

The Gift Card Scam on the News

Let's first talk about the gift card scam that's making news. It's actually quite clever. Here's an example of the email going around:

--- Begin Email ---

The crooks have found a way to rob you of your gift card balance. If you buy Gift Cards from a display rack that has various store cards you may become a victim of theft.

Crooks are now jotting down the card numbers in the store and then wait a few days and call to see how much of a balance THEY have on the card. Once they find the card is "activated", they go online and start shopping.

Your may want to purchase your card from a customer service person, where they do not have the Gift Cards viewable to the public.

--- End Email ---

As bogus as this may sound, it can actually happen. The good news is that, so far, it hasn't happened very often. Nonetheless, according to KOMO TV in Seattle, Wal-Mart shoppers have already been hit with this scam.

Here's How This Scam Works:

Gift cards have a unique number in a magnetic strip that is used to track usage and outstanding balances. This usually works well, and has the benefit that you often won't lose your remaining balance if you lose the gift card, since you can simply call to report the card as stolen or lost.

Now imagine that a scammer comes into a store that displays gift cards on public racks (such as Wal-Mart) with a small and inexpensive mag-strip scanner in his pocket. This scanner can easily read and store the unique gift card serial numbers.

So, the scammer simply grabs some of these gift cards from the rack, finds a quiet place and quickly scans each card to get it's unique serial number. They then put the cards back (or leave them somewhere in the store) since they are done with them.

(Incidentally, this high tech approach isn't even needed. The crook can simply copy the unique numbers by hand on a pad of paper. However, this is much more time consuming.)

Depending on the gift card packaging, this can be very easy to accomplish or the crook might need to pry the gift card from its base and then carefully reposition it back after stealing the number. In either case, it's not very difficult for the scammer to do this.

Next, real customers come in buy some of these gift cards and "charge" it with real money.

How does the scammer know which gift cards have been charged? Every few days, he simply calls the gift card phone number and enters the unique numbers to find out which cards have been charged -- and what the remaining balances are.

Most of these systems don't require a password, so it is **very** easy for the scammer to do this. Other times the scammer is able to steal the PIN at the same time as the gift card number.

And since most of these gift cards aren't given to the recipients until Christmas, most of the cards will be **fully charged!**

The scammer can then go on a shopping spree and drain the gift card balances.

If scammers are somewhat more technically sophisticated, they can even purchase a similar real gift card, charge it with \$5, and then reprogram the card with a stolen unique ID number -- and use the card to physically shop in the store instead of being "limited" to shopping only online.

According to KOMO TV, a Wal-Mart spokesman says the company, "is working with law enforcement at the highest levels possible, to rectify the problem and catch the people responsible."

The National Retail Foundation (NRF) confirmed this scam was occurring last week in a press release, and said: *"Reports about a new gift card scam detailing how consumers could lose money from gift cards if criminals steal the card numbers from the back of the card are accurate but somewhat misleading."*

ScamBusters Recommendation: Even though this type of gift card scam is now only occurring on a very small scale, we still advise that you don't buy gift cards displayed on public racks since this scam is so simple for scammers to execute. Why take the chance?

We also recommend you follow the eight tips for protecting yourself that we outline below.

Little Known Gift Card Scams That Actually Pose a Bigger Threat This Holiday Season

With gift card sales estimates at \$24.81 billion this holiday season (up from \$18.48 billion last year according to the NRF), it is not surprising that there are bigger gift card scams going on right now, even if the one on the news is overstated.

According to experts, there are three MUCH more common types of gift card scams:

1. Used, counterfeit and fraudulent gift cards are being sold on auction websites.
2. Sellers often overstate the value of real gift cards they are selling on auction websites, so buyers don't get what they think they are purchasing.
3. Scammers are using stolen credit cards to buy gift cards and then selling these gift cards for cash, either at online auction sites or elsewhere.

In other words, **auction gift card scams now pose a much bigger threat than gift cards displayed on public racks in stores.**

Here are two other current gift card scams:

- Crooks swap blank gift cards that they stole on previous trips to a store for cards activated by clerks when they purchase them. Since the clerks don't realize that the returned cards are blank rather than the ones just purchased, the scammers are able to steal fully charged cards.
- Thieves also carefully open the packaging of new gift cards and replace them with used, worthless cards. When the card is sold, the gift card the scammer has in his possession gets activated, rather than the worthless used card that the real buyer has. (This will only work on some types of cards.)

8 Tips for Protecting Yourself From Any Gift Card Scam:

There are plenty of things that you can do to protect yourself from gift card scams. And the best part is that none of these things will take more than a few minutes.

Just follow these eight simple tips to make shopping for gift cards safer:

1. **Don't buy gift cards from online auction sites.** Since this is a large source of gift card fraud, these cheap gift cards may well be worthless to you. Sure, some of these cards are real, but many are stolen, counterfeit or used. It's not worth the risk.
2. **Only buy gift cards directly from the store issuing the gift card or from a secure retailer's website** -- no matter how much cheaper they may be somewhere else. If you do buy a gift card online, make sure you buy it from the place that you plan to use it.
3. **Don't buy gift cards off of publicly displayed racks in retail stores.** In addition, don't assume that because gift cards are inaccessible to the public, they are safe. After all, store employees can participate in gift card scams too.
4. **Always carefully examine both the front and back of a gift card before you buy it.** If you can see a PIN number, put the card back and get a different one. If a gift card looks like it could have been tampered with, don't buy that gift card.
5. **Always ask the store cashier to scan the gift card in front of you.** This will guarantee that your card is valid when you buy it and that it reflects the balance you just charged it with. This will also protect you from crooks who exchange worthless cards for the cards you think you are buying.
6. **Always keep your receipt as a proof of purchase as long as there is money stored on the gift card.** Since many retailers can track where the gift card was purchased, activated and used, if the card is stolen, some retailers will replace the card for you if you have your receipt.

7. **If possible, register your gift card at the store's website.** Although not all stores offer this option, you can uncover any misuse of your gift card sooner and report it more quickly.
8. **Finally, never, ever give your Social Security Number, date of birth or any other unneeded private information** when you purchase a gift card. No reputable company will ask for this info.

And that's it.

Gift cards are convenient and make great gifts. Following these easy tips will help you ensure the person you buy the gift card for is the one who benefits from it!