

# MANAGING THE RISK OF FRAUD

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## IDENTITY THEFT CAN HAPPEN TO ANYONE

### PART 1

#### THE FASTEST GROWING FRAUD IN AMERICA

Identity theft continues to evolve as one of the country's fastest-growing white-collar crimes. Identity theft affects more than 10 million people a year and 3.6 million households. According to the U.S. Department of Justice, "Identity theft and identity fraud are terms used to refer to all types of crime in which someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception, typically for economic gain."

Few crimes today have made people more anxious than identity theft. The good news is that identity theft can often be prevented.

This is the first of a 3 part series on identity theft in which we present an explanation of what identity theft is, how the fraudsters can acquire your identity and what you can do to protect against becoming a victim. Lastly, should all of the above fail and you do become a victim, what to do so as to minimize your loss and exposure.

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**A shadowy new breed of high-tech criminal  
is stealing something nearly impossible to  
replace: your identity**

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#### WHAT IS IDENTITY THEFT?

Identity theft is the top consumer fraud complaint filed with the Federal Trade Commission; more than 20 million Americans have been victims.

Identity theft is a serious crime where a person uses your personal information without your permission to commit fraud and other crimes. The term "identity theft" is the shorthand given to a number of different crimes that can be committed by the misuse of another person's personal information.

*editor's note: The following true story happened to Phil Levi last summer.*

#### A TRUE STORY

It was almost 5 o'clock on a Friday afternoon in late July when I received a call from my wife telling me to call the fraud department at American Express immediately. Someone was stealing our daughter's identity!

I called the 800 number and John (as all good stories go - this is not his real name) asked to speak with my daughter. I explained that she was out of the country studying and has been for the past 5 months. He refused to discuss anything with me about an application for a credit card in my daughter's name, which had too many irregularities for American Express to approve without an investigation.

Since it was late Friday and there was nothing that could be done, I had to wait until Monday morning to pursue this further. But....it didn't wait for me. First thing Monday morning I received a call from the security department at the National Bank of Canada asking about my daughter. Another credit card application for a Mastercard. My daughter's identity had been stolen!

I was able to get one piece of information from the National Bank security officer which allowed me to file warnings with Equifax and Trans Union. This action resulted in a 6 year credit freeze on my daughter's accounts. For the next 6 years, before any credit information is released by Equifax or Trans Union, they will contact my daughter to confirm that the request is a result of a bona-fide application made by her.

Often the person who commits identity theft steals money through business transactions, such as credit card purchases or writing personal checks.

So why is identity theft such a menace? Simply put, it is a difficult crime to deter or detect. It can occur without your knowledge; it can affect your credit for years to come; and it often takes considerable effort to clear your personal and financial records.

The good news is that there are things you can do to help ensure that you are not a victim of ID theft, to discover suspicious activity early, and to correct problems if you might be a victim. The US Federal Trade Commission, which is one of the lead federal agencies in consumer fraud prevention programs, calls these steps “Deter, Detect and Defend.” All of these steps are based on the ideas of prudent self-protection and a good measure of common sense. These will be discussed in Part 3 of this series.

## **THE DIFFERENT FACES OF IDENTITY THEFT**

### **Credit Card Theft**

By far the most common form of identity theft is the fraudulent use of an individual's credit card to purchase goods and services which the victim may only find out about month's later when the statements become delinquent and the bank starts tracking down the real you!

The fraudster will obtain an individual's identity using one or more of the techniques discussed in part 2 of this series and once they have a credit card, they will use it to the limit and go on to the next victim.

Even if the retailer asks for corroborating identification, the fraudster usually has a false driver's license or other form of picture ID which the inexperienced clerk would not recognize as being false.

### **Drain Your Bank Account**

Using your identity, the fraudster manages to remove funds from your bank account by means of false debit cards or wire transfers. Another scheme involves using the victim's information, including driver's license with the fraudster's picture on it to change the victim's bank account pin number. Then, they drain the money from the ATM using a fraudulently obtained credit or debit card.

In short, identity theft means one individual's personal information — a credit card number, a bank account number or Social Insurance Number — is used by another, unauthorized, person to purchase goods or services fraudulently.

You find out when your real debit card is refused or you get your monthly bank statement — too late!

### **Impersonation**

For a fraudster to succeed and stay invisible while on the internet, they will use your identity to mask their activities.

Consider the possibility that the police knock on your door with a search warrant. They inform you that your name, address, and phone number have been connected to a website containing child pornography. But you've never built a website and you only use your computer for balancing your checkbook and checking your email. Nevertheless, you are subjected to an intrusive, not to mention scary and embarrassing search and you must now explain and prove that you are not connected to the illegal activity.

### **False Bank Accounts**

With your identity, the fraudster opens a bank account in your name and proceeds to issue phony cheques which bounce. When the cheques are returned to the payee, they come after you and demand payment for something you have no knowledge about.

In the meantime, your credit rating is being destroyed.

### **Obtain Auto Loans**

Using your identity, the fraudster first obtains a driver's license in your name (with their photo) and then buys a car and gets a loan using your identity and good credit rating — a good credit rating which will soon disappear.

### **Buy a Cell Phone**

With your identity, the fraudster buys a new cell phone and activates a plan. He then starts selling long distance calls for

a fee, collecting cash while the bill mounts on your new phone. By the time the phone company and you are on to the scheme, the phone and the fraudster are long gone but the statement is in the mail.

### **Diverting Your Mail**

Using your identity, the fraudster manages to have your mail diverted, or held for pick-up at the post office.

It doesn't take long before cheques arrive or other credit card information which enables the fraudster to steal more from you before you realize that the mail delivery has stopped.

### **Travel on Your Nickel**

Using your credit cards, the fraudster buys airline tickets, checks-in to a fancy hotel, charges meals and other purchases to the hotel account and then puts it all on the credit card.

When you get the bill at the end of the month your problems begin.

### **Get a Mortgage**

Using your identity, the fraudster purchases a home and gets a mortgage loan on the home for the purchases and renovations.

Needless to say, renovations are never made, the payments are never made on the mortgage and the fraudster is never found.

But...the bank finds you and to your surprise you own a new home with a huge debt.

### **Or Worse Yet....**

You have worked hard all your adult life to pay off the mortgage on your home and finally the day has arrived. But...a fraudster with your stolen identity has now gone and mortgaged your home, taken the money and left you with the debt which you already paid off.

You may only find out about it when the bank begins foreclosure proceedings and then the costs and heartache begin to mount.

### **Theft of Medical Services**

The fraudster will use your identity and health insurance information to obtain costly medical care. By the time you and your health provider determine the theft which has occurred, the patient is long gone and someone is expecting you to cover the loss.

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**Coming this fall:  
Part 2 - Identity Theft  
Prevention  
and  
Part 3 - What to do if you  
become a victim.**

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