

Refund Fraud

Offering refunds is one way to increase customer satisfaction. However, this also provides dishonest customers with opportunities to take advantage of the retailer by claiming refunds under fraudulent circumstances. Refund fraud is costly to retailers and difficult to prove.



Goods refunded are often:

- Used/worn
- Stolen to match a receipt (possibly gift receipt/cloned receipt)
- 'Bought' from a person who has stolen them
- Stolen in bulk and refunded by others
- Lifted from display and damaged. Due to the goods being 'faulty' often no proof of purchase is required
- Lifted from display and claim receipt lost

Although most businesses provide refund cards, many serial refunders want cash to fund their lifestyle. Therefore stolen items are exchanged for a slightly higher value item and the difference is paid in cash. This is carried out several times in various premises of the same company and eventually a cash receipt is generated, therefore a cash refund is paid. This method is often referred to as 'Daisy Chaining'. To avoid being refused by continually refunding to the same premises, suspects travel extensively to avoid being detected.

Crime map right shows one team that travel extensively and are involved in over 130 incidents of bulk theft and refund fraud.





SO HOW DO YOU SPOT REFUND FRAUD?

Look out for individuals who persistently:

- Refund items, whether they are damaged or not
- Refund without a receipt
- Refund with a damaged receipt
- Refund at different till points in the same store
- Refund with a gift receipt. Items are often stolen to match itemised gift receipts

Spending large amounts of vouchers/gift cards may also indicate an unusual pattern of shopping.

Stores do not want to alienate their genuine customers by making their refund policy any tougher so how can you deter refund fraud? You must follow your own internal procedures, however a few tips below could be applied to deter refund fraud.

TIPS

- Always apply customer service and engage with customers
- Let your customers know that proof of purchase is required if they want to return goods and let them know how long they have to refund
- If the customer cannot provide a receipt when requesting a refund ask them for proof of identity, date of purchase and method of payment
- Cash refunds should only be made if the customer can prove that the item was originally paid in cash
- Staff should initial any returned items on the receipt
- If any items presented for refund are boxed always check contents