

eTips and Traps: Here's a potential fix for the identity theft mess

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Identity theft continues to grow as a huge industry, nailing an estimated one in 10 Americans and generating more than \$100 billion in losses worldwide.

Credit card companies and banks could take simple measures to curb the problem. They could start by taking a simple lesson from, of all places, Facebook. Sure, Facebook has had its share of security lapses. But, one of its new features provides a simple model that could be emulated at minimal cost.

The new Facebook security feature verifies that the computer you are using is allowed to log in as you. A consumer who uses this new security feature gets a text message via cell phone with a code that must be used to log in.

This procedure seems to be working for those who select it among an estimated 800 million users worldwide. Craigslist, which has more than 20 billion page views per month, also employs this verification technique in its personals listings.

Credit card companies could implement some sort of phone verification system for every purchase where the card is not presented. If the consumer does not have access to text messaging, then an automated phone system using a computer could call for verification. With no response, the transaction would not take place.

Google took the lead on verifying email access, implementing a two-step authentication via phone. MSN, Hotmail, Yahoo, AOL and others could implement the same procedure to access email.

The U.S. credit card system is so vulnerable because it relies on decades-old technology in which information is encoded into a magnetic stripe on the back of the card. So-called smart cards containing computer chips are safer and already being used throughout the rest of the world. DIRECT TV and DISH Network already use a similar smart chip technology in the U.S.

But, remember, this is the banking industry. Even the smart chips aren't perfect.

The current implantation uses a pin code which can be captured and doesn't solve verification completely. The person watching you now has your pin code.

The card we suggest would contain a picture of the account holder that could be displayed easily on cash register systems.

The image and account number would then be used for credit verification.

A smart card reader - the device needed at the retail end of the transaction - actually costs less than the traditional magnetic strip reader. There would be a few technological hurdles to overcome. But, all of the technology already exists and the hardware cost is nominal.

A system like this could potentially reduce the credit card fraud globally.

In addition, banks should implement a verification system for remote access and transactions. They will sometimes run you through the ringer if you stand in line and try to deposit a check in someone else's account, but then say nothing when someone steals your card and uses it at the local gas station. Over the last few years the industry removed verification for small purchases.

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