

## **Virtual Credit Cards**

When dining-out, it is common to hand a debit or credit card to a stranger, which usually disappears for a few minutes to charge the card for dinner. Some of us seldom carry cash and even use a card for payment at fast-food joints. We operate by cards because it is fast, easy, and secure...most of the time. We assume that people handling our cards will not record our card numbers for illegal use. Besides, being security-conscious does not fit our lifestyle.

Online purchases are different. We enjoy searching the Web to locate the lowest price for a specific item, but our anxiety spikes when we consider entering a credit or debit card number for an online purchase. With most Web purchases, the card is charged properly and the item is delivered without a problem. Occasionally, the transaction may have involved a rogue site or our communications was unsecured (e.g., traffic was monitored). In either of these scenarios, card information may have been captured and sold for immediate use such that non-delivery of the purchased item may be the minor problem.

The act of capturing the card information was identity theft, but its use for gain became identity fraud. Identity theft (stealing personal information) is not financially detrimental until the information is used to benefit someone other than the victim; it then becomes identity fraud.

In 2008, 10 million Americans were victims of identity fraud, revenue losses reached \$4 billion from online payment fraud, and fraud rates for online international orders represented 4% of sales.

In 2009, online payment fraud decreased to \$3.3 billion, which represented 1.2% of total online revenues. Fraud rates for online international orders dropped from 4% to 2%, but note that merchants' international order reject rates tripled in this year.

In 2010, 16% of Americans will have their identity stolen. Debit card fraud is experiencing an uptick; and we have 576 million credit cards and 507 million debit cards in circulation. Stolen ATM/debit cards can be used to charge purchases via a forged signature without using the PIN. Debit cards are risky, as federal laws that safeguard credit-card use do not necessarily apply to debit cards. If a debit card is stolen and someone empties an account, the money is history at least until the claim has been investigated. In contrast, if there are fraudulent charges on a credit card, you simply notify your credit card company and your account remains intact without the fraudulent charges.

A virtual credit card (VCC) provides protection against credit or debit card fraud. It is not like the card you carry in your wallet or purse as the VCC can only be used for

online purchases. It is a perishable number generated by your credit card issuer for use when making an online purchase, but it has several important features. The VCC is a single-use credit card number in which the user can set the expiration date and the spending limit. Once the card number is used, it expires; therefore, it has no value to a potential thief. The VCC protects card numbers when making online purchases, but it cannot address the issue of rogue vendors not delivering a purchased item. Consider the Latin tag *caveat emptor*, or “let the purchaser beware”.

Although most people are not aware of the product, VCCs are not new. American Express started a free “Private Payments” program in September 2000, but ended the program in 2004 as their card was not widely accepted for online purchases. Presently, VCCs are available for CitiBank, Discover, PayPal, and Bank of America customers.

Citibank calls their VCC product Virtual Account Numbers and offers a short animation to explain their product’s features at [http://www.citicards.com/cards/wv/swf/flash\\_test.html](http://www.citicards.com/cards/wv/swf/flash_test.html). A user would login to Citibank’s Virtual Account Numbers site or download their application, enter their account number, and click the “Generate” button to create a single-use Virtual Account Number for use at a merchant’s website. Citibank’s version does not allow the user to set a maximum spending amount.

Discover offers a similar product named Secure Online Account Numbers that operates as a PC application or from Discover’s website. The virtual card expires only when the customer’s Discover Card expires and it allows multiple purchases from the same store which makes purchasing easier, but defeats the one-use security concept.

PayPal is beta testing a Virtual Debit Card for making online purchases anywhere that a MasterCard is accepted. It places an icon on your browser’s toolbar to generate a one-time use number. In addition, PayPal verifies the website is not on their fraudulent site listing and provides secure encrypted communications for purchases. For more information, connect to <http://www.paypal.com/cgi-bin/webscr?cmd=xpt/cps/account/VDCFrequentlyAskedQuestions-outside#whatisvdc>

Bank of America’s version is called ShopSafe Service. It creates a temporary card number for each online purchase, allows users to set a spending limit, and establishes a “Valid Thru” date for recurring payments. For more information, connect to [http://www.bankofamerica.com/privacy/index.cfm?template=learn\\_about\\_shopsafe](http://www.bankofamerica.com/privacy/index.cfm?template=learn_about_shopsafe).

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