

Cleveland-area debit card fraud cases possible in part because photo IDs aren't mandatory

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By [Teresa Dixon Murray, The Plain Dealer](#)

CLEVELAND, Ohio -- Santo and Jill Berardi were stunned when they went grocery shopping at Heinen's one Saturday. Their debit card was declined for insufficient funds, even though they'd both just been paid and had more than \$4,000 in their account.

Or so they thought.

In fact, thieves that week had cleaned out their Charter One checking account on a shopping spree that lasted six days and racked up \$4,612 in purchases at more than a dozen stores, including Best Buy, Hallmark, Foot Locker and Dave's Supermarket.

"Here's my question: Why didn't anyone ever ask for the person's ID?" said Santo Berardi, 52, of Middleburg Heights. "Why is it, when you're anywhere around here, nobody ever asks for my ID? I think it's a bunch of bull."

The Berardis' experience spotlights a little-known fact about shopping with plastic, one that also has contributed to a spree of [debit card fraud in Northeast Ohio](#) the past two months.

The reason no one requires Santo Berardi to show his ID is they can't. The credit card companies say merchants can ask for photo identification, but they can't require it.

"A merchant must not refuse to complete a MasterCard card transaction involving a valid and signed MasterCard card solely because the cardholder refuses to provide additional identification information," MasterCard spokesman Dwain Schenck said. Visa described its policy with nearly identical language.

The only time a photo ID is required, they say, is when the card isn't signed.

No one can say how much of last year's \$14 billion in card fraud --affecting 4.4 million adults -- could have been prevented by requiring ID. Certainly, the practice would deter all but the most sophisticated criminals, police and merchants say.

"That's clearly a hole in the system," said banking analyst Fred Cummings of Elizabeth Park Capital Management in Beachwood, who follows banks' policies and profits and losses. "You bring up a lot of good points about the vulnerability of the payment system."

It's a system made up of trade-offs, the credit card companies, banks and merchants say. Their arguments:

- Consumers like store transactions to go quickly, and they may not like sharing personal information by showing a photo ID.

"You don't want the guy in the grocery store knowing where you live, or saying, 'You're that old?' " said Nessa Feddis, vice president and senior counsel at the American Bankers Association in Washington D.C.

To use a credit card, Feddis said, "you don't have to reveal who you are. That's part of the product."

- Even with a no-ID-required policy nationwide, dollar losses from fraud are on the decline -- dropping 39 percent last year, according to a report from Javelin Strategy & Research -- in part because of software that detects unusual purchase patterns.
- Requiring photo ID wouldn't always work because "a lot of people don't have IDs," she said. Low-income people in particular may not have driver's licenses or state IDs, but they get retirement or public assistance benefits loaded onto pre-paid debit cards.
- Requiring IDs would slow down check-out lines, Feddis said, and no one would be happy about that.

"Is it a good idea to check ID? Absolutely," said Linda Foley of the Identity Theft Resource Center in San Diego. "But we are a microwave society. We want things fast. People don't want others in line to take the time to dig out an ID."

In the recent fraud case, thieves obtained debit card numbers belonging to hundreds of Greater Cleveland residents and tallied purchases of \$600 to \$4,000. Authorities don't believe the thieves showed IDs when they shopped at stores across the area such as Walmart, Acme, Giant Eagle, CVS and AutoZone. The U.S. Secret Service is continuing its investigation.

MasterCard and Visa, as well as banks such as Fifth Third, PNC and Chase, deflect questions about whether IDs could curb debit or credit card at the point-of-purchase. They stress that consumers have a guarantee of zero liability in cases of fraud.

The Berardis, for example, got their money back in a week without much hassle, but the experience was frustrating. The average fraud victim spends 26 hours on phone calls, police reports and other paperwork per case, the Javelin report said.

And the zero-liability policy doesn't always mean consumers lose nothing. Fraudulent purchases, lost wages, preparation of documents and legal fees cost victims an average of \$565 last year, Javelin said.

The majority of losses -- \$3,707 per case last year -- fall on banks and merchants, who then pass along the costs to consumers in the form of higher bank fees, lower savings yields and higher prices at the checkout counter.

Daffy Duck has a credit card?

When people make purchases, merchants are supposed to compare the person's signature with the back of a debit or credit card. It's supposed to be the primary way to verify identity, MasterCard, Visa and many banks say.

But the fact is, few stores ever compare signatures. Often, they'll accept only a scribble. Or worse.

To see what she could get away with, Plain Dealer reporter Teresa Dixon Murray for years has signed sales receipts with fake names and phrases — at virtually all of the area's grocery, discount and home improvement chains.

These are some of the receipts. Murray has never been questioned about the signatures.



SOURCE: Store receipts

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MasterCard's and Visa's policies surprised some banking experts.

"It would seem that if I'm a bank, that I would be able to demand proof that someone is authorized to use my balance sheet for their purchase," said Gerard Cassidy, a banking analyst with RBC Capital Markets in Maine. "I have to believe there's a reason the banks go along with it. I don't know what it is."

KeyCorp was the only bank among many contacted that tried to answer the question. "Financial institutions in general, including Key, don't require a photo ID for debit card or credit card transactions because it simply isn't feasible to enforce a requirement of millions of merchants," spokesman David Reavis said. "Instead, we encourage consumers to keep track of their card, monitor their account activity regularly and report any discrepancies as soon as they discover them."

More typical was responses like the one from PNC.

"We defer to Visa on the rules that apply to card use," spokesman Fred Solomon said.

Major retailers also defer to MasterCard and Visa.

"We rely on electronic authorization from the bank," said Antoine LaFromboise, spokesman for Target Corp. "It is the system that is preferred by the credit card companies, MasterCard and Visa. We rely on the cardholder's bank. We do not ask for ID."

Walmart randomly checks photo IDs, spokeswoman Ashley Hardie said.

"Walmart is diligent about protecting its customers from fraud," Hardie said. "But the major credit card companies prevent merchants from requiring ID."

Asked why Walmart requests ID, if it's not mandatory to complete the purchase, Hardie said, "I would refer you back to the credit card companies."

Ed Mierzwinski of the U.S. Public Interest Research Groups said a better way to secure transactions is a personal identification number on all transactions, not just a signature. But MasterCard and Visa make more money on signature-based transactions, he said, and aren't likely to push for PINs.

Brenda Mockbee has another idea: The Middleburg Heights woman's debit card was hit with \$1,534 in fraudulent charges one day in April. That included six purchases at the Strongsville Walmart within 20 minutes.

Mockbee said she wishes all credit cards had the cardholder's photo; only a few banks, including [Citibank](#) and [Bank of America](#), offer that.

Back at Visa, the final word on IDs is this: The credit card associations have something even better than photo IDs.

"We have a process in place to establish identification at the point of sale," spokesman Jay Hopkins said. "The merchant is required to ensure that the customer signs the sales receipt and to compare that signature with the signature on the back of the customer's card."

That rarely happens, said Foley at the Identity Theft Resource Center.

Even if clerks did check, the electronic signature pads often make it difficult to provide a recognizable signature, she said.

"The process itself," she said, "is a joke."

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