



**CONSUMERS
INTERNATIONAL**

COMING TOGETHER
FOR CHANGE

WORLD CONSUMER RIGHTS DAY 2018 BRIEFING: SCAMS

MAKING DIGITAL MARKETPLACES FAIRER



WHY ARE SCAMS AND FRAUD ONLINE SO IMPORTANT?

Half of the people who never shop online blame a lack of trust.¹ A major contributor to this lack of consumer trust is fear of being scammed. Shopping online can incur unexpected and unwelcome costs for consumers. These can arise from illegal and fraudulent scams, or from unfair, unclear and confusing business practices.

There are numerous types of online shopping scams and new ones are emerging all the time. It's hard to get a clear picture of the global scale of scams because of irregular reporting. In Australia in March 2017, the government-run Scamwatch website received 531 reports accounting for \$95,407 lost by consumers.² The International Consumer Protection and Enforcement Network (ICPEN), made up of 35 national consumer protection agencies, runs an [Econsumer](#) website where people are encouraged to report international scams. The following is a list of the main types of scams and fraud:

FAKE SHOPS

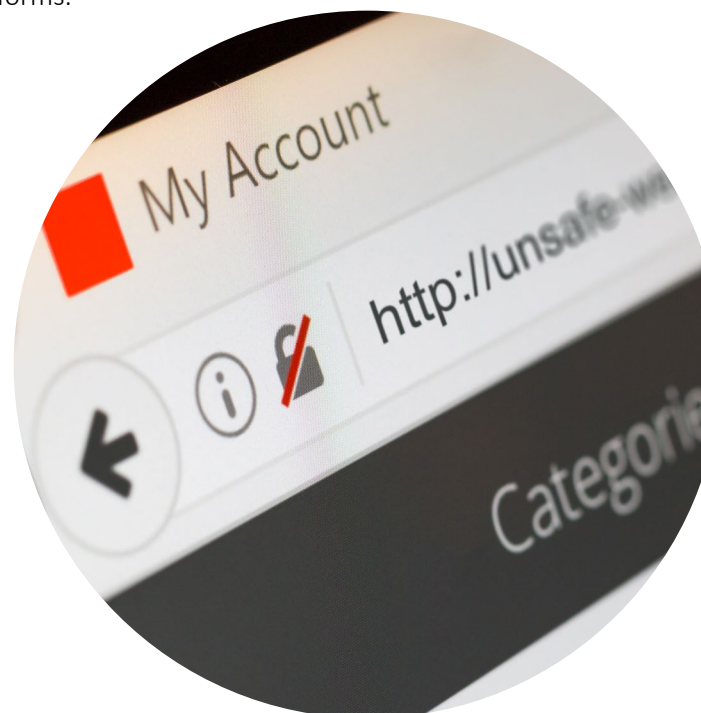
Fake shops or 'imposter scams' involve fraudsters diverting payments by pretending to be legitimate online sellers, either with a fake website or by advertising on a genuine retailer site.

Econsumer.gov complaint trends for January-March 2016³ rank impostor scams as number two on the list of top complaint categories. Fake retail sites can use sophisticated designs and layouts, stolen logos and domain names. Although these can sometimes be identified by a particularly requested choice of payment method, or anomaly in the URL, this can be very difficult for consumers to spot.

PLATFORM SCAMS

There are multiple types of scams perpetrated using legitimate platforms. In these cases, the extent of liability of the platform is unclear. For instance, consumers fall prey to scams where they: never receive an item they've paid for; receive something different from what they ordered; or receive counterfeit goods. In December 2016, Alibaba was placed on the US government's blacklist of "notorious markets" known for peddling counterfeit goods.⁴ In China, Alibaba is trying to crack down on the practice of 'brushing,' in which merchants, keen to increase sales figures to be listed higher up the search results page, resort to faking reviews and orders. In some cases, consumer accounts are hacked and fake orders placed on their behalf.⁵

There are multiple instances of scammers placing fake adverts on legitimate platforms, such as Ebay or AirBnB, to lure people into engaging outside of that platform. In an example from July 2017, a UK consumer lost £4,100 on a Sicilian villa through an apparently common scam on Airbnb⁶. He was encouraged to pay for a property via bank transfer rather than through the site's secure platform property. When it turned out to be a false listing he lost his money.



1 In a recent CIGI-Ipsos online survey of 24,225 internet users in 24 countries 22% of online respondents said that they never shop online. Of these 22%, 49% of these said gave lack of trust as the reason. 2017, *CIGI-Ipsos Global Survey on Internet Security & Trust*. <https://www.cigionline.org/internet-survey>

2 'Online Shopping Scams' Scamwatch, March 2017

3 'Complaint trends for January-March' Econsumer.gov, 2016

4 'US Puts Alibaba on Counterfeit Blacklist', BBC, 22/12/2016

5 'They Call It 'Brushing': The Dark Art of Alibaba Sales Faking', Wall Street Journal, 3 March 2015

6 'Could you spot a bogus Airbnb listing?', The Guardian 15/07/2017

In some cases, platforms compensate consumers who've been scammed, particularly if there is a reputational risk. Ultimately it is in platforms' interests to prevent fraud through fake listings. According to Airbnb, its fraud prevention measures include: Real-time risk detection system that use machine learning to detect and stop fraud before it affects users; and verified ID feature that ties user's online identity to a real person in the offline world.⁷

The UK consumer who fell victim to the Sicilian villa scam felt that Airbnb should feature prominent warnings to consumers never to agree to pay by any means other than through the secure Airbnb platform. Platforms could and should make it as easy as possible to report and block fraudulent ads and listings.

PAYMENT FRAUD

The number of fraud cases globally has increased by 19% compared to 2013⁸. This is the fourth successive time that fraud growth has exceeded e-commerce growth. For every \$100 in turnover, fraudsters currently take 5.65 cents (this includes all types of e-commerce fraud, such as fraudulent chargeback claims made against companies). The risks that consumers are exposed to involve the transfer of payment information over the network and the storage of payment data.

Fraud is not exclusive to credit card payments. Other means of payment attract fraud. Criminals are becoming ever more sophisticated in their use of malware to capture and command online banking logins via phones, tablets and computers, using the stolen bank account details to make fraudulent payments.

CALL TO ACTION

Members can use World Consumer Rights Day 2018 to call on governments and businesses to act against scams and against unfair, unclear or misleading practices; and to raise awareness amongst consumers. Consumers International's recommendations for [Building a Digital World Consumers Can Trust](#) call for:

- Digital consumer protection and empowerment to be an integral part of the regulatory framework to effectively address the complexity of digital markets and the experience of consumers online. The consumer protection framework should meet requirements as set out in international guidelines, recommendations and regulations such as the [UN Guidelines on Consumer Protection](#), and provide consumers with an equal level of protection whether their activities are carried out online or offline and regardless of location.
- Treating consumers fairly should be an integral part of the objectives, good governance and corporate culture of all digital providers, and they should be held responsible for upholding digital consumer protection. Companies should adhere to the best practice guidelines of the United Nations Guidelines for Consumer Protection which state that all consumers of digital products and services should be treated equitably, honestly and fairly at all stages of their relationship with product and service providers.
- Clear information about digital products, providers, processes and consumers rights should be of practical use to consumers. It should be easy to access in order to enable consumers to understand the implications of their activities online, and facilitate confident, informed decision making.
- Digital education and awareness should support consumers to understand risks and opportunities about their products and services online.

See the OECD recommendations for [Consumer Protection in e-commerce](#) for more detailed calls on: transparent and effective protection; fair business practices; online disclosures; payment protection and consumer education, awareness and digital competence.

KEEP IN TOUCH

By sharing information with Consumers International about what you are doing for World Consumer Rights Day and using the hashtag **#betterdigitalworld** your activities will contribute to a global day of action.

⁷ ['What does Airbnb do to avoid fraud?'](#), Quora, 01/10/2015

⁸ ['The seven types of e-commerce fraud explained'](#), Information Age, 15/04/216



USEFUL RESOURCE: UNCTAD CYBERLAW TRACKER

Check what kind of legislation is in place in your country to protect consumers online with the [UNCTAD's cyber law tracker](#).

CONSUMER INTERNATIONAL MEMBER INITIATIVES ON SCAMS



Which? has [produced an online guide](#) to help UK consumers spot fake websites. The guide gives consumers advice on how to fake, fraudulent or scam websites and tips include checking the domain name, never paying by bank transfer and checking the returns policy.



Consumer Reports [has also produced a guide to internet security](#) that covers essential information for consumers on the topics of privacy, security and protecting personal data. The guide is accompanied by an internet security video playlist.

OTHER INITIATIVES

The **Austrian Ministry for Social Affairs** has set up [an online consumer protection portal](#) that includes a quiz on staying protected online.

The **International Consumer Protection and Enforcement Network (ICPEN)** [website points consumers towards national initiatives in their own countries](#). Some governments run schemes where consumers can report scams.