Credit Card Fraud Is Increasing Even With New Chip and PIN Cards

February 6, 2017 - After the huge Target data breach a couple of years ago, banks and credit card giants Visa and MasterCard, along with federal legislation forced retailers to start using Chip and PIN technology. Although the technology has been used in Europe for years now, and it has been effective at reducing credit card fraud, American retailers had been very reluctant to implement the technology. The biggest issue was cost. Chip and PIN cards are significantly more expensive to produce and retails had to switch out all of the point of sale terminals to accommodate them. As you might imagine, that is an expensive undertaking. Now it turns out that even with chip and PIN technology, credit card fraud hasn't slowed down at all.

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We were very happy when chip and PIN began showing up in American retail stores. Unfortunately, American retailers and credit card processors have pretty well botched the roll out here.

The reason that chip and PIN has worked so well in Europe is because of the PIN associated with each card. If you make a purchase using a chip and PIN card in Europe, you have to enter the PIN associated with the card to complete your transaction. But not in the United States. Here, retailers allow you to insert the card in the point of sale terminal but don't require the PIN. Because of this, the only security advantage Americans receive from a chip and PIN credit card is that the card is more difficult to counterfeit. If your wallet gets stolen, you have no more protection than if you were still using credit cards with a magnetic strip.

But that's only one of the reasons that chip and PIN has had no effect on credit card fraud.

The growth of ecommerce has also had a large impact. That's because when you make a purchase over the internet, you never have to present the actual credit card to the retailer. Unless and until you have to use some sort of computerized card reader on your computer, chip and PIN is useless.

Even when the technology is property used it is now less effective than it used to be. That's because there are newer generation credit card skimmers that now function with chip and PIN capabilities. These devices, called Shimmers,

Shimmers can be installed on bank ATM, gas station pump, or on a retailer's point of sale terminal in such a way that they are nearly impossible to spot. But some of the newer Shimmers can actually read the chip in the credit card and decipher its associated security code. That makes them especially dangerous because even though the data collected

can't be used to make a counterfeit card with a chip in it, it will allow crooks to create a counterfeit card with only a magnetic strip on it.

Magnetic counterfeit cards are still useful to criminals. Not only can they be used for ecommerce purchases, because some retailers have refused to implement chip and PIN technology they can still be used for in person purchases in many cases.

The bottom line here is that chip and PIN appears to be doing little to protect consumers. It's up to you to check your credit card statements carefully every month. That's the only real way to insure that you don't become a victim of credit card fraud.
byJim Malmberg
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