

# Global Credit, Debit, and Prepaid Card Fraud Losses Reach \$11.27 Billion in 2012 - Up 14.6% Over 2011 According to The Nilson Report



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CARPINTERIA, Calif.--(BUSINESS WIRE)--

Issuers, merchants, and acquirers of credit, debit, and prepaid general purpose and private label payment cards worldwide experienced gross fraud losses of \$11.27 billion in 2012, up 14.6% over the prior year, according to The Nilson Report, a leading payment industry newsletter. Of that \$11.27 billion, card issuers lost 63% and merchants and acquirers lost the other 37%.

Gross fraud losses equaled 5.22¢ per \$100 in total volume, up from 5.07¢ per \$100 in 2011. Although fraud as a percentage of total volume has increased over the last two years, this comes after remaining essentially flat for the prior eight years, and it remains near the historical low.

Fraud as percentage of total volume was lowest for PIN-based debit networks worldwide at 1.10¢ per \$100 in total volume. The global brand cards — Visa, MasterCard, American Express, UnionPay, Diners Club, and JCB — averaged fraud losses of 6.13¢ for every \$100 in total volume.

Card issuer losses occur mainly at the point of sale from counterfeit cards. Issuers bear the fraud loss if they give merchants authorization to accept the payment.

Merchant and acquirer losses occur mainly on card-not-present (CNP) transactions on the Web, at a call center, or through mail order because issuers can chargeback fraudulent transactions.

Fraud losses on all general purpose and private label, signature and PIN payment cards reached \$5.33 billion in the U.S. last year, up 14.5%. Issuers lost 64% or \$3.41 billion and merchants lost the other 36% or \$1.92 billion.

The U.S. accounted for 47.3% of global card fraud losses but generated only 23.5% of total volume. One contributing factor to that disparity is that the U.S. has the lowest percentage of cash as a percent of total volume than all other world regions except Canada. Cash delivery, which is protected by PINs, has substantially lower fraud losses. This lowers overall fraud losses as a percent of total volume. What's more, when the fraud at ATMs is "on-us", it goes unreported to any network.

The absence of EMV cards and terminals in the U.S. contributes to fraud losses. The U.S. is the only region where counterfeit card fraud continues to grow consistently. U.S. issuer losses due to counterfeiting accounted for 26.5% of global fraud losses last year. The U.S. also has high CNP fraud losses because it leads the world in online sales. Smaller merchants who do not invest in fraud-fighting tools are particularly vulnerable.

"Adoption of EMV at the point of sale is the strongest defense against counterfeit cards," said David Robertson, publisher of The Nilson Report. "EMV adoption would not only help U.S. issuers but also issuers in other parts of the world that must continue to put mag-stripes on their cards to accommodate POS terminals in the U.S. Fraudsters are willingly paying a premium for stolen mag-stripe data from EMV card countries in order to create counterfeit cards for use in the U.S.," he explained.

Also helping issuers, merchants, and acquirers fight fraud are Payment Card Industry Data Security Standards, steadily improving neural network-based scoring tools within payment networks, and out-of-band alerts such as text messages that ask cardholders to confirm transactions.

Credit, debit, and prepaid general purpose and private label payment cards generated \$21.604 trillion in total volume — combined purchases of goods and services and cash advances and withdrawals — in 2012, up 11.4% from the prior year.

### About The Nilson Report

**The Nilson Report** is a highly respected source of global news and analysis of the card and mobile payment industries. The subscription newsletter provides in-depth rankings and statistics on the current status of the industry, as well as company, personnel, and product updates. David Robertson, Publisher of The Nilson Report, and a recognized expert in the field, is a frequent speaker at industry conferences, and is regularly quoted in publications worldwide. Over 18,000 readers in 90 countries value The Nilson Report to track industry trends and market information.

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