

## **WAVE OF FRAUDULENT CHARGES HITTING INNKEEPERS**

There's a wave of fraudulent activity rolling through the bed & breakfast and small innkeeping world to be aware of. Here's how the scam works and how to protect your business:

1. You get a call from someone wanting to reserve an unusually large number of rooms and/or for an unusually long stay, and they say they want to prepay the full amount of the reservation.
2. The caller may have an accent, or not. Their address and/or phone number may be outside the U.S., or not. But when you try to verify the address via the web or the phone number (by calling it back to see if it reaches the original caller), you're unable to do so. Most of these callers are from Russia or Eastern Europe, but not exclusively, but they can often sound like locals, although if you listen carefully there may be telltale missteps in their grammar, syntax, or vocabulary.
3. Nevertheless, you run their credit card for the transaction and you receive an authorization, so the transaction runs fine and a day or two later you receive the funds in your bank account.
4. But all is not fine. Days or weeks later, but before the arrival date, they call again to say they have to cancel because their mother got sick or some other reason – they're very good at weaving plausible stories to get your sympathy and cooperation – and they ask for a refund to be run on a different card than was originally used at the time the reservation was made because the original card "isn't available" or "was lost" or some other bogus reason.
5. You proceed to run the refund, but the card used for the refund is, unbeknownst to you, actually a gift card that can then be cashed out by the perpetrators. (There's no way for you to tell if the card # is for a gift card or a regular debit or credit card.)
6. Sometime later, you receive a chargeback for the original transaction because the card turns out to have been stolen, but since at the time of the reservation the cardholder had not yet realized it was stolen, they hadn't yet reported it as such, so the issuing bank thought it was still valid and authorized the transaction. Under Visa rules (which tend to drive the entire credit card industry), the merchant is always liable for stolen card transactions even if an authorization was originally received).
7. So now you're out the original transaction amount because of the chargeback, PLUS the amount you refunded, and you have no recourse.

**LESSON:** If you get a suspicious transaction or even if it's not outwardly suspicious but any of the above conditions are present, trust your gut. Better safe than sorry! The short message is only refund back to same card as the check in.