

Reduce Fraud Using Transaction Filtering

Avoiding Risk By Restricting The Use of Prepaid Cards Means More Revenue for You

Reducing Prepaid Card Fraud

What is the total worldwide market value for prepaid cards?

According to the Boston Consulting Group spending on general purpose prepaid cards is expected to reach \$840 billion by 2017.*

How prevalent is online fraud in the card-not-present (CNP) space?

Worldwide total dollar losses from online payment fraud are currently estimated at more than \$4 billion.**

How can Litle & Co. help me reduce the risk of experiencing prepaid card fraud?

Litle enables installment/recurring merchants to decline the use of prepaid cards in either select or all instances, identifying and reducing fraud while preventing lost revenue due to an insufficient or nonexistent prepaid card balance.

What's the benefit to me?

Litle combines the flexibility you want with the visibility you need to lower your level of risk when accepting prepaid cards. As a result you can manage your risk on your own or, with this service enabled, Litle knows when a card used in association with installment or recurring billing is prepaid and declines the transaction on your behalf.

*Boston Consulting Group USA Today, 11/9/10

** CyberSource Online Fraud Report 2011 edition

According to the Mercator Advisory Group the total dollar volume "loaded" onto Prepaid Cards will more than double over the next three years to \$672 billion⁽¹⁾ while the upside presented by network-branded prepaid cards — more than 20 million consumers who use and regularly reload them — is substantial.⁽²⁾

However, because of fraud, prepaid card transactions do present more risk than their card brand counterparts including:

- **Fraudulent loads.** The fraudulent loading of value onto prepaid cards enables fraudsters to lock in value to a prepaid card before the compromised funding source is detected and the card frozen by its issuer.
- **Fraudulent usage.** Exposes merchants and prepaid issuers to risk when the prepaid card is used to commit fraud.
- **Fraudulent POS credits.** Using a false or stolen identity and either a new POS terminal obtained fraudtently from the merchant account provider or a download with the new account information into an existing POS terminal, the fraudsters issue PIN-initiated refunds to ATM-capable prepaid cards. Fraudulent funds are then withdrawn from the nearest ATM.⁽³⁾



Prepaid cards are also more likely to be declined for insufficient funds than approved. As a result, merchants are more likely to retry a failed payment several times, which can lead to lost revenue and cost a merchant the opportunity to acquire or retain a customer.

How Litle & Co. Can Help

The more visibility you have into your customers' payments processing experience, the more control you ultimately have over the success of your entire business. Our Transaction Filtering Services, part of Litle & Co.'s Smart Authorization Suite, enables merchants to profitably process prepaid payments while reducing their risk in recurring or installment based billing. Our Prepaid Card Filtering Services include:

- **Distinguish between reloadable and non-reloadable cards.** With a greater likelihood of insufficient funds on recurring payments and installment payments associated with non-reloadable prepaid cards, implementing prepaid card services enables merchants to accept reloadable cards and filter, or decline, non-reloadable cards.
- **Choice of configuration settings.** A merchant has the ability to either eliminate all transactions originating from a prepaid card or selectively disable specific transactions from prepaid cards.



THE PEOPLE BEHIND YOUR PAYMENTS.



- **Override capability.**

Merchants choosing the option to filter all prepaid card transactions can override the feature on selected individual transactions. When you override the service, the authorization follows the normal approval process.

- **Increased efficiencies**

As a result of being connected to the card networks, Litle constantly updates its BIN database, dramatically increasing the efficiency of and benefitting merchants who traditionally have relied on homegrown periodically updated BIN logic files to filter out transactions originating from prepaid cards.

- **Compatibility with Litle Vault**

Merchants using Litle Vault can also take advantage of prepaid card filtering services. While a merchant using the Vault has access only to tokens instead of actually card numbers, a merchant with Vault who uses prepaid card filtering services can selectively accept or decline an individual customer's prepaid card sales.

Transaction Filtering Services is an optional feature set for any merchant using either the Litle XML or PTI interface. Contact your Litle & Co. Relationship Manager or sales for further information.

¹ Mercator Advisory Group, "Seventh Annual Prepaid Card Forecast," http://www.mercatorgroup.com/index.php?doc=Prepaid&action=view_item&id=519&catid=16

² Mercator Advisory Group, "Reload Capability Eludes Consumers Despite Prepaid's Popularity," <http://www.intercash.com/reload-capability-eludes-consumers-despite-prepays-popularity.html>, Intercash, February 2010.

³ Mercator Advisory Group, "Prepaid Fraud and Risk. Between Cash and a Hard Place," http://www.mercatorgroup.com/index.php?doc=Prepaid&action=view_item&id=371&catid=16, March 2009.



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About Litle & Co.

Litle & Co. is a leading payments management company for merchants who sell goods and services directly to consumers. Providing payment processing and consultative merchant services for card-not-present (CNP) and alternative payments, the Litle & Co. payments platform is engineered specifically to meet the needs of companies in Direct Response (DRTV, radio, print), Multichannel Retail (including catalogs), Internet Retail, and Online Services. Founded in 2001, and based in Lowell, Massachusetts, Litle & Co.'s growth has been acknowledged by a No.1 Inc. 500 ranking (2006) and a No.8 Entrepreneur Hot 100 ranking (2008).