



BILL THIEBAUT  
District Attorney  
(719)583-6030

OFFICE OF THE DISTRICT ATTORNEY  
TENTH JUDICIAL DISTRICT, COLORADO

STACIE HARRIS  
Legal Assistant  
(719)583-6675

## **Scam Alert – November 2007**

by Stacie Harris, Economic Crimes Unit

### **The Value Drainer**

*(Although this was an article that I initially wrote back in December 2006, I thought it would be a good idea to remind the community to be safe and informed while holiday shopping.)*

Not sure what to buy Aunt Mable or Uncle Frank who live many miles away from you in another state? The answer over the last few years has been to send them a gift card so that they may pick out what they like or are in need of.

If you are accustomed to purchasing gift cards from a display rack that has various store cards, be aware that you may become a victim of theft. Value drainers are now jotting down the card numbers found on the back of the cards simply by looking at the back of the card by prying it from its cardboard base if necessary and then repositioning the plastic neatly back onto its placard. The value drainer then waits a few days and calls the toll free number on the card to see how much of a balance THEY have on the card. Once it has been determined that the card has been activated and the amount on the card, they begin their Christmas shopping, at your expense. This scam has recently been reported in New York, New Jersey, Oregon and Washington.

This scam does not apply to all gift cards, but only to those that can be used in "card not present" (also known as CNP) situations, such as when making purchases online. Only the ones that don't offer additional security measures in the form of encoded PINs that rightful card holders have to acquaint themselves with in order to use their cards online are undefendable against this form of theft. Many retailers who have been hit with gift card fraud have come to require that a specific PIN be keyed in along with the card's number in situations where the card itself is not being handed to a clerk. Most times, the PIN is obscured on the card's back in a manner that requires a covering to be scratched away to reveal it.

In Seattle, WA, the nation's largest retailer was the biggest target. Local consumers had tipped them off. Although the retailer acknowledges the scam, they will not discuss details for security reasons. A spokesman in Arkansas characterized it as a "small issue in some pockets of the country." Another spokesman says the company, "is working with law enforcement at the highest levels possible, to rectify the problem and catch the people responsible." -- *as reported by Connie Thompson*

A suspect in a drug and theft case in Oregon told investigators how the scam was accomplished and described how the card numbers were routinely traded for drugs. – *as reported by Mail Tribune in Oregon*

#### Ways to safeguard against Gift Card Scams

- Purchase gift cards from reputable sources.
- Whether you choose a card from a rack or have a clerk hand it to you, always examine both sides of what you're buying before paying for it, even if that means removing the item from its packaging to do so. If you see signs of tampering, or you see that the card's PIN has been exposed, don't purchase the card. Instead, hand it over to the store's management, pointing out what you saw.
- Keep your receipt as proof of purchase for as long as there is value stored on the card.
- Some card issuers offer the option of registering the gift card at the store's website. Doing so gives you the ability to periodically check your card's balance online.
- If purchasing gift cards online, be sure to purchase them from the online versions of the store and not from auctions. Some auctions have been known to be scams.

**IDENTIFY A SCAM BEFORE A SCAM IDENTIFIES YOU!**

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