



Cross-Border Fraud Complaints

January – December 2007



Federal Trade Commission

March 2008



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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 **4.3 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 2007, more than 125 organizations contributed data to Consumer Sentinel. More information on this joint project is available at www.consumer.gov/sentinel.

During calendar year 2007, Consumer Sentinel received over **835,000** complaints – 258,000 identity theft complaints and 577,000 fraud-related complaints. Fifteen percent of the fraud-related complaints 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.

Please note: This report is not based on a survey; the complaint figures presented are derived from self-reported and unverified consumer complaints contained in the FTC's database.

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)



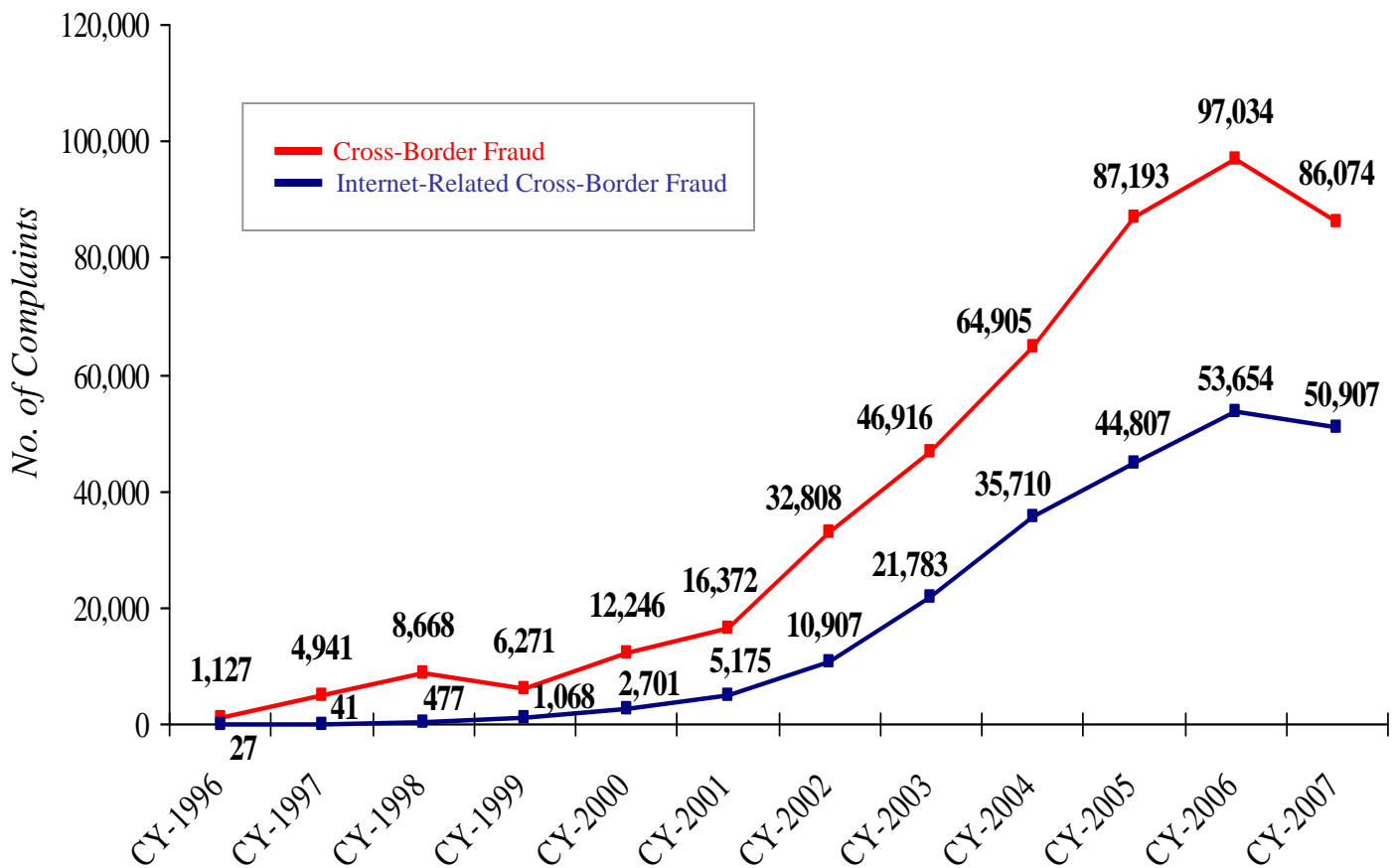
Executive Summary
Cross-Border Fraud Complaints
January – December 2007

- The Commission received over 86,000 cross-border fraud complaints during calendar year 2007. Cross-border fraud complaints comprised 15% of all fraud complaints received during calendar year 2007, 20% and 23% for CY-2005 and CY-2006, respectively.
- Foreign Money Offers was the leading product/service category in U.S. consumers' cross-border complaints (12%), followed by Prizes\Sweepstakes\Gifts (11%), Shop-at-Home/Catalog Sales (8%), Lotteries\Lottery Ticket Buying Clubs (7%), and Internet Auction (5%).
- Internet-related complaints comprised 59% (50,907) of the total cross-border fraud complaints (86,074) received during calendar year 2007.
- 21% (18,083) of all cross-border fraud complaints (86,074) were from U.S. consumers complaining about Canadian companies and 62% (53,629) 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 \$55 million against companies located in Canada, and losses of over \$194 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-2007, the percentage of complaints from U.S. consumers contacted by companies located in Canada, where the initial contact was by mail, grew from 41% to 65%, while the percentage of complaints where the initial contact was by phone dropped from 34% to 11%.
- "Wire Transfer" was the highest reported payment method used in cross-border fraud complaints in calendar year 2007; 72% of the complaints from U.S. consumers who paid companies located in Canada reported "Wire Transfer" as the payment method, and 59% of the complaints from U.S. consumers who paid other foreign companies reported "Wire Transfer" as the payment method. Under 17% of U.S. consumers reported payment method information.

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

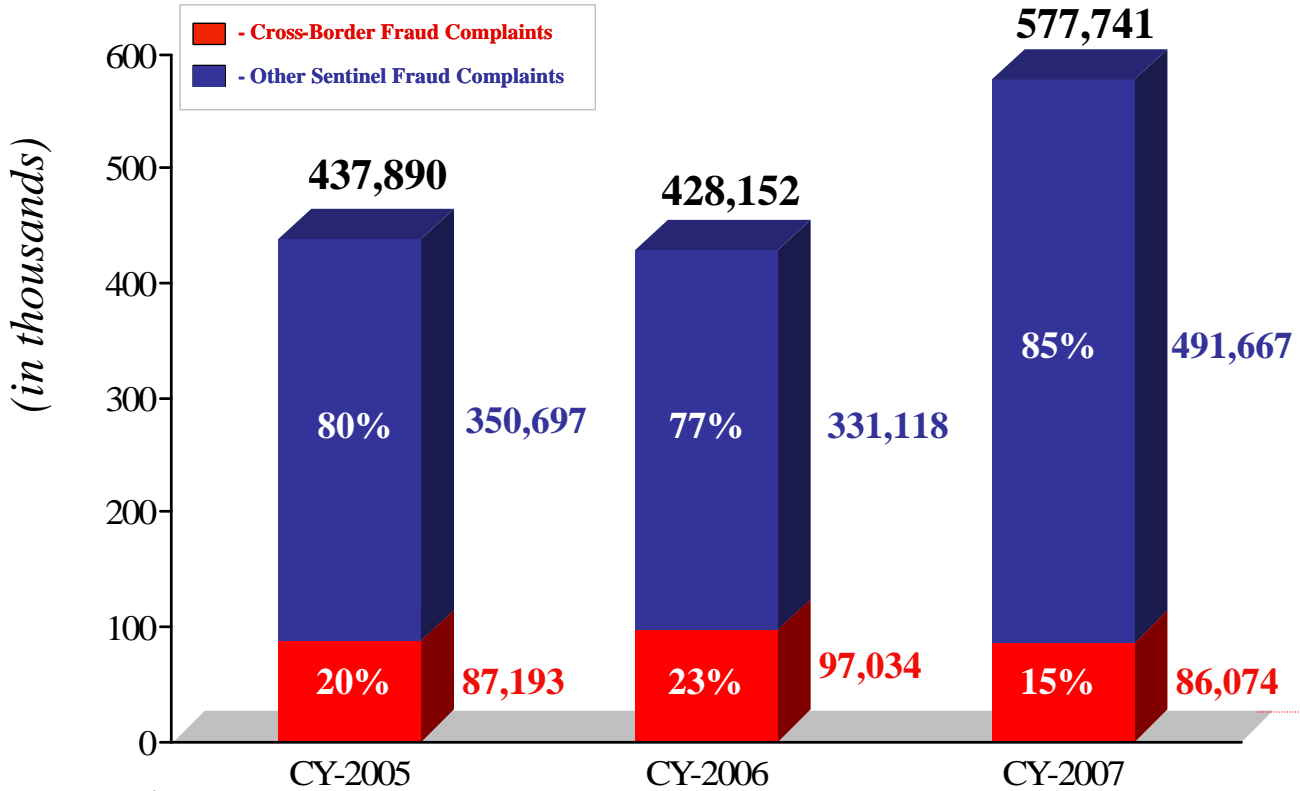
- Econsumer received over 38,000 complaints between CY-2005 and CY-2007; 10,179 complaints in CY-2005, 13,123 in CY-2006, and 15,601 complaints in CY-2007.
- Shop-at-Home/Catalog Sales was the most commonly reported complaint category in Econsumer complaints during Calendar Years 2005 through 2007, with over 44% 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



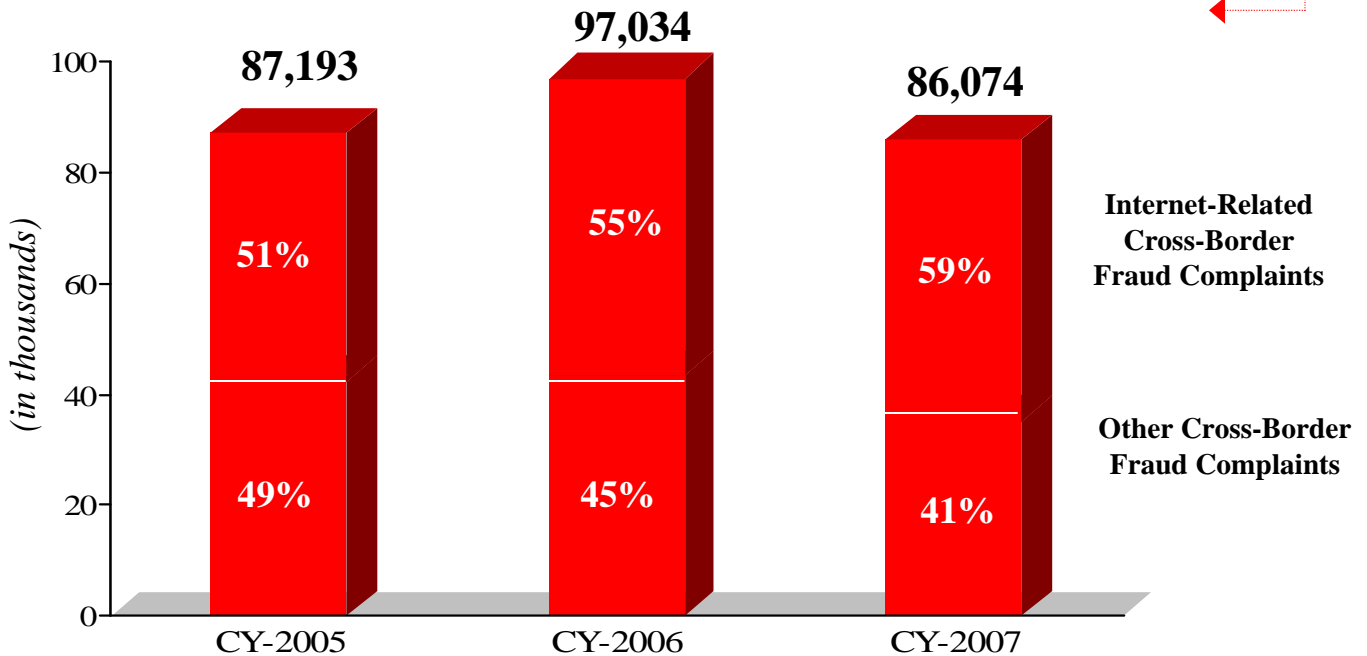
¹For the purposes of this report, a fraud complaint is “cross-border” if: (1) a U.S. consumer complained about a company located in Canada or another foreign country; (2) a Canadian consumer complained about a company located in the U.S. or another foreign country; or (3) a consumer from a foreign country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



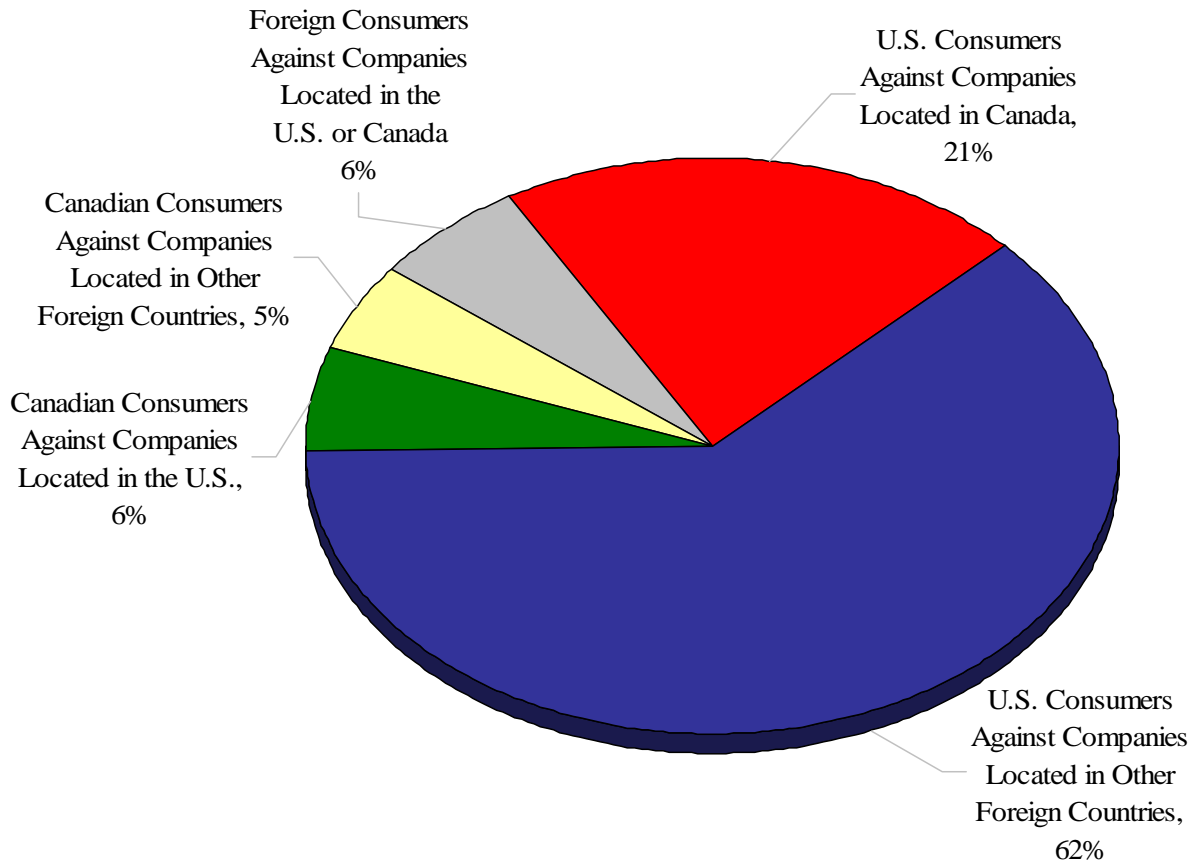
¹Percentages are based on the total number of Consumer Sentinel fraud complaints by calendar year. These figures exclude "Identity Theft" and "Do Not Call" registry complaints.

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, 2007*

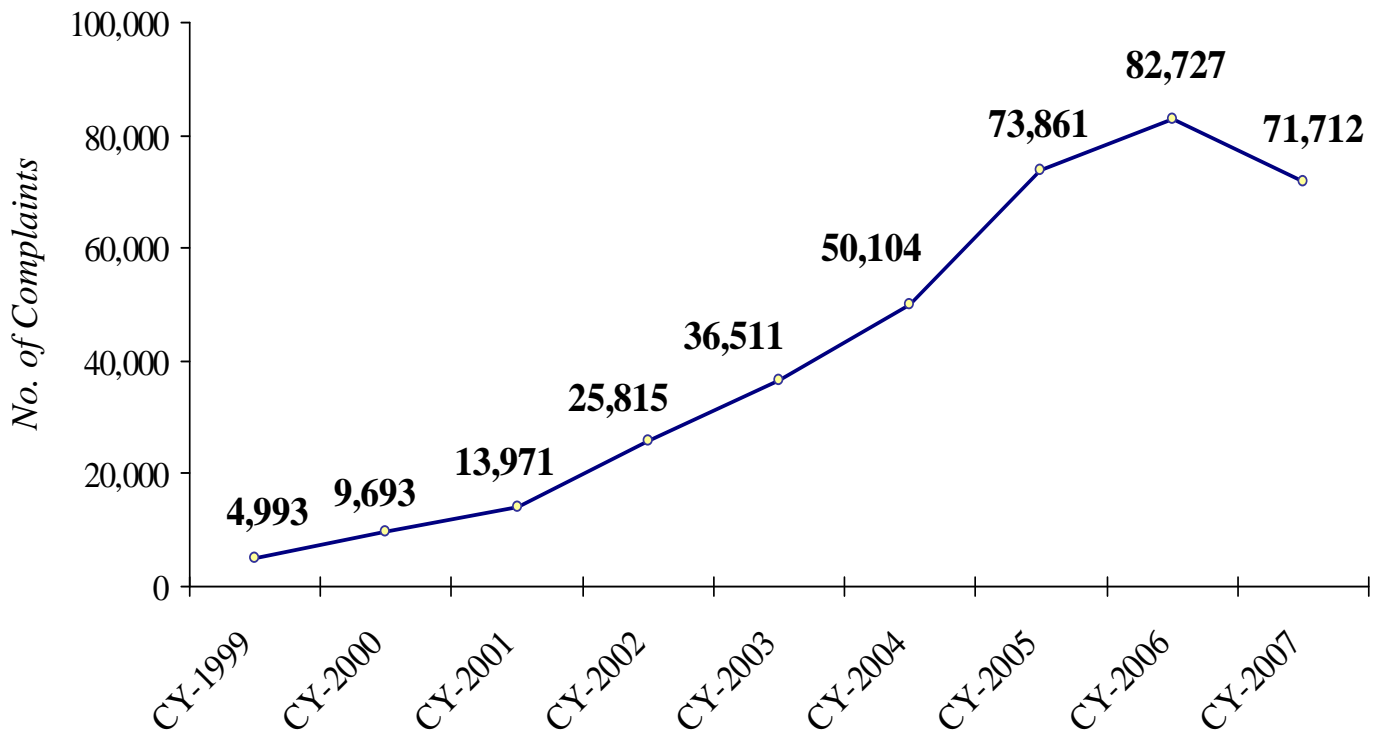


Cross-Border Fraud Complaints By Consumer and Company Location¹ *Calendar Years 2005 through 2007*

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
2005	21%	64%	5%	4%	6%
2006	26%	59%	5%	4%	6%
2007	21%	62%	6%	5%	6%

¹Percentages are based on the total number of cross-border fraud complaints for each calendar year: CY-2005 = 87,193; CY-2006 = 97,034; and CY-2007 = 86,074.

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, 2007*

Rank	Top Products or Services	Complaints	Percentage ¹
1	Foreign Money Offers	8,414	12%
2	Prizes\Sweepstakes\Gifts	7,756	11%
3	Shop-at-Home\Catalog Sales	6,054	8%
4	Lotteries\Lottery Ticket Buying Clubs	5,187	7%
5	Internet Auction	3,336	5%

¹Percentages are based on the total number of cross-border fraud complaints (71,712) from U.S. consumers against companies located in Canada or other foreign countries received between January 1 and December 31, 2007. Forty-seven percent (34,675) 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, 2007

Rank	Product or Service	Complaints	Percentage ²
1	Prizes\Sweepstakes\Gifts	6,163	34%
2	Lotteries\Lottery Ticket Buying Clubs	2,655	15%
3	Foreign Money Offers	2,260	12%
4	Advance-Fee Loans, Credit Arrangers	1,383	8%
5	Employ Agencies\Job Counsel\ Overseas Work	924	5%

²Percentages are based on the total number of cross-border fraud complaints (18,083) from U.S. consumers against companies located in Canada received between January 1 and December 31, 2007.

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

January 1 – December 31, 2007

Rank	Product or Service	Complaints	Percentage ³
1	Foreign Money Offers	6,156	11%
2	Shop-at-Home\Catalog Sales	5,183	10%
3	Internet Auction	3,018	6%
4	Lotteries\Lottery Ticket Buying Clubs	2,538	5%
5	Prizes\Sweepstakes\Gifts	1,598	3%

³Percentages are based on the total number of cross-border fraud complaints (53,629) from U.S. consumers against companies located in other foreign countries received between January 1 and December 31, 2007.

Fraud Complaints and Amount Paid by U.S. Consumers Against Companies Located in Canada *Calendar Years 2005 through 2007*

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
2005	18,387	13,759	75%	\$47,852,036	\$3,478	\$1,801
2006	25,083	20,509	82%	\$64,665,364	\$3,153	\$2,500
2007	18,083	14,743	82%	\$55,418,706	\$3,759	\$2,580

¹Average is based on the total number of consumers who reported amount paid for each calendar year: CY-2005 = 13,759; CY-2006 = 20,509 ; and CY-2007 = 14,743. Eight consumers reported an amount paid of \$1 million or more during CY-2007; 2 consumers in CY-2005 and 3 consumers in CY-2006.

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 2005 through 2007*

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
2005	55,474	28,729	52%	\$136,649,579	\$4,757	\$1,304
2006	57,644	50,471	88%	\$142,457,801	\$2,823	\$1,050
2007	53,629	47,388	88%	\$194,032,819	\$4,095	\$750

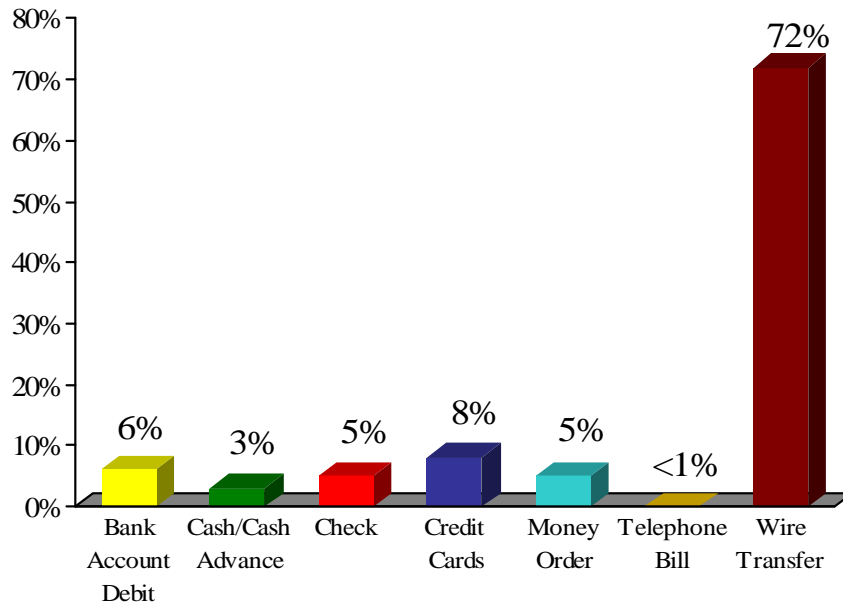
³Average is based on the total number of consumers who reported amount paid for each calendar year: CY-2005= 28,729; CY-2006 = 50,471; and CY-2007 = 47,388. Thirty-three consumers reported an amount paid of \$1 million or more during CY-2007; 7 consumers in CY-2005 and 18 consumers in CY-2006.

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

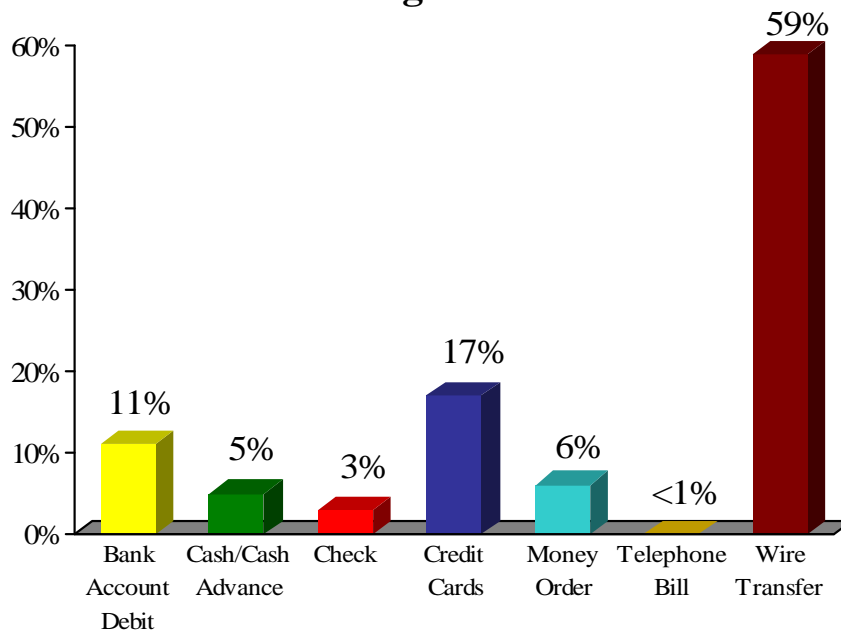
January 1 - December 31, 2007

U.S. Consumers Who Paid Companies Located in Canada¹



¹Percentages are based on the total number of consumers who reported the method of payment (3,083). **17%** of consumers reported this information.

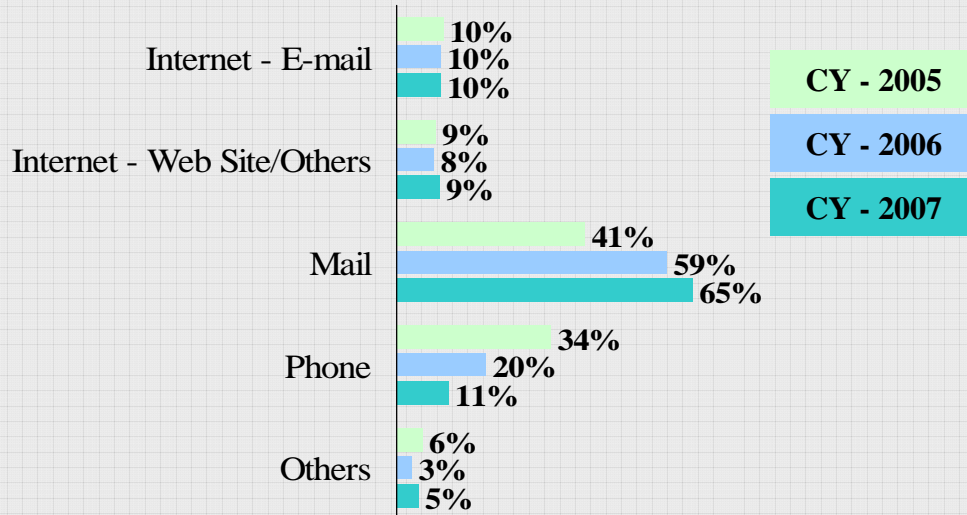
U.S. Consumers Who Paid Companies Located in Other Foreign Countries²



²Percentages are based on the total number of consumers who reported the method of payment (5,993). **11%** of consumers reported this information.

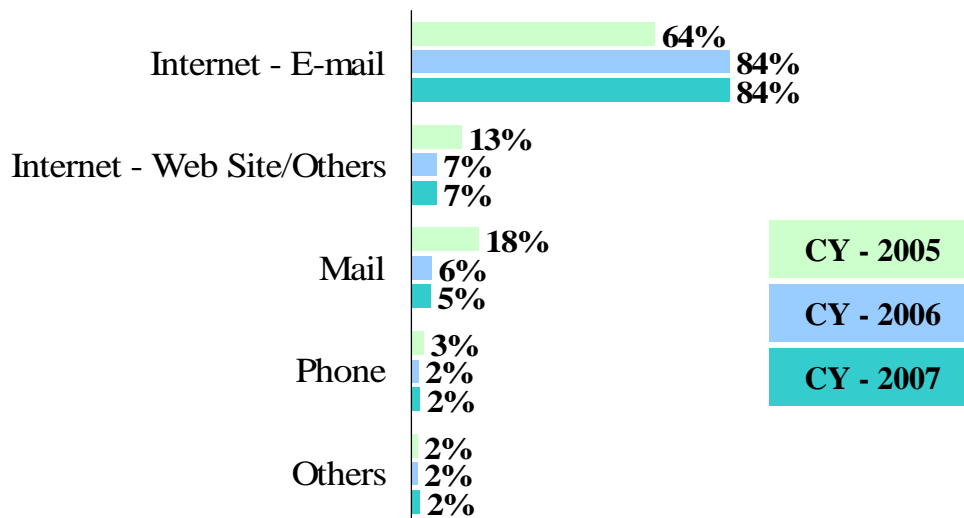
Methods of Initial Contact by Calendar Year

U.S. Consumers Contacted By Companies Located in Canada¹



¹Percentages are based on the total number of consumers who reported the company's method of initial contact: CY-2005 = 16,226 with 88% reporting this information; CY-2006 = 21,187 with 84% reporting this information; and CY-2007 = 15,157 with 84% reporting this information.

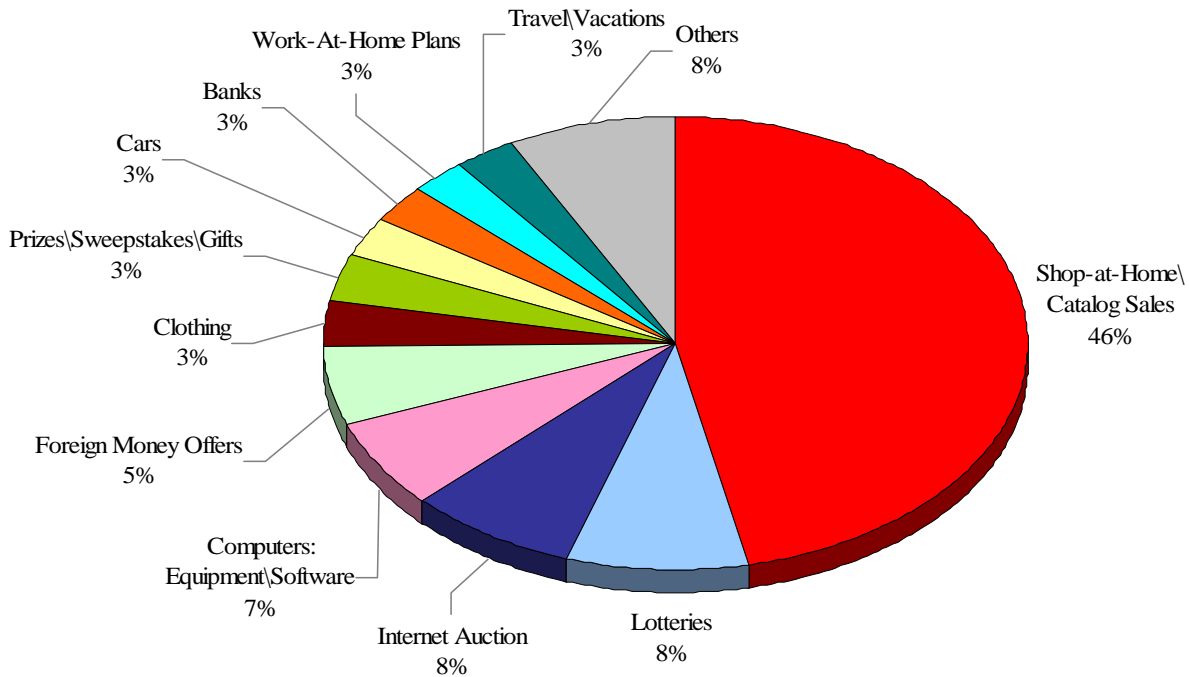
U.S. Consumers Contacted By Companies Located in Other Foreign Countries²



²Percentages are based on the total number of consumers who reported the company's method of initial contact: CY-2005 = 39,034 with 70% reporting this information; CY-2006 = 43,452 with 75% reporting this information; and CY-2007 = 41,773 with 78% reporting this information.



Top Products or Services for Econsumer Complaints¹ January 1 – December 31, 2007



¹Percentages are based on the 15,601 econsumer complaints received from January 1 to December 31, 2007.

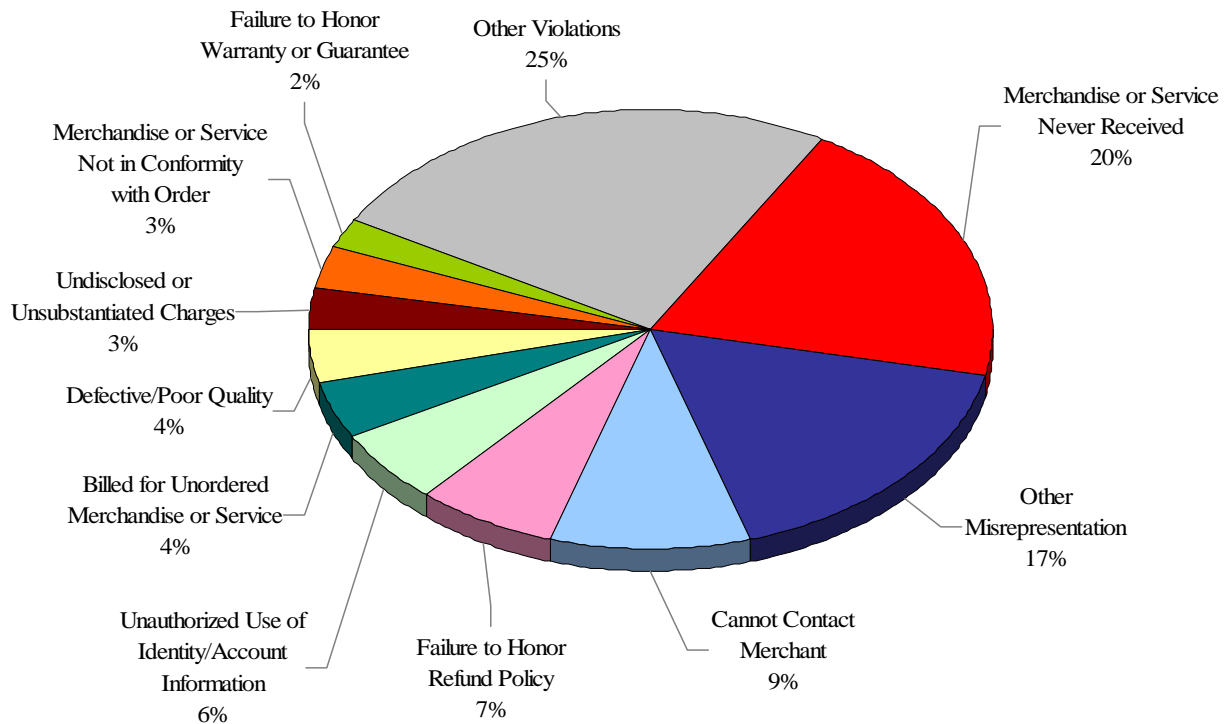
Top Products or Services for Econsumer Complaints Calendar Years 2005 through 2007

Top Product or Service	CY-2005		CY-2006		CY-2007	
	Complaints	Percentages ²	Complaints	Percentages ²	Complaints	Percentages ²
Shop-at-Home\Catalog Sales	4,477	44.0%	5,828	44.4%	7,143	45.8%
Lotteries	1,002	9.8%	1,117	8.5%	1,289	8.3%
Internet Auction	917	9.0%	1,441	11.0%	1,178	7.6%
Computers: Equipment\Software	706	6.9%	859	6.5%	1,008	6.5%
Foreign Money Offers	579	5.7%	659	5.0%	832	5.3%
Clothing	264	2.6%	358	2.7%	511	3.3%
Prizes\Sweepstakes\Gifts	248	2.4%	371	2.8%	499	3.2%
Cars	439	4.3%	492	3.7%	442	2.8%
Banks	330	3.2%	350	2.7%	417	2.7%
Work-At-Home Plans	155	1.5%	270	2.1%	411	2.6%
Travel\Vacations	264	2.6%	289	2.2%	398	2.6%

²Percentages are based on the total number of econsumer complaints reported in each time period: CY-2005 = 10,179; CY-2006 = 13,123; and CY-2007 = 15,601.



Top Law Violations for Econsumer Complaints¹ January 1 – December 31, 2007



¹Percentages are based on the **20,785** econsumer law violations reported from January 1 to December 31, 2007. One complaint may have multiple law violations.

Top Law Violations for Econsumer Complaints Calendar Years 2005 through 2007

Law Violation	CY-2005		CY-2006		CY-2007	
	Complaints ²	Percentages ³	Complaints ²	Percentages ³	Complaints ²	Percentages ³
Merchandise or Service Never Received	2,777	20.3%	3,832	21.5%	4,183	20.1%
Other Misrepresentation	2,317	16.9%	3,017	17.0%	3,490	16.8%
Cannot Contact Merchant	1,301	9.5%	1,793	10.1%	1,974	9.5%
Failure to Honor Refund Policy	884	6.5%	1,055	5.9%	1,407	6.8%
Unauthorized Use of Identity/Account Information	786	5.7%	1,081	6.1%	1,150	5.5%
Billed for Unordered Merchandise or Service	649	4.7%	732	4.1%	874	4.2%
Defective/Poor Quality	362	2.6%	489	2.7%	783	3.8%
Undisclosed or Unsubstantiated Charges	488	3.6%	661	3.7%	645	3.1%
Merchandise or Service Not in Conformity with Order	378	2.8%	419	2.4%	623	3.0%
Failure to Honor Warranty or Guarantee	309	2.3%	364	2.0%	504	2.4%

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-2005 = 10,179; CY-2006 = 13,123; and CY-2007 = 15,601.

³Percentages are based on the total number of econsumer law violations reported in each time period: CY-2005 = 13,699; CY-2006 = 17,790; and CY-2007 = 20,785. 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.



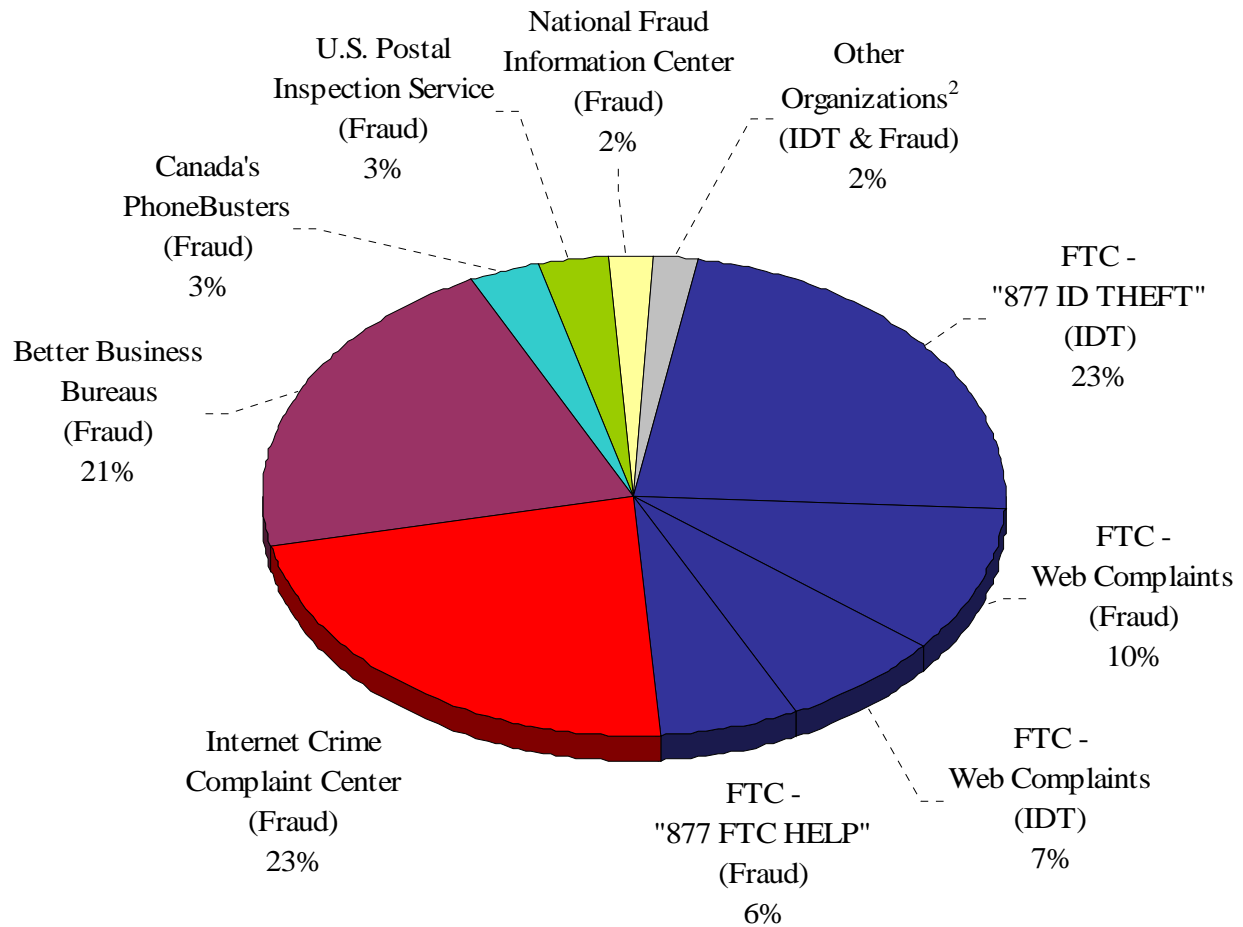
Econsumer.gov was created in April 2001 to gather and share cross-border e-commerce complaints in order to respond to the challenges of multinational Internet fraud, and enhance consumer confidence in e-commerce. The multilingual public Web site provides general information about consumer protection 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 23 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, 2007



¹Percentages are based on the total number of Sentinel complaints (over 835,000) received between January 1 and December 31, 2007. 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, 2007

Federal Agencies

Federal Bureau of Investigation
Office of the Comptroller of the Currency

Attorneys General Offices

Arkansas
District of Columbia
Nevada
North Dakota

Other State & Local Agencies

California, San Bernardino County District Attorney
California, Stanislaus County District Attorney
Georgia Governor's Office of Consumer Affairs
North Carolina Department of Justice
North Dakota Department of Financial Institutions
Wisconsin Department of Financial Institutions

Others

Identity Theft Assistance Center
Xerox Corporation

Local Police/Sheriff Departments

California, Inglewood Police Department
Colorado, Steamboat Springs Police Department
Connecticut, Danbury Police Department
Illinois, Broadview Police Department
Illinois, Chadwick Police Department
Illinois, Glenview Police Department
Illinois, Wilmette Police Department
Indiana, Fulton County Sheriff's Department
Iowa, Clinton Police Department
Kansas, Dodge City Police Department
Michigan, Genesee County Sheriff's Department
New Jersey, Harrison Township Police Department
New York, Cortland County Sheriff's Department
New York, DeWitt Police Department
New York, Suffern Police Department
North Carolina, Caldwell County Sheriff's office
Ohio, Streetsboro Police Department
Pennsylvania, Colonial Regional Police Department
Pennsylvania, Palmerton Police Department
Pennsylvania, Penn Township Police Department
Pennsylvania, Plymouth Township Police Department
Pennsylvania, Solebury Township Police Department
South Dakota, Miner County Sheriff's Office
Texas, Mansfield Police Department
Washington, Whatcom County Sheriff's Office