

# REFUNDING FRAUD FAQ: THE NEW FRAUD TACTIC THAT COULD BE COSTING YOUR BUSINESS MILLIONS

**Background:** The last few years, a new type of fraud has impacted online merchants. In the last six months, due to the economic impacts of Covid-19, this scheme has increased exponentially. It goes undetected in fraud prevention software, because the original payment method isn't stolen. But the end result is similar: your company has lost the product and the amount paid for the item(s).

## How it works



**Alex**  
Customer

**Alex** placed an order on **Company.com** for two 17" Laptops. The package arrives at **Alex's** house. Next step is for Alex to reach out to his usual Refunder, **Cyb3rthi3f...**



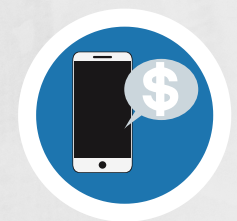
**Cyb3rThi3f**  
Professional Refunder

**Cyb3rThi3f** receives **Alex's Company.com** order information and prepares for the refund. He reaches out to **Company's** Customer Service and connects with **Tim**, a Customer Service Agent...



**Sue**  
*Company* customer service

**Cyb3rThi3f** impersonates **Alex** and uses a "Refund Method" in order to secure a refund for **Alex's** order. **Tim** authorizes the refund for **Alex...**



**Alex**  
Customer

**Alex** receives a notification from **Company** that states he is receiving a refund for his order. **Alex** is happy. He now has two 17" Laptops for free. Alex pays **Cyb3rThi3f** his fee and thanks him for a successful refund.

## Methods

Refunders use one of 5 methods to commit refund fraud on behalf of their customer:



**DNA**

**Did not arrive**

"I never received my package"



**Partial/Empty Box**

**Missing items**

"I ordered two laptops but only got one" OR "I received my package, but it is completely empty"



**Item Received Damaged**

**Damaged items**

"I received the laptop I ordered, but the battery is leaking."



**Boxing**

**Return empty box**

"I shipped my package back. Check the tracking and weight"



**Fake TID (NEW)**

**Fake return**

"I shipped my return back two weeks ago. Where is my refund?"

\*These categories are general. Refunders learn what method + specific factors to utilize to take advantage of each individual merchant. What works well for one company, won't work for another, even if the general method is the same.

# REFUNDING FRAUD FAQ FOR MERCHANTS

## **Q: Who makes the original purchase on a merchant's website?**

A: The customer who wants the item places an order on a company's website. Once they receive the item, they fill out a form so the refunder can contact the merchant's customer support & impersonate the original customer to convince the customer service agent to initiate a refund, back to the original method of payment.

## **Q: Why do consumers hire refunders? Can't they do this themselves?**

A: Most customers don't understand how refunds are done, they just understand "I pay my refunder \$xx and I get my order refunded". For a \$3,000 order, it would cost roughly \$210 to get it refunded from a low-tier refunder. A lot of consumers without refunding experience think they can just call a retailer and say "my package never came" and get a refund. For a few stores, it maybe this easy. But for the majority (especially when the dollar amount is over \$500), there are specific methods used for each retailer if you want your refund to be successful. Refunders know which methods work for which companies.

## **Q: How do consumers learn about refunders?**

A: Most refunders advertise on most social media channels, as well as private messaging apps and services. The most effective advertisements for refunders are when they release their updated lists of stores (along with the quantity and dollar limits they are confident will be refunded) and when their customers post screenshots or pictures of the items they were able to obtain for free by using a specific refunder.

## **Q: How is refunding fraud different from refund abuse?**

A: Refund abuse is typically committed by a single customer who may return multiple items to the same company after wearing the item(s), or the customer may try to call a retailer to manipulate a refund, but they are not intimately familiar with all of the policies & processes of the retailer. Refunding fraud is more intentional. Customers that place orders intentionally for refunding often only "hit" each merchant company once, so to not get caught. Customers who use refunders would often not make purchases if they didn't intend to get their money back.

## **Q: How is refunding fraud different than receiving friendly fraud chargebacks?**

A: Refund fraud is entirely different than doing a chargeback. Chargebacks are the old way, refunding is the new way to defraud a company without a stolen credit card. The cybercrime community knows that chargebacks are automatically seen as suspicious, and they're difficult to win and take a long time to receive funds back, that's why they are only used as a "last resort".

## **Q: How and when does a refunder receive their fee? Wouldn't it be easy for a customer not to pay them?**

A: Cryptocurrencies are the preferred method of payment to a refunder for their services. The refunder doesn't intercept the refund or have any kind of access to the money being refunded. But, if a customer decides to try and skip out on paying the refunder his fee (which does happen), the refunder will call the company back and have you re-billed, claiming the item was received after all.

# REFUNDING FRAUD FAQ FOR MERCHANTS

## **Q: Is the industry of refunding fraud isolated to retailers with physical items?**

A: While retailers are the preferred merchants that consumers want to target, where there is demand, the refunders will do their research and offer services for the companies & services most requested. As long as a merchant company offers refunds, they will craft methods of attack/manipulation to get their customers refunded. Examples are Hotels, Airfare, Giftcards, Game Codes, etc.

## **Q: How do we know if our company is a target of refunding fraud?**

A: You can attempt to find refunding store lists on social media, however, it's important to know there are thousands of refunders, and each has their own select list of target companies. Some only specialize in 1 or 2 companies, especially when they are challenging to obtain refunds (allowing the refunder to charge a premium). If you do find a list of stores being advertised and your company is not listed, that does not mean you're not a target. You can also contact Chargelytics Consulting/Whisper Defense to book a 30-minute assessment call, in which they will utilize their access to high-level private refunder communities to let you know if your company is a target and if so, how popular it appears to be to refunders & consumers.

## **Q: How can this fraud be stopped?**

A: Just like with all CNP fraud identification & prevention, layers are the most effective way to identify & reduce refunding fraud. Chargelytics & Whisper has created a package to assist you in these efforts, especially to understand the specific methods being used against your company and how to greatly reduce lost revenue to your business.



To book your 30 minute consultation, contact  
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