Visa and American Express ramp up fraud detection initiatives

Article

Both firms announced new fraud prevention initiatives to help tackle a multibillion-dollar problem.

Here's what you need to know:

- **Visa invested in API-based biometric authentication startup LoginID.** The startup's APIs let companies integrate biometric authentication, like facial recognition or fingerprints, to any partner application or online platform, like ecommerce and banking brands. Visa's undisclosed investment follows LoginID's $6 million seed funding round in March. The investment might signal Visa's intention to work with LoginID, either through direct integration or as a feature available to clients.

- **Amex linked its fraud detection system with platforms from Accertify, Microsoft, and Riskified.** The payments giant is using APIs to link its Enhanced Authorization platform—its fraud detection merchant solution—to Accertify's Fraud and Abuse Protection Platform, Microsoft's Dynamics 365 Fraud Protection, and Riskified's Fraud Management Platform. Connecting to these platforms gives merchants access to a larger set of fraud tools that they can employ for their online points-of-sale.

The initiatives are likely a response to the surge in fraud complaints and losses seen in the last year. In 2020, the Federal Trade Commission received 2.2 million fraud reports, with consumer losses coming in at $3.3 billion—up from $1.8 billion in 2019. Payment fraud has been a specific concern among consumers and merchants alike: 65% of UK and US consumers said they feel more concerned about payment fraud now compared with before the pandemic, per a Marqeta survey, while 55% of merchants said that an increase in fraudulent transactions has been one of their greatest concerns during the pandemic. The rise in fraud might've come from coronavirus-related scams and surging online shopping, which is riskier than in-person retail. These attacks are expected to continue through 2021, putting both consumers and businesses at risk—which might explain why Visa, Amex, and other payment firms are doubling down on fraud detection initiatives.

These initiatives can help Visa and Amex mitigate fraud costs and strengthen merchant relationships. Visa's investment in LoginID might lead to future collaboration with the startup, especially as biometrics gain traction—digital identity verification firm Mitek just acquired artificial intelligence-based biometrics firm ID R&D, for instance—which could let Visa expand its existing tools. Meanwhile, Amex's connections to Accertify, Microsoft, and Riskified should help build out its fraud detection capabilities to bring down costs for merchants, which often face expensive chargebacks as a result of fraud, in turn strengthening its relationship with businesses.

Fraud Experience by Generation in the US, 2021
% of respondents

Gen Z

12%	41%	47%

Millennials

11%	29%	60%

Gen X

6%	26%	68%

Baby boomers

3%	30%	67%
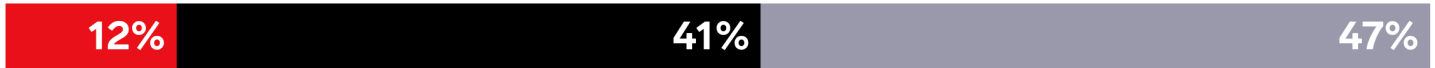
■ **I acted on a fraud scheme and am now a victim of it**
■ **I have been targeted by a fraud scheme but did not become a victim of it**
■ **I am not aware of any fraud schemes targeted at me**

Note: generations are defined as follows: Gen Z, born 1995–2002; millennials, born 1980–1994; Gen X, born 1965–1979; and baby boomers, born 1944–1964
Source: TransUnion, "Consumer Pulse US Q1 2021," March 16, 2021
Methodology: Data is from the March 2021 TransUnion survey titled "Consumer Pulse US Q1 2021." This online survey of 2,995 adults was conducted Feb 26–March 1, 2021 by TransUnion in partnership with third-party research provider Qualtrics Research-Services. The current wave data is compared with previous waves which were conducted in March 2020 (including 1,068 adults) and April 2020 (including 3,035 adults). Adults ages 18 and over residing in the US were surveyed using an online research panel method across a combination of desktop, mobile, and tablet devices.