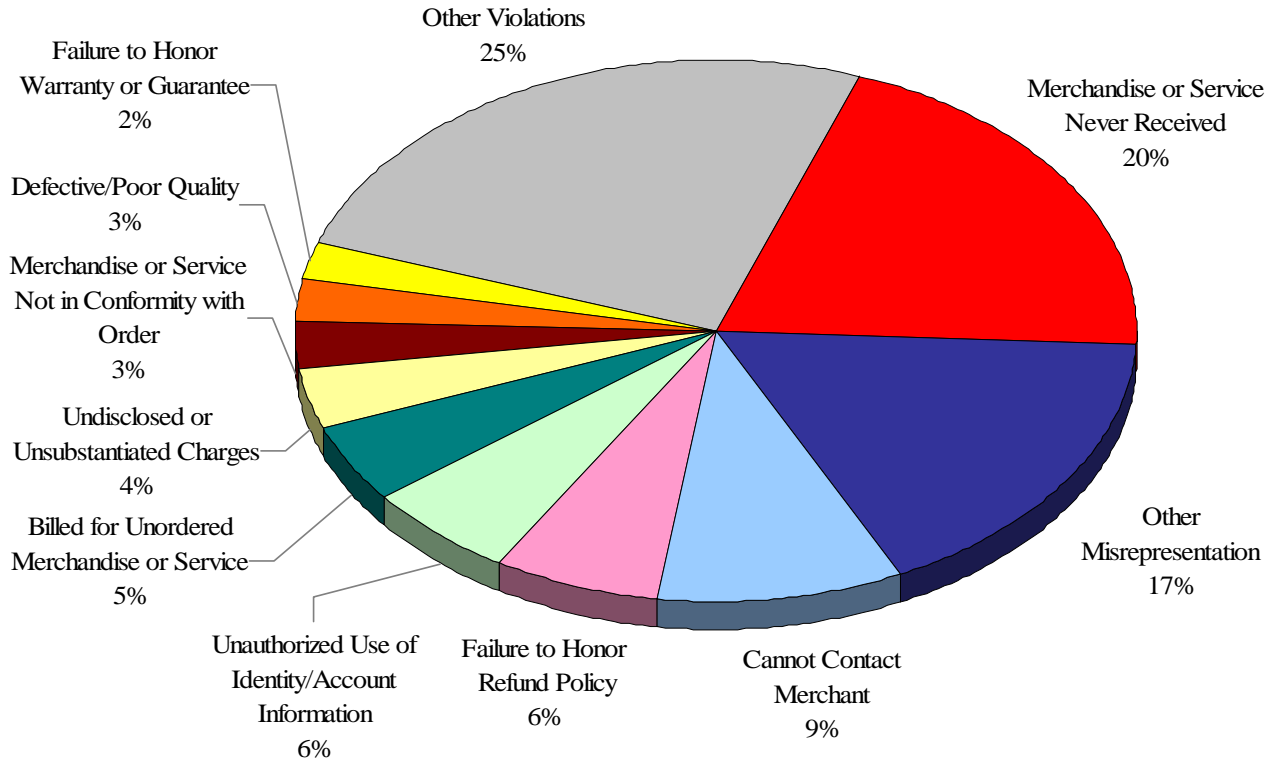
Calendar Years 2003 through 2005

Top Product or Service	CY-2003		CY-2004		CY-2005	
	Complaints	Percentages ²	Complaints	Percentages ²	Complaints	Percentages ²
Shop-at-Home/Catalogue Sales	2,097	39.8%	2,911	40.3%	4,477	44.0%
Lotteries/Lottery Ticket Buying Clubs	298	5.7%	725	10.0%	1,002	9.8%
Internet Auction	761	14.5%	977	13.5%	917	9.0%
Computers: Equipment\Software	515	9.8%	569	7.9%	706	6.9%
Foreign Money Offers	264	5.0%	315	4.4%	579	5.7%
Cars	130	2.5%	251	3.5%	439	4.3%
Banks	90	1.7%	176	2.4%	330	3.2%
Credit Cards	163	3.1%	198	2.7%	285	2.8%
Internet Access\Portal Services	205	3.9%	279	3.9%	280	2.8%
Clothing	132	2.5%	192	2.7%	264	2.6%
Travel\Vacations	119	2.3%	180	2.5%	264	2.6%

²Percentages are based on the total number of econsumer complaints reported in each time period: CY-2003 = 5,263; CY-2004 = 7,222; and CY-2005 = 10,179.



Top Law Violations for Econsumer Complaints¹ January 1 – December 31, 2005



¹Percentages are based on the **13,699** econsumer law violations reported from January 1 to December 31, 2005. One complaint may have multiple law violations.

Top Law Violations for Econsumer Complaints Calendar Years 2003 through 2005

Law Violation	CY-2003		CY-2004		CY-2005	
	Complaints ²	Percentages ³	Complaints ²	Percentages ³	Complaints ²	Percentages ³
Merchandise or Service Never Received	1,953	26.2%	2,335	23.6%	2,777	20.3%
Other Misrepresentation	1,032	13.8%	1,552	15.7%	2,317	16.9%
Cannot Contact Merchant	829	11.1%	1,069	10.8%	1,301	9.5%
Failure to Honor Refund Policy	482	6.5%	570	5.8%	884	6.5%
Unauthorized Use of Identity/Account Information	388	5.2%	601	6.1%	786	5.7%
Billed for Unordered Merchandise or Service	371	5.0%	536	5.4%	649	4.7%
Undisclosed or Unsubstantiated Charges	196	2.6%	282	2.9%	488	3.6%
Merchandise or Service Not in Conformity with Order	259	3.5%	280	2.8%	378	2.8%
Defective/Poor Quality	257	3.4%	278	2.8%	362	2.6%
Failure to Honor Warranty or Guarantee	209	2.8%	226	2.3%	309	2.3%
Other Violations	1,483	19.9%	2,155	21.8%	3,448	25.2%

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-2003 = 5,263; CY-2004 = 7,222; and CY-2005 = 10,179.

³Percentages are based on the total number of econsumer law violations reported in each time period: CY-2003 = 7,459; CY-2004 = 9,884; and CY-2005 = 13,699. 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 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.



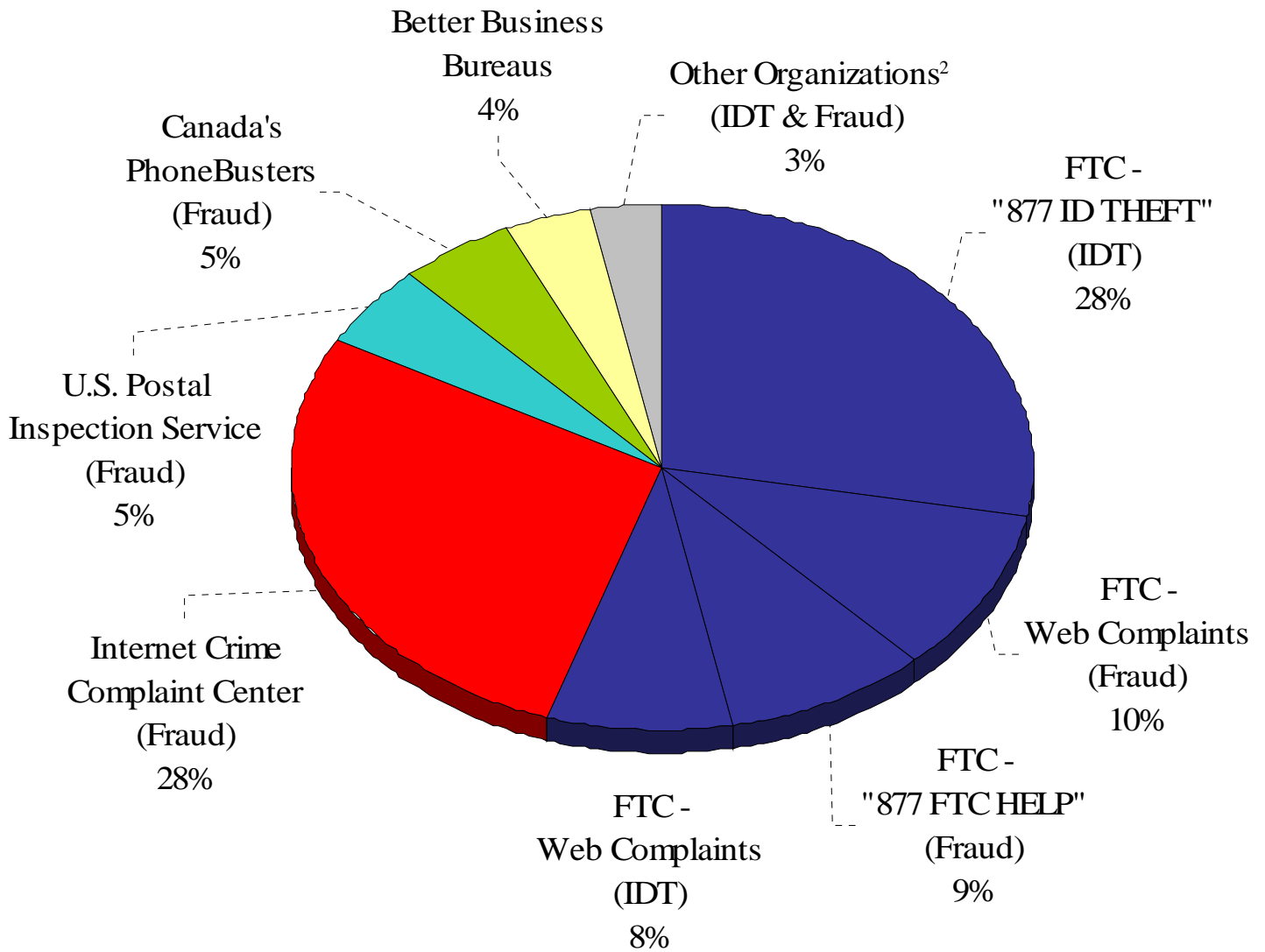
Econsumer.gov was created in April 2001 to gather and share cross-border e-commerce complaints in order to respond to the challenges of multinational Internet fraud, and enhance consumer confidence in e-commerce. The multilingual public Web site provides general information about consumer protection 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.



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.

Appendix A2: Sentinel Data Contributors¹

January 1 – December 31, 2005



¹Percentages are based on the total number of Sentinel complaints (686,683) received between January 1 and December 31, 2005. 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, 2005

Federal Agencies

U.S. Social Security Administration

Attorneys General Offices

Colorado

District of Columbia

Louisiana

Nevada

New Mexico

New York

North Carolina

North Dakota

Ohio

Vermont

Other State & Local Agencies

California, Stanislaus County District Attorney

Georgia Governor's Office of Consumer Affairs

South Carolina State Law Enforcement Division

Tennessee Regulatory Authority

Pennsylvania State Police

Virginia, Virginia Beach Commonwealth Attorney

Wisconsin Department of Agriculture, Trade

and Consumer Protection

Wisconsin Department of Financial Institutions

Others

Identity Theft Assistance Center

National Fraud Information Center

Xerox Corporation

Local Police/Sheriff Departments

Alabama, Gardendale Police Department

Alabama, Russellville Police Department

Colorado, Greeley Police Department

Colorado, Steamboat Springs Police Department

Connecticut, Danbury Police Department

Connecticut, Groton Long Point Police Department

Georgia, Jasper County Sheriff's Office

Georgia, Southern PolyTech SU Police Department

Indiana, Schererville Police Department

Indiana, Westfield Police Department

Iowa, Clinton Police Department

Massachusetts, Hopkinton Police Department

Massachusetts, Northampton Police Department

Michigan, Fraser Department of Public Safety

Michigan, Genesee County Sheriff's Department

Michigan, Port Huron Police Department

Minnesota, LaCrescent Police Department

Minnesota, Oak Park Heights Police Department

Missouri, Manchester Police Department

New Hampshire, Lebanon Police Department

New Jersey, Harrison Township Police Department

New Jersey, Lyndhurst Police Department

New Jersey, Palisades Park Police Department

New York, DeWitt Police Department

New York, Dutchess County Sheriff's Office

New York, Newark Police Department

New York, Washington County Sheriff's Office

North Carolina, Blowing Rock Police Department

North Carolina, Surry County Sheriff's Office

North Carolina, Thomasville Police Department

Ohio, Streetsboro Police Department

Ohio, Upper Arlington Police Department

Pennsylvania, Colonial Regional Police Department

Pennsylvania, Doylestown Township Police Department

Pennsylvania, Township of New Britian Police Department

Texas, Dalhart Police Department

Texas, Randall County Sheriff's Office

Vermont, Rutland Police Department

Washington, Sammamish Police Department

Wisconsin, Altoona Police Department