

GIFT CARD FRAUD - EXTERNAL

The vast majority of gift card sales and redemptions are routine and without incident. Occasionally, however, someone will attempt to purchase a gift card with a stolen or fraudulent credit card or a fraudulent or NG check. There will also be attempts to use a fraudulent gift card for purchases. In the vast majority of cases, the ultimate goal of these criminals is to obtain cash, not merchandise, as the payoff for their crimes. Selling stolen or fraudulent gift cards for amounts less than the face value, or using them and then either selling the product for cash to fences, at flea markets, organized crime supported stores and on the Internet, or returning the purchased product and requesting a cash refund, are all common scenarios.

SALES

Taking a few simple, routine precautionary measures when selling a gift card will lower your store's risk of becoming a victim.

- Be alert to the customer who wants to purchase multiple gift cards, particularly in large dollar denominations. While this is not, in itself, a foolproof indicator that the customer is about to attempt to purchase the cards with a fraudulent or stolen credit card or a bad check, it is unusual and should cause increased awareness and prudence.
- Some thieves will purchase a gift card with a bogus check and then redeem it before the store realizes that the check is fraudulent. Only accept checks for gift card purchases if your store utilizes a check guarantee service that protects against fraudulent purchases.
- Always ask for a photo ID when the customer presents a credit card or check for payment. If the customer professes to not have a photo ID, decline the sale. This is a huge **red flag** that the alternate tender being offered to pay for the gift card is bogus.
- If the customer wants to purchase the gift card with a credit card and the credit card will not scan, this is yet another **red flag**. If there is ANY doubt about the validity of a credit card, it is strongly recommended that the cashier call the number on the back of the card and state that she has a **Code 10**. This is a code that automatically gets the call transferred to a Code 10 operator. A series of questions will be asked, the vast majority of which can be answered with a simple "yes" or "no" - the credit card issuer may even contact the issuing bank. Your cashier will then receive guidance as to whether the card should be accepted.
- Consider purchasing and using a counterfeit detection device that will quickly identify not only counterfeit currency, but also fraudulent credit cards, traveler's checks, driver's licenses and even some personal checks. The **Nashua Counterfeit Detection System** is an inexpensive method of detecting counterfeit currency and fraudulent alternate tenders. Nashua is an Ace Hardware preferred vendor-partner, offering special pricing to Ace retailers.
- Never sell a gift card over the telephone. Refer the customer to **www.acehardware.com** instead.



REDEMPTION

The redemption of a gift card, while posing a lesser risk of loss, is not risk-free. If the gift card is bogus, there is a risk of non-payment by the bank. If the gift card was purchased with a stolen credit card or an insufficient funds or fraudulent check, there is the risk that both the selling store and the store where the gift card is redeemed could suffer financially. It is, therefore, appropriate to be alert for indicators that the card may not be valid, such as a customer presenting multiple large denomination gift cards, using a gift card to purchase multiples of the same items, or refusing delivery services, even though the item purchased is something that is normally delivered. None of these **red flags** constitute a confirmation that the card is fraudulent, or the customer is dishonest, but they do constitute credible grounds for taking supplementary precautions and performing one or more of the following steps.

- Ask the customer for a photo ID, such as a driver's license, and then record the information from that ID (type of ID, number, name and address) in the Comments field of the POS sales transaction. If the customer is reluctant to provide a photo ID, or claims to not have one, this is a **red flag**.
- A gift card balance inquiry can be conducted through the Activant POS terminal, as well the VeriFone Omni stand-alone credit card terminal by following the instructions found on the *Ace Gift Card Quick Reference Card*. A downloadable PDF document is available at **ACENET > ACE WAY OF RETAILING (AWOR) > STORE PROCEDURES > POINT OF SALE**.
- If there is a question regarding the actual value of the card, or the balance cannot be obtained via the above step, call *Ace Gift Card Services* at 888-749-1509, where an automated program will provide the current balance on the card.
- A source for obtaining even more information about the legitimacy of the gift card is the *Ace Retailer Care Center* at 800-777-6797. They will be able to tell you the store number where the card was sold and the date purchased. Armed with that information, a quick call to the selling store would be appropriate to confirm that there was nothing suspicious about the sale and that there has not been a chargeback on the credit card used for the purchase or that the check used to purchase the card has not been returned.
- If the POS area is covered by CCTV, and there is anything suspicious about the transaction, particularly those cases in which the sale was not completed, the video associated with that transaction should be copied to CD/DVD, labeled and retained for future reference.
- If the sale is declined because credible evidence is obtained that the gift card is, in some form or fashion, fraudulent, attempt to get the license number and vehicle type of the vehicle used by the customer (without putting an associate at risk). Pass this information to local authorities and to the *Ace Retailer Care Center*.
- It is also recommended that Activant **OPTION 5981-GIFT/CASH CARD - PRINT AMOUNT REMAINING ON POS RECEIPTS/INVOICES** be set to YES. This will cause the customer's receipt to reflect the amount remaining on their Ace Gift Card after the sale.

Ace Hardware Retail Loss Prevention can assist in your investigation and, if appropriate, recommend a professional investigative firm to conduct an on-site investigation and prepare the case for presentation to law enforcement. Please contact Retail Loss Prevention at 630-972-2670 or info@acelossprevention.com.