



Cross-Border Fraud Trends

January – December 2002



Federal Trade Commission

February 19, 2003

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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 a **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 2002, more than 100 organizations contributed data to Consumer Sentinel. More information on this joint project is available at www.consumer.gov/sentinel.

During calendar year 2002, Consumer Sentinel received over **200,000** fraud-related complaints about transactions involving more than **\$343 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.

 Australian Competition and Consumer Commission	 Better Business Bureaus
 Department of Defense	 Federal Bureau of Investigation
 Federal Trade Commission	 Internet Fraud 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 Consumer Sentinel Network



www.econsumer.gov

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

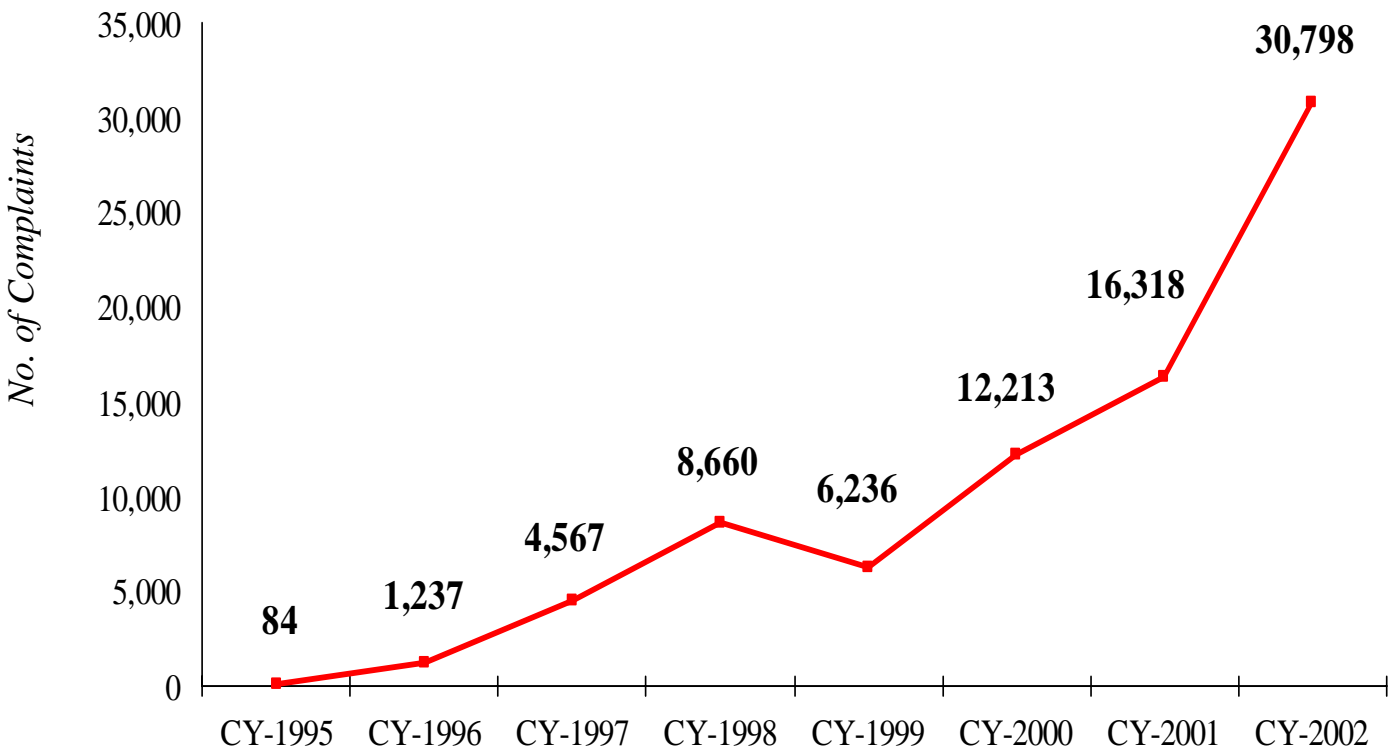
The Identity Theft Data Clearinghouse was launched in November 1999 and is the sole national repository of consumer complaints about identity theft. The Clearinghouse provides specific investigative material for law enforcement and larger, trend-based information providing insight to both private and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



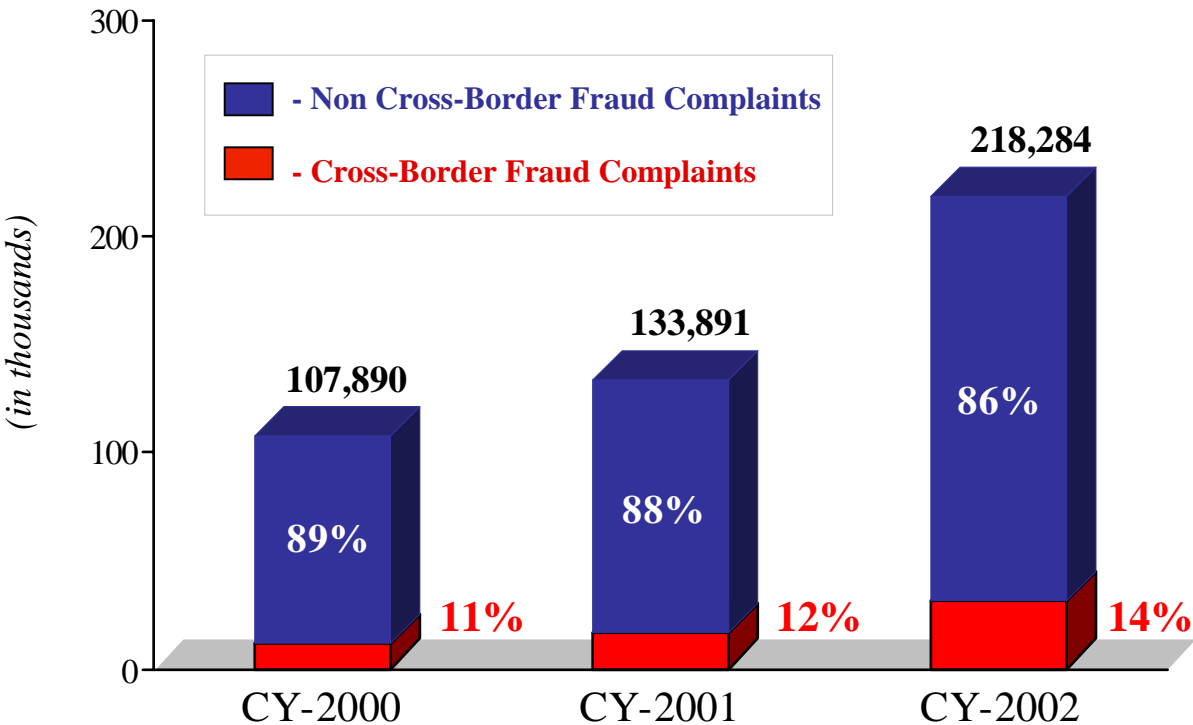
www.consumer.gov/military

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

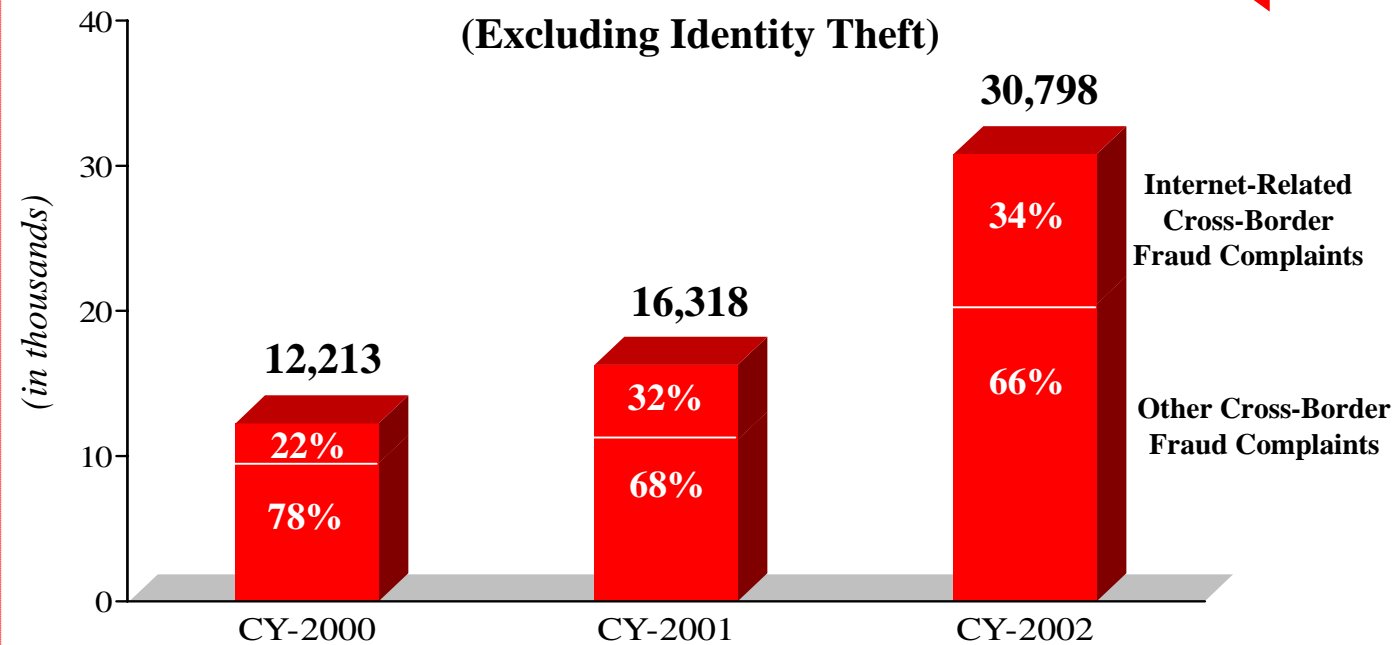


Sentinel Fraud Complaints by Calendar Year¹ (Excluding Identity Theft)



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

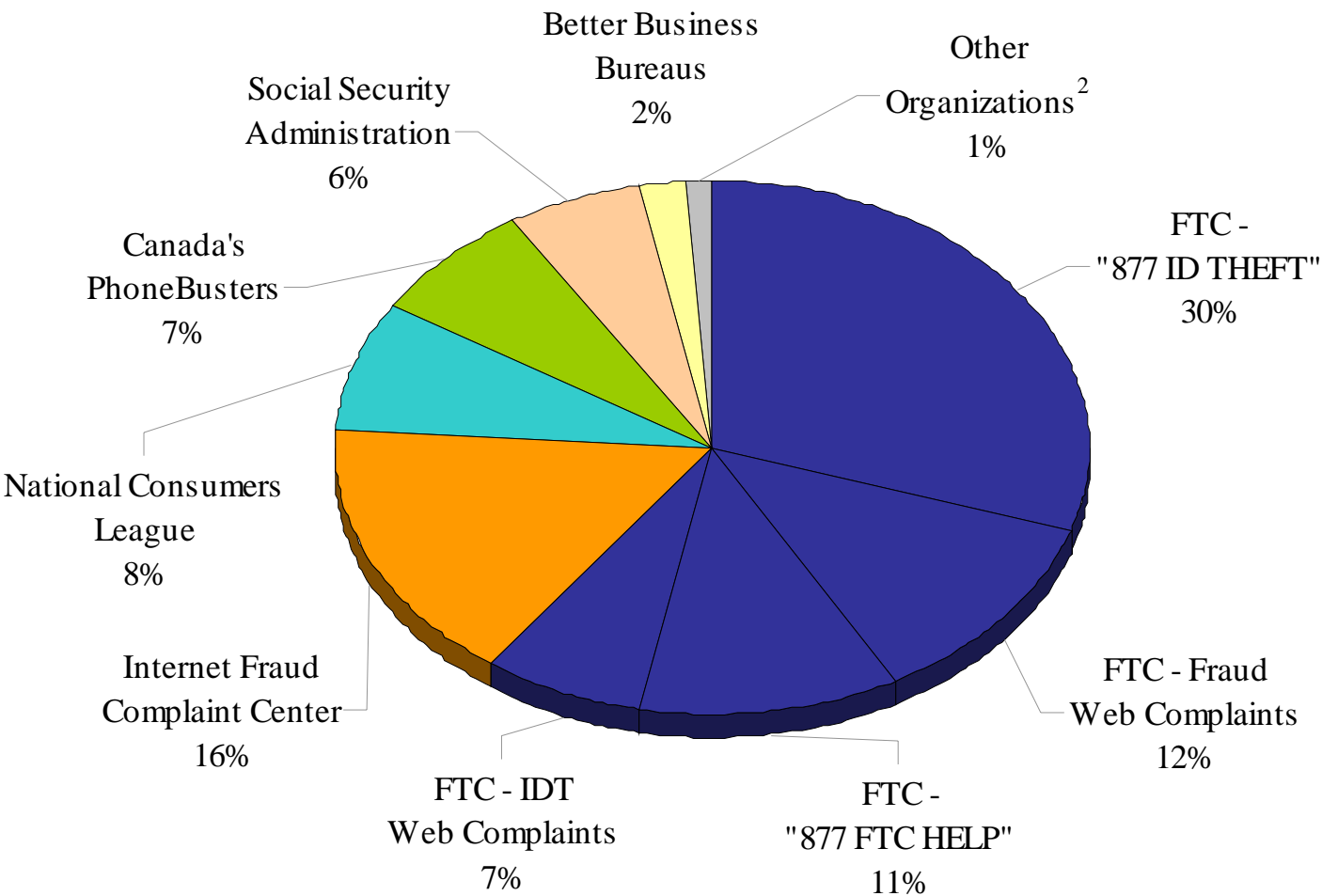
Cross-Border Fraud Complaints by Calendar Year² (Excluding Identity Theft)



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

Sentinel Data Contributors¹

January 1 – December 31, 2002

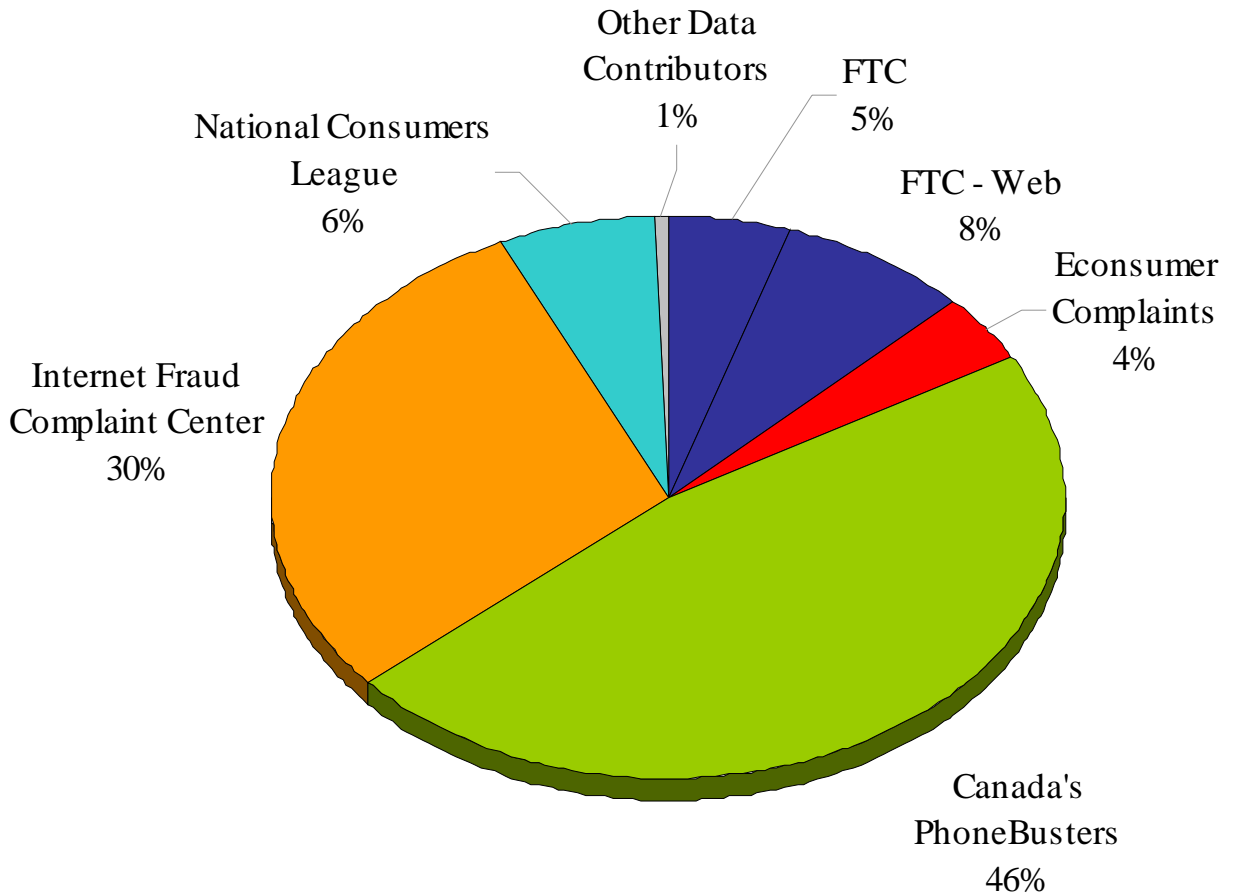


¹Percentages are based on the total number of Consumer Sentinel fraud and identity theft complaints (380,103) received between January 1 and December 31, 2002.

²A list of other organizations contributing to Consumer Sentinel is in the Appendix.

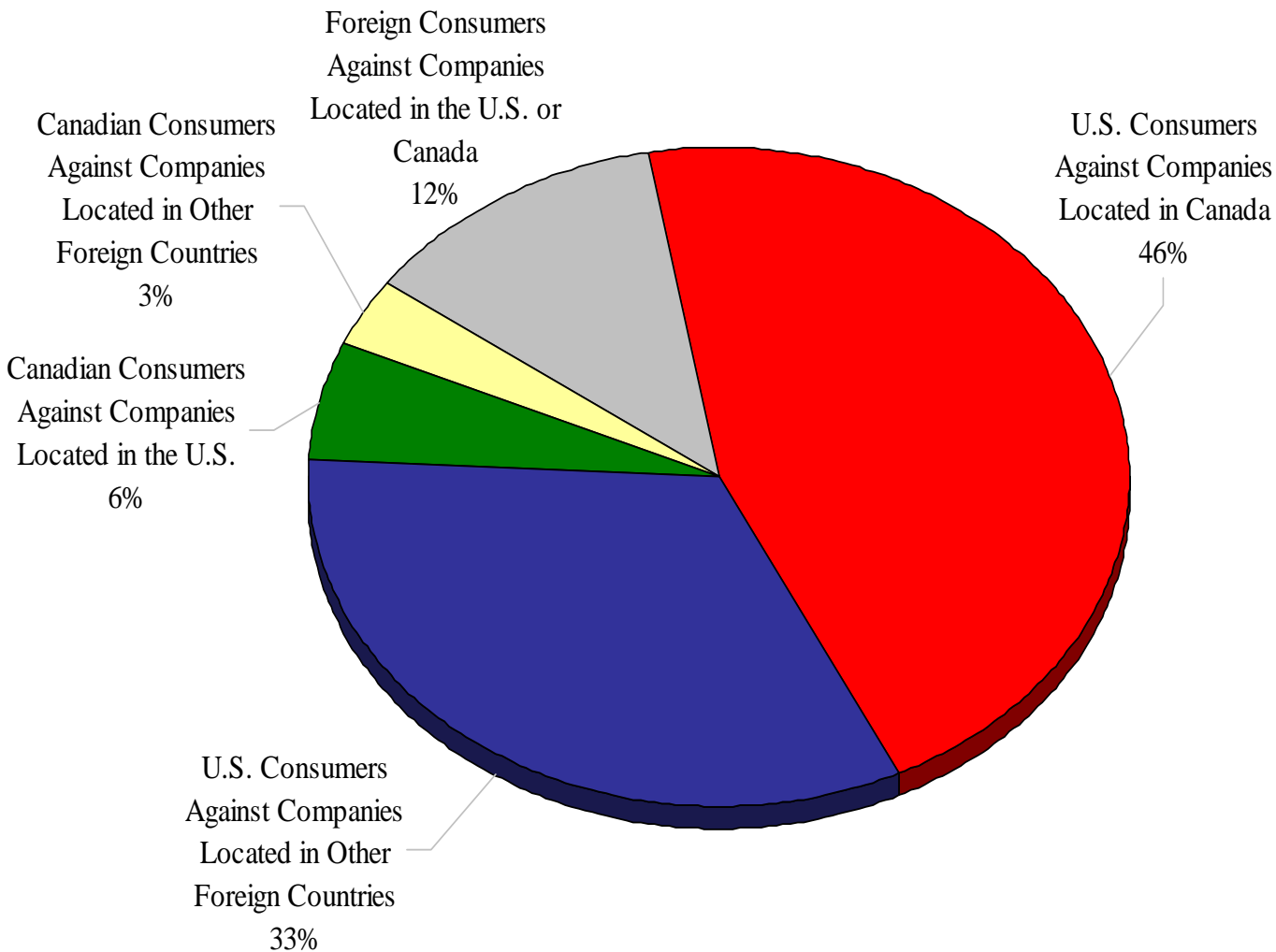
Sentinel Data Contributors for Cross-Border Fraud Complaints¹

January 1 – December 31, 2002



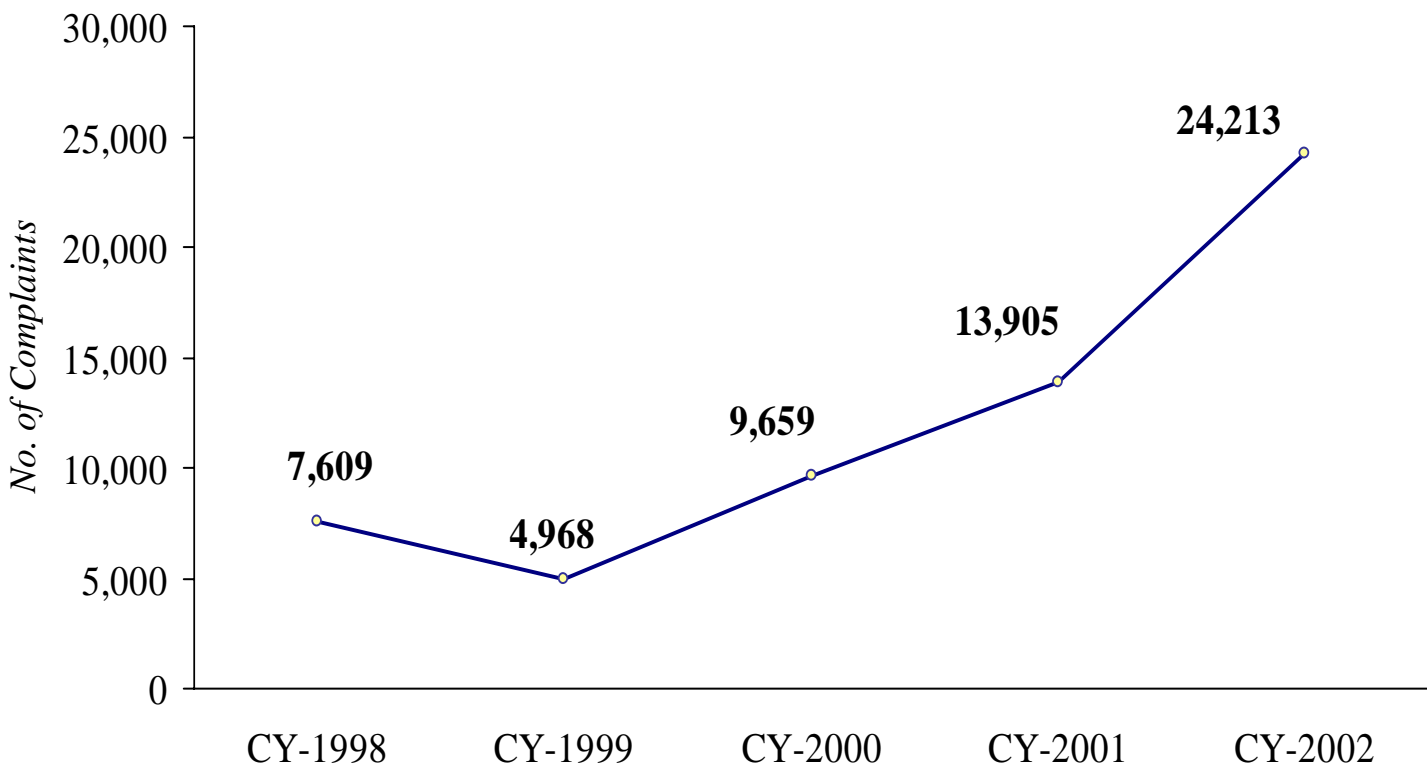
¹Percentages are based on the total number of Consumer Sentinel cross-border fraud complaints (30,798) received between January 1 and December 31, 2002.

Cross-Border Fraud Complaints By Consumer and Company Location¹ *January 1 – December 31, 2002*



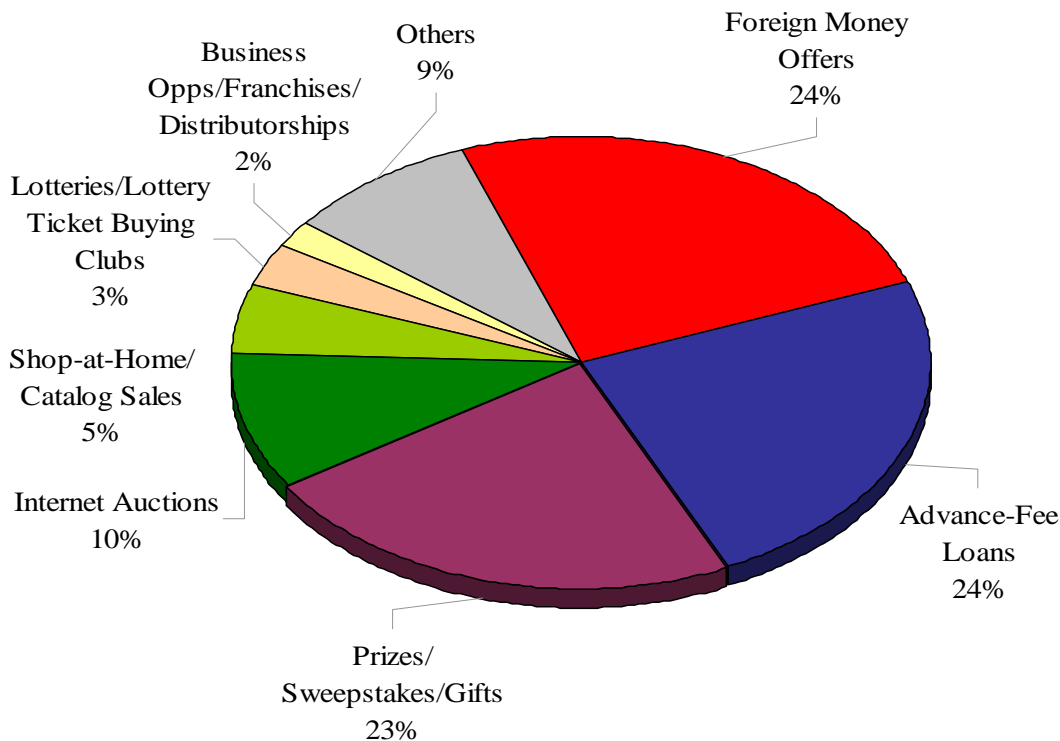
¹Percentages are based on the total number of cross-border fraud complaints (30,798) received between January 1 and December 31, 2002.

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. Consumers¹

January 1 – December 31, 2002



¹Percentages are based on the total number of cross-border fraud complaints (24,213) from U.S. consumers against companies located in Canada or another foreign country received between January 1 and December 31, 2002.

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

January 1 – December 31, 2002

Rank	Product or Service	No. of Complaints	Percentage ²
1	Advance-Fee Loans	5,628	40%
2	Prizes/Sweepstakes/Gifts	5,161	37%
3	Internet Auctions	1,103	8%
4	Lotteries/Lottery Tickets Buying Clubs	545	4%
5	Shop-at-Home/Catalog Sales	321	2%

²Percentages are based on the total number of cross-border fraud complaints (13,993) from U.S. consumers against companies located in Canada received between January 1 and December 31, 2002.

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

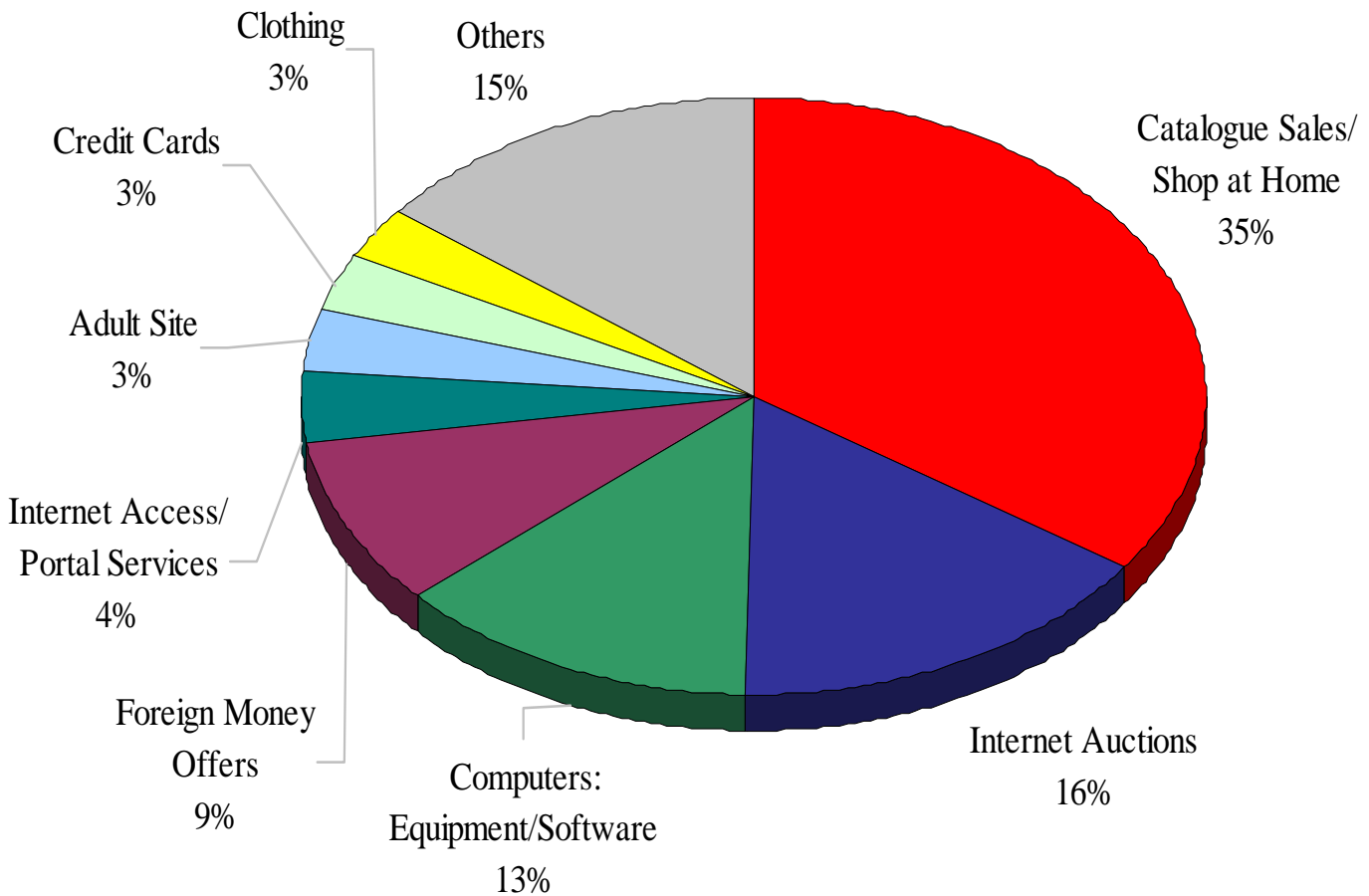
January 1 – December 31, 2002

Rank	Product or Service	No. of Complaints	Percentage ³
1	Foreign Money Offers	5,877	58%
2	Internet Auctions	1,424	14%
3	Shop-at-Home/Catalog Sales	838	8%
4	Bus Opps/Franchises/Distributorships	555	5%
5	Prizes/Sweepstakes/Gifts	380	4%

³Percentages are based on the total number of cross-border fraud complaints (10,220) from U.S. consumers against companies located in other foreign countries received between January 1 and December 31, 2002.

Top Subjects for Econsumer Complaints¹

April 27, 2001 - December 31, 2002



¹Percentages are based on the total number of econsumer complaints (3,498) received between April 27, 2001 and December 31, 2002. The first econsumer complaint was received on April 27, 2001.



Econsumer Complaints by Violations¹

April 27, 2001 to December 31, 2002

Rank	Violations	No. of Violations	Percentage of Violations
1	Merchandise or Service Never Received	1,468	42%
2	Other Misrepresentation	650	19%
3	Cannot Contact Merchant	621	18%
4	Failure to Honor Refund Policy	328	9%
5	Billed for Unordered Merchandise or Service	274	8%
6	Unauthorized Use of Identity/Account Information	199	6%
7	Defective Product/Poor Quality	177	5%
8	Merchandise or Service Not in Conformity with Order	163	5%
9	Undisclosed or Unsubstantiated Charges	139	4%
10	Failure to Honor Warranty or Guarantee	129	4%
11	<i>Other Violations</i>	872	25%

¹Percentages are based on the total number of econsumer complaints (3,498) received between April 27, 2001 and December 31, 2002. One complaint may have multiple law violations.

Fraud Complaints and Amount Paid

U.S. Consumers Against Companies Located in Canada

January 1 – December 31, 2002

Total No. of Complaints	Complaints Reporting Amount Paid	Percentage of Complaints Reporting Amount Paid	Amount Paid Reported	Average Amount Paid ¹	Median ²
13,993	12,801	91%	\$33,370,902	\$2,607	\$809

¹Average is based on the total number of consumers who reported amount paid (12,801). One consumer reported an amount paid of \$1 million or more.

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	Complaints	Percentage ³
\$0	555	4%
\$1 - 25	351	3%
\$26 - 50	649	5%
\$51 - 75	182	1%
\$76 - 100	146	1%
\$101 - 250	1841	14%
\$251 - 500	1400	11%
\$501 - 1,000	2557	20%
\$1,001 - 5,000	4334	34%
More than \$5,000	786	6%

³Percentages are based on the total number of consumers who reported amount paid (12,801). 91% of consumers reported this information.

Fraud Complaints and Amount Paid

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

January 1 – December 31, 2002

Total No. of Complaints	Complaints Reporting Amount Paid	Percentage of Complaints Reporting Amount Paid	Amount Paid Reported	Average Amount Paid ⁴	Median ⁵
10,220	5,735	56%	\$38,896,689	\$6,782	\$809

⁴Average is based on the total number of consumers who reported amount paid (5,735). Four consumers reported an amount paid of \$1 million or more for a total that exceeds \$27 million.

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

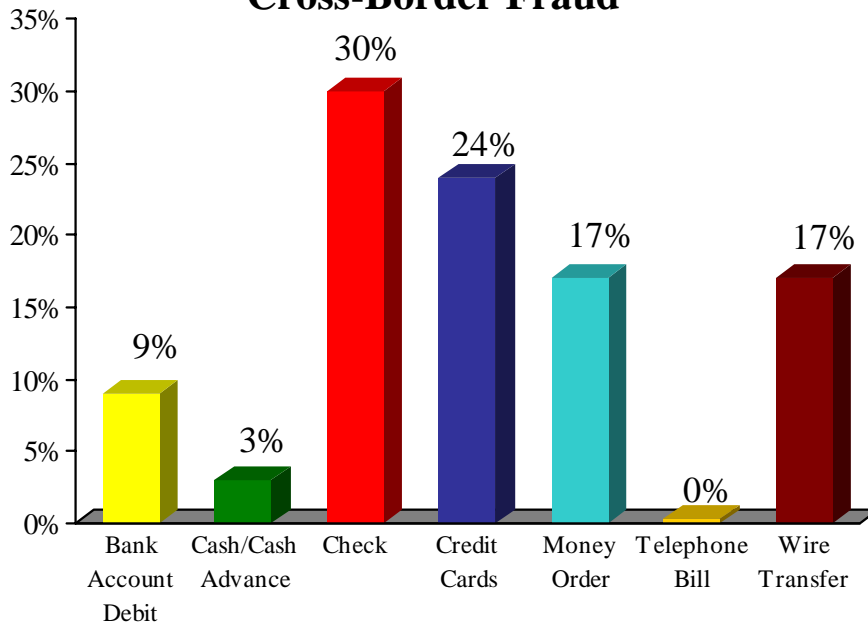
Amount Paid	Complaints	Percentage ⁶
\$0	2335	41%
\$1 - 25	99	2%
\$26 - 50	127	2%
\$51 - 75	105	2%
\$76 - 100	117	2%
\$101 - 250	293	5%
\$251 - 500	419	7%
\$501 - 1,000	917	16%
\$1,001 - 5,000	1043	18%
More than \$5,000	280	5%

⁶Percentages are based on the total number of consumers who reported amount paid (5,735). 56% of consumers reported this information.

Methods of Payment Reported by Consumers

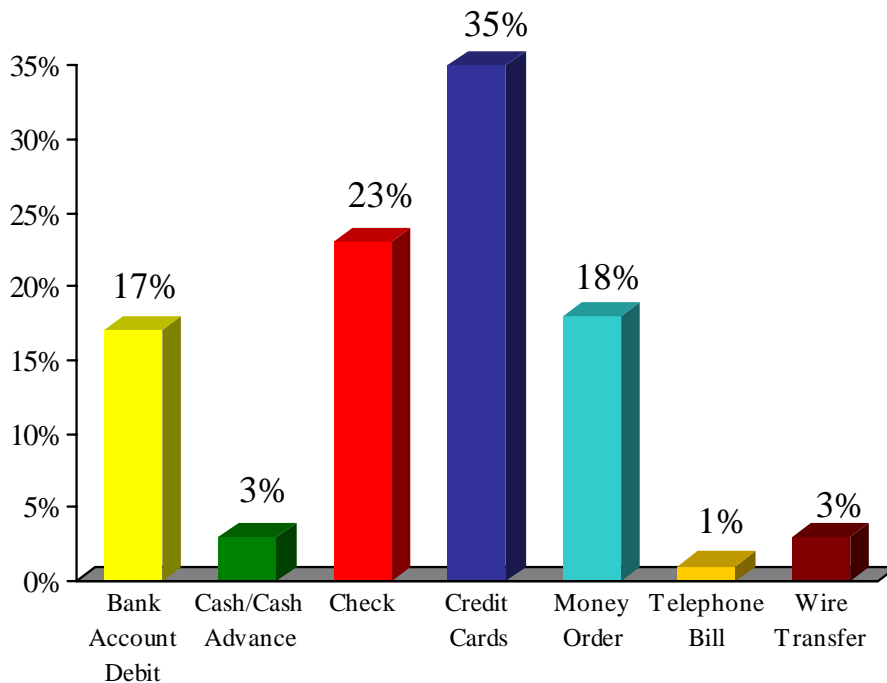
January 1 - December 31, 2002

Cross-Border Fraud¹



¹Percentages are based on the total number of consumers who reported the method of payment (6,904). 22% of consumers reported this information.

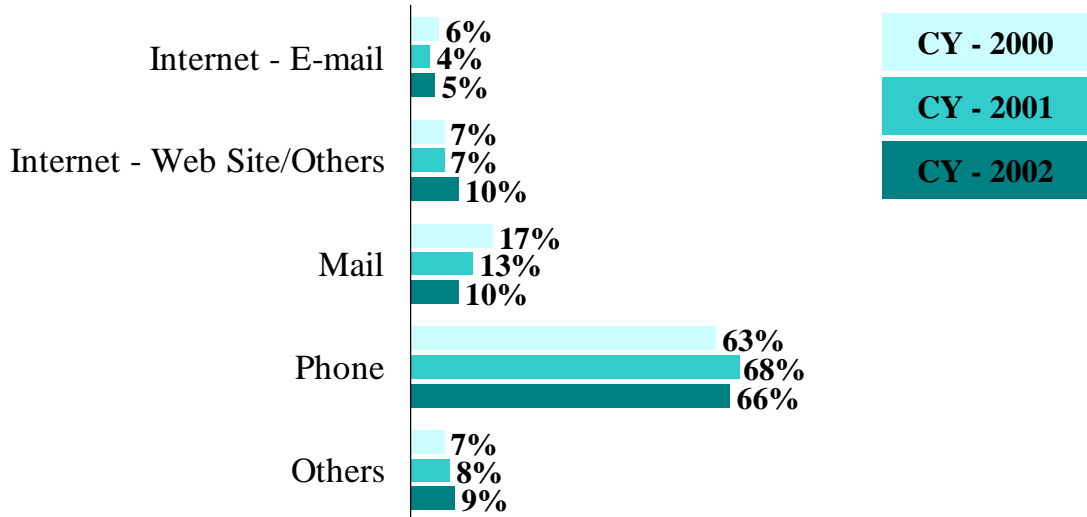
Within-Border Fraud²



²Within-border fraud are fraud complaints where consumers are complaining about a company located within their own country. Percentages are based on the total number of consumers who reported the method of payment (49,016). 44% of consumers reported this information.

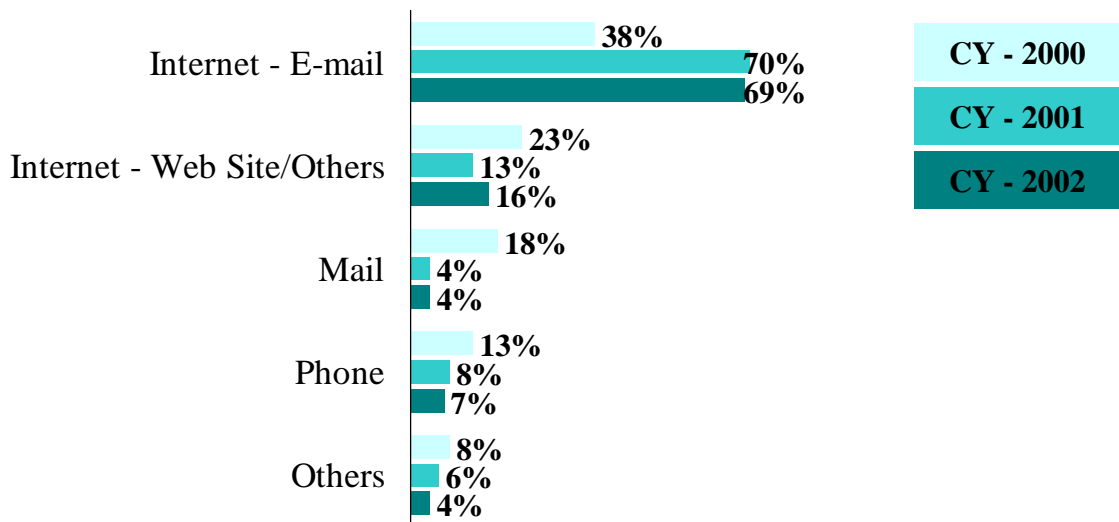
Methods of Initial Contact by Calendar Year

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-2000 = 6,455 with 78% reporting this information; CY-2001 = 5,570 with 75% reporting this information; CY-2002 = 10,773 with 77% reporting this information).

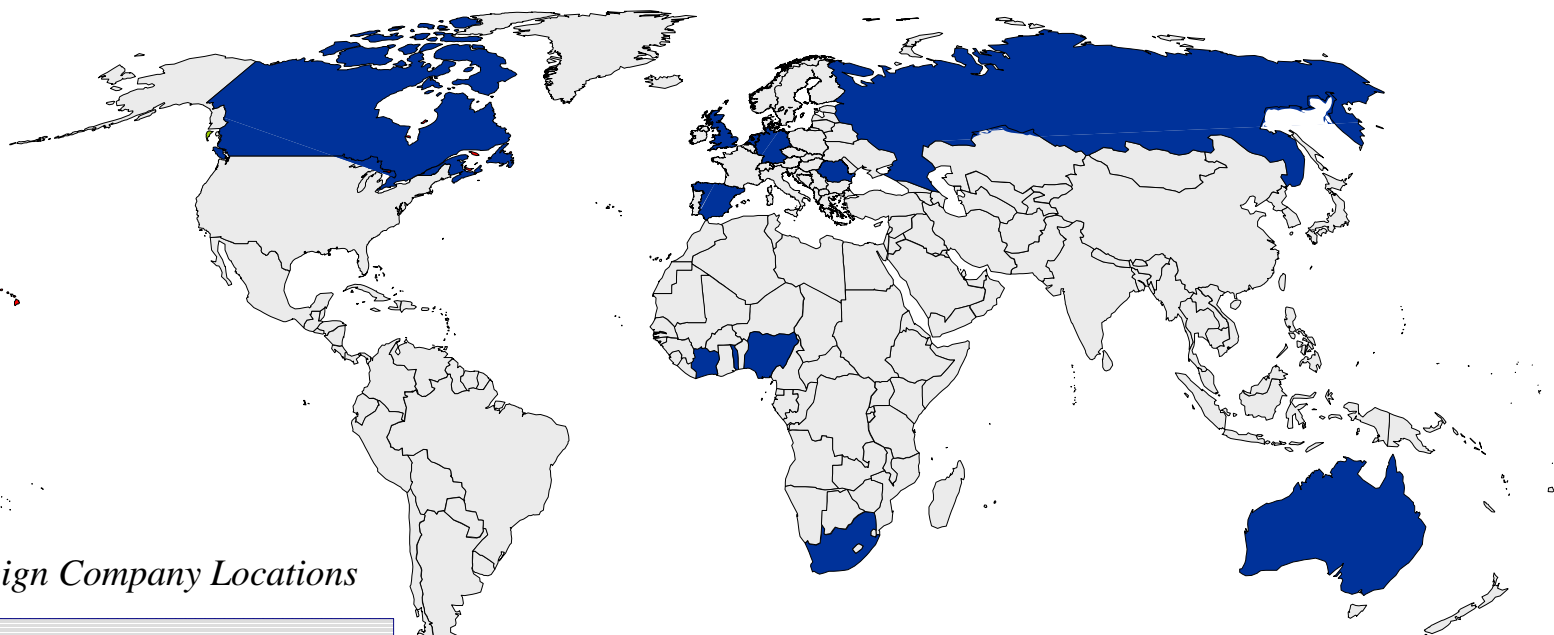
U.S. Consumers Against Companies Located in Other Foreign Countries²



²Percentages are based on the total number of consumers who reported the company's method of initial contact (CY-2000 = 1,254 with 90% reporting this information; CY-2001 = 3,365 with 52% reporting this information; CY-2002 = 5,811 with 57% reporting this information).

Fraud Complaints from U.S. Consumers Against Foreign Companies by Company Location¹

January 1 – December 31, 2002



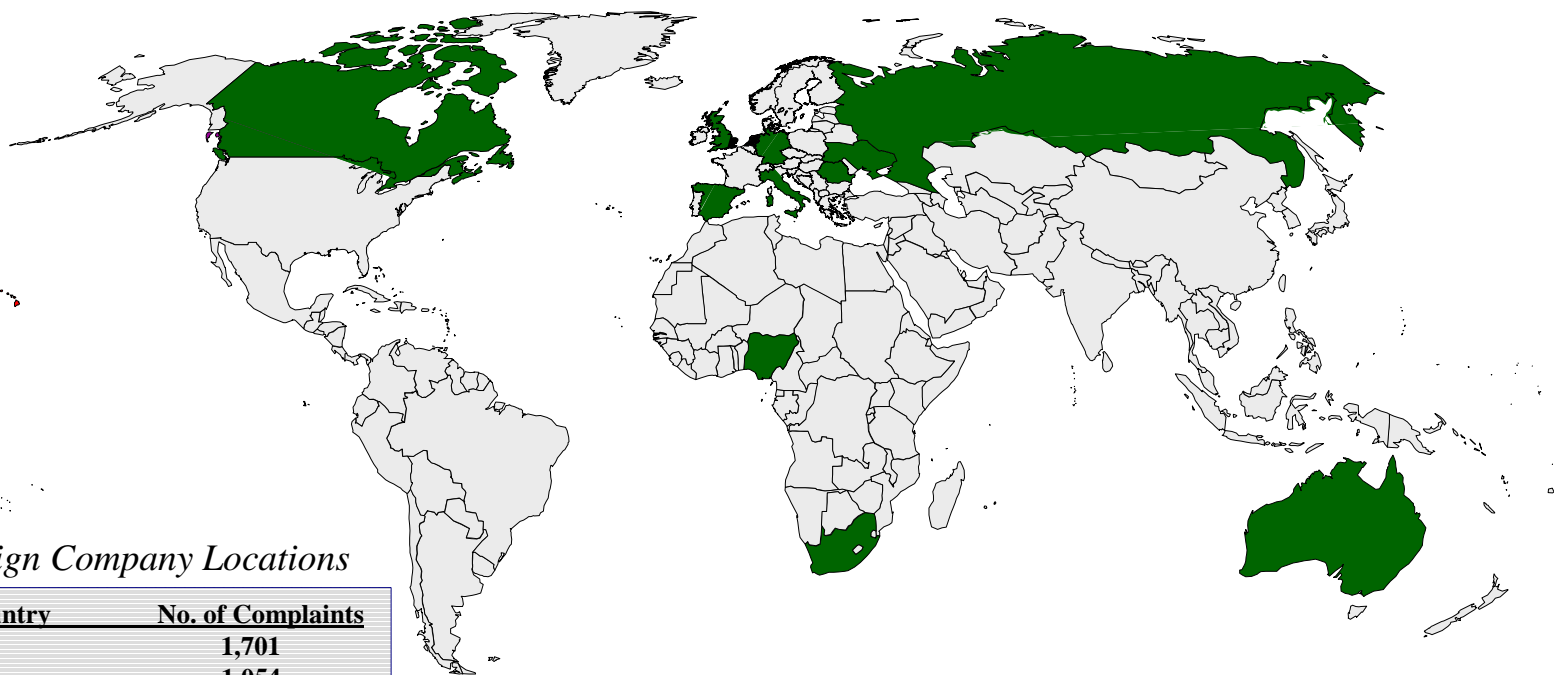
Top Foreign Company Locations

Company Country	No. of Complaints
Canada	13,993
Nigeria	3,212
South Africa	905
United Kingdom	636
Spain	511
Romania	447
Netherlands	286
Togo	267
Ivory Coast	220
Australia	207
Germany	196
Russian Federation	180

¹The total number of fraud complaints received between January 1 and December 31, 2002 from U.S. consumers against companies located in foreign countries is 24,213 (which is 79% of the 30,798 total cross-border fraud complaints received during the same period).

Internet-Related Fraud Complaints from U.S. Consumers Against Foreign Companies by Company Location¹

January 1 – December 31, 2002



Top Foreign Company Locations

<u>Company Country</u>	<u>No. of Complaints</u>
Canada	1,701
Nigeria	1,054
United Kingdom	456
Romania	426
Spain	407
South Africa	274
Netherlands	183
Germany	159
Ukraine	145
Australia	138
Russian Federation	133
Italy	128

¹The total number of Internet-related fraud complaints received between January 1 and December 31, 2002 from U.S. consumers against companies located in foreign countries is 6,878, which is 66% of the 10,358 total Internet-related cross-border fraud complaints received during the same period. The 10,358 total Internet-related cross-border fraud complaints represent 34% of the 30,798 total cross-border fraud complaints received during the same period.

68% of U.S. Consumers Complaining About Foreign Money Offers Are Against Companies Located in Africa¹

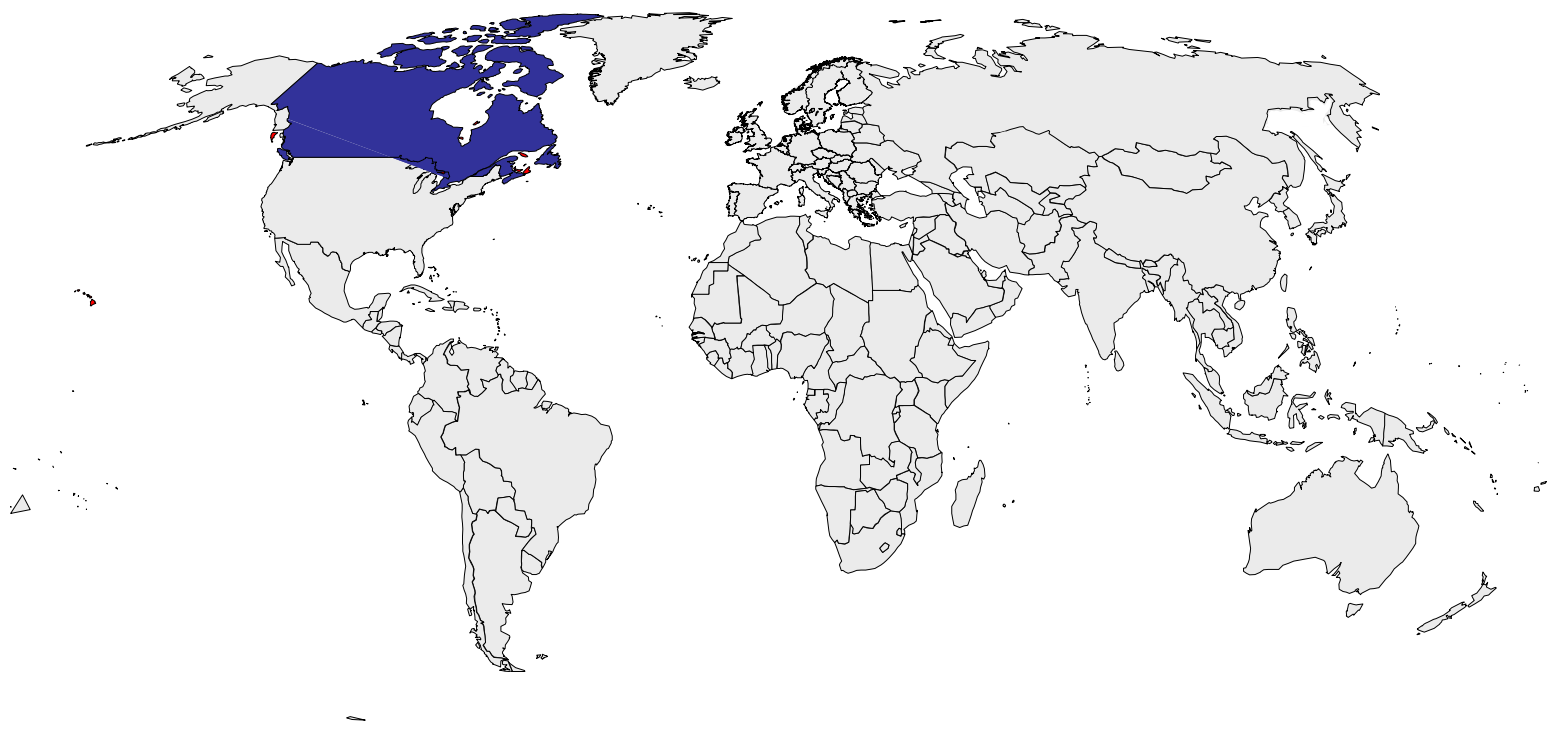
January 1 – December 31, 2002



¹Percentage is based on the total number of U.S. consumers complaining about Foreign Money Offers (6,481) where the company location was reported. The 68% represents 4,391 of the 6,481 complaints.

41% of U.S. Consumers Complaining About Advance-Fee Loans Are Against Companies Located in Canada¹

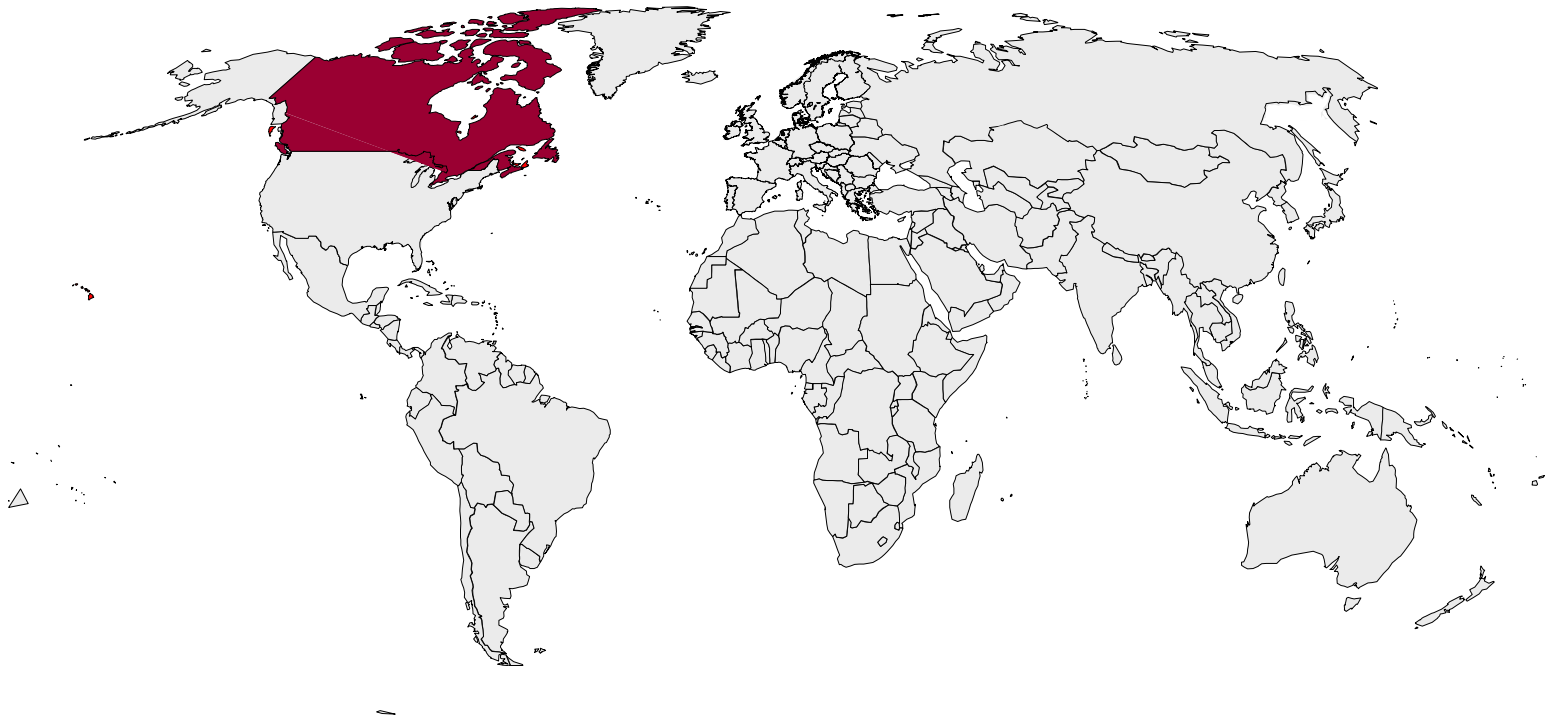
January 1 – December 31, 2002



¹Percentage is based on the total number of U.S. consumers complaining about advance-fee loans (13,817) where the company location was reported. The 41% represents 5,628 of the 13,817 complaints.

61% of U.S. Consumers Complaining About Prizes/Sweepstakes/Gifts Are Against Companies Located in Canada¹

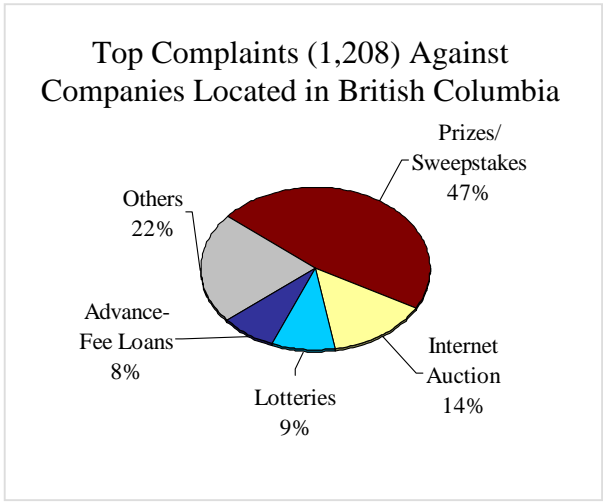
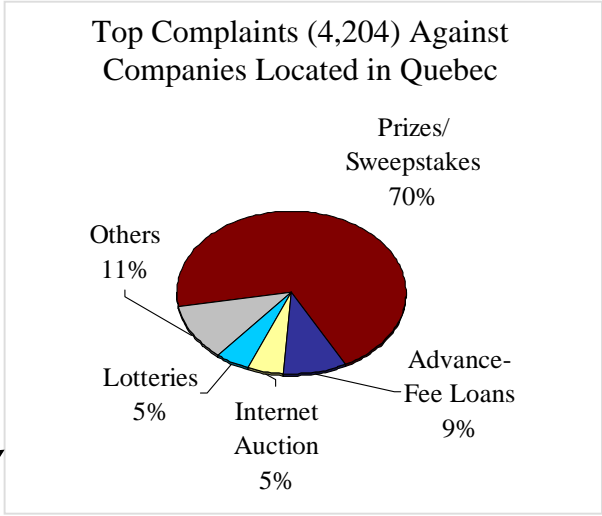
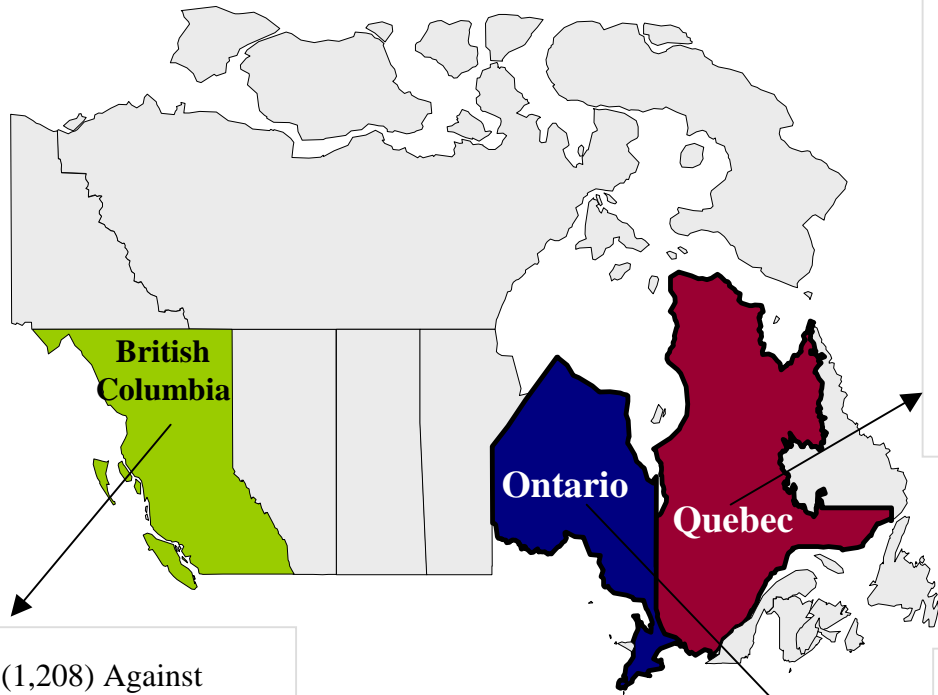
January 1 – December 31, 2002



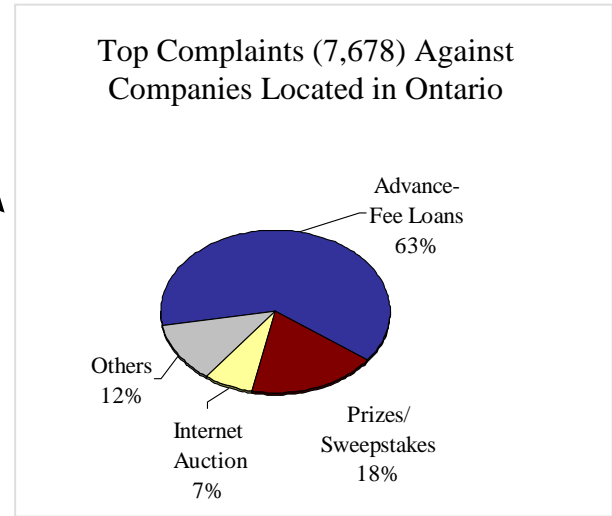
¹Percentage is based on the total number of U.S. consumers complaining about Prizes/Sweepstakes/Gifts (8,418) where the company location was reported. The 61% represents 5,161 of the 8,418 complaints.

Fraud Complaints from U.S. Consumers Against Companies Located in Canada¹

January 1 – December 31, 2002



¹Percentages are based on the total number of complaints received between January 1 and December 31 from U.S. consumers against companies in each province (Quebec = 4,204; Ontario = 7,678; British Columbia = 1,208).



Appendix: Other Sentinel Data Contributors

Attorneys General Offices

Arkansas Attorney General
Colorado Attorney General
Louisiana Department of Justice
North Carolina Department of Justice
Ohio Attorney General
Rhode Island Attorney General
Vermont Attorney General
Wyoming Attorney General

Federal Agencies

Federal Bureau of Investigation
U.S. Army JAG Legal Assistance
U.S. Attorney Central District of California
U.S. Postal Inspection Service
U.S. Secret Service

State Agencies & District Attorneys Offices

California Stanislaus County District Attorney
Connecticut Department of Consumer Protection
Georgia Governor's Office of Consumer Affairs
Tennessee Regulatory Authority
Texas Travis County District Attorney
Virginia, Virginia Beach Commonwealth Attorney
Washington Securities Division
Wisconsin Dept. of Agriculture, Trade, & Consumer Pro.
Wisconsin Dept. of Financial Institutions

Police/Sheriff Departments

Illinois, Lincolnshire Police Department
Illinois, Park Forest Police Department
Illinois, Peoria Police Department
Indiana, Marshall County Police Department
Maryland, Hyattsville Police Department
Michigan, Genesee County Sheriff's Department
Michigan, Livingston County Sheriff's Office
Minnesota, Maplewood Police Department
Minnesota, Oak Park Heights Police Department
Missouri, Manchester Police Department
New Jersey, Jefferson Township Police
New Jersey, Manchester Police
New Mexico, Farmington Police Department
North Carolina, Pinehurst Police Department
Virginia Culpeper State Police
Virginia, Front Royal Police Department
Washington, Mount Vernon Police Department
Wisconsin Waukesha County Sheriff

Other Agencies

Norwegian Consumer Ombudsman
United Kingdom Office of Fair Trading
Xerox Corporation