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Web Scammers Getting Trickier As Fraud Rises

BY PETE BARLAS
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Internet scams are getting more sophisticated and hauling in a bigger plunder, suggests a new study set for release Friday.

Dollar losses from Internet fraud reached a record last year, even as the number of reported incidents declined, says the Internet Crime Complaint Center, a joint effort of the Federal Bureau of Investigation and the National White Collar Crime Center.

Consumers lost a record \$198.4 million to Internet fraud, ranging from phony auctions to identity theft. That's \$15 million more than the year before, or an 8% jump.

Internet scam artists are finding new ways to rip off consumers, says Avivah Litan, an analyst for research firm Gartner, which also produces reports on Internet fraud.

"This report reconciles a lot with what we are finding, which is that the crimes are moving to less conventional methods," she said. "So instead of launching identity theft attacks at a bank, they are coming up with more creative schemes."

Those new techniques include fake online auctions, phony lottery winner announcements and sales of counterfeit Super Bowl tickets.

Even "phishing" attacks — in which scam artists attempt to collect a consumer's personal information via e-mail and phony site log-ins — are still hard to spot.

Most savvy Internet users know better than to reply to an e-mail request for personal information such as a bank account or Social Security number. But even experienced users can slip up sometimes.

Doug Schwegman, director of market intelligence for **CyberSource**, ([CYBS](#)) a maker of online payment and security software, admits he almost fell victim to a recent identity theft attack from a scam artist posing as PayPal, the Web's leading online payment service.

"On this one I had to stop myself for a minute, because it looked so good," he said. "Phishers are getting really good at penetrating levels of security."

Though consumers suffered more dollar losses, the number of reports of Internet fraud declined by 10.4% to 207,492, says IC3.

The number of cases referred to law enforcement agencies also dropped to 86,279 last year from 97,076 in 2005.

The Internet Crime Complaint Center's findings likely represent only a fraction of the true amount of actual Internet fraud, says Gartner's Litan.

"I don't think anyone has ever heard of the Internet Crime Complaint Center," she said. "Most of the consumers I talk to (in surveys) say they report crimes to their banks because they are trying to get their money back."

As in past years, online auctions were the biggest source of online fraud, accounting for about 45% of all Internet fraud.

Online e-commerce scams, in which consumers pay for items but never receive them, were second at 19%.

More than 73% of Internet fraud scams involved e-mail. Many fraudsters also used Web pages and phones.

Consumers have a new worry: instant messaging. Last year 12% of all Internet fraud scams were initiated via instant-messaging services.

Instant messaging will likely become a panacea for scam artists, Litan says.

"There are all kinds of filters trying to stop Internet fraud through e-mail, but the instant-messaging filters aren't there yet," she said.

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