

My credit card was rejected, but it wasn't my fault

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(Photo: Getty Images iStockphoto)

The electronic voice on the other end snapped me to attention. A robocall from American Express fraud detection department was questioning a charge. But the card was still snug in its slot in my beloved wallet with black-and-now-faded-purple-bows.

A conversation with a human confirmed what I dreaded: Someone stole my number and was running up charges. The trigger was a \$64 bus ticket hundreds of miles away in New York. As the operator ran through purchases, I identified nine others for a total of \$490.

If that wasn't enough, I used my Citibank Mastercard at a mechanic's shop in Windsor later that same day, but the charge was repeatedly denied. Would you believe that? The same day.

Mortified, I called the credit card company. It was a false positive. They flagged it, even though I'd used the card at the same mechanic before. They also thought it was strange the charge was from Canada. Never mind Windsor's just a short swim from Detroit, and I had a history of using the card there during the previous month-and-a-half. And once or twice a day, that same Mastercard pays for my Detroit-Windsor Tunnel tolls as I commute back-and-forth.



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So what gives? American Express declined to discuss details how it determines which swipes are suspect, as did Citibank. But it's clear those complicated, secret algorithms for detecting fraud sometimes are wrong.

First, let me say it's hard to blame companies for being overly cautious. Credit card fraud totals \$5.47 billion a year, of which 66.5% is absorbed by the card issuers and the remainder by the merchants' banks, according to the Nilson Report's most recent data.

That's why card companies are so vigilant. (Among the more famous mega-hacks in recent years occurred at Target, Home Depot and Neiman Marcus.) The companies and banks that put their logos on those small pieces of plastic have elaborate algorithms to determine which charges are fraud.

Red flags

So what can we do to cut down on those bogus red flags while still protecting our card numbers? I thought I'd investigate and ask some cybersecurity experts.

Fraud expert Robert Siciliano said credit card companies track spending patterns: How big are your purchases generally? What sorts of merchants do you frequent? What geographic area do you usually make your purchases? How often do you use your card?



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"It's anomaly detection," he said. "They have algorithms that add, subtract and multiply and provide scores."

So if you're going out of town or the country, call them and give them a heads-up.

The card issuers also look at whether the card was present for the purchase and analyze the location of the computer where the charge originated. Another flag is a small charge at a low-risk vendor — like a drug store or coffee shop — followed by hard-to-trace big purchases that can be flipped quickly such as jewelry, gift cards and electronics.

"Usually, what a criminal is doing is testing the card to see if the transaction goes through. If it does, they make a larger transaction. Companies look at back-to-back transactions," said Doug Johnson, American Bankers Association's senior vice president of payments and cybersecurity policy. "Criminals realize they have only a limited life to them before the card is cut off and then re-issued to customers."

False positives

In my case, Amex called me the same day the 10 purchases were made. (For the record, I don't think I've ever used a credit card 10 times in one day.) I've spent a lot of time in New York, so I don't think geography was the prompt. The purchases — at a marketing firm, an online payment company, an online dating service and Skype — didn't fit my modus operandi.

It's unclear how my Amex card was compromised. The last legitimate charge was two days before the trouble had begun, a \$25 charitable donation. Both the not-for-profit and its online payment service provider, WePay, told me they've had no other security-breach reports.

Andrew Schrage, cofounder of the personal-finance Web site Money Crashers, told me that my card could have been compromised shortly before my final charge. (Previous ones include Canadian and Oakland County gas stations, a major U.S. airline, an insurance company and a chain drugstore). Or it might have been months or even years earlier, he said.

"Maybe you were part of the Target hack and they finally sifted through to your credit card from two years ago," he said. "Or maybe it was a tiny merchant, a mom-and-pop store, with less secure systems more accessible."

While I have shopped at Target, his lesson was this: It's not always possible to follow the trail back to Swipe Zero.

The Citibank false positive, according to Siciliano, "happen(ed) the exact same way as the positives. It's all number crunching all done via technology. Sometimes, there is a simple mistake, the math doesn't add up right and it still sends a flag. In the end, it's the anomaly detection being a little too aggressive."

That Mastercard — which was stolen out of my purse about 10 years ago and used by thief despite my photo printed on the front — is now reunited with my replacement Amex card and its new 16-digit number.

Maybe my first purchase with it should be a new wallet.

Contact Zlati Meyer: 313-223-4439 or zmeyer@freepress.com. Follow her on Twitter [@ZlatiMeyer](https://twitter.com/ZlatiMeyer) (<http://twitter.com/ZlatiMeyer>).

How credit card companies track fraud

- Changes in your spending patterns — how much, where, how often, what is purchased, etc.
- A very large purchase.
- Increased purchases of hard-to-track, easily resold items, like jewelry, gift cards and electronics.
- A small purchase at a low-risk merchant followed right afterward by a large one.

What you can do to help your credit card company fight fraud

- Immediately report a stolen credit card.
- Alert company when you're traveling to another country or are planning an expensive purchase.
- Share your credit card information online only on secure websites or with trusted vendors.
- Look over your monthly charges for any suspicious activity.

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