

COMPLAINING ABOUT BUSINESS FRAUD PROTECTION

by [Steve Brown](#)

We were intrigued by the report just released by the Consumer Federation of America on consumer complaints. The survey identified the top complaints, which are good to know so you can take steps to protect your bank. In order, the top 5 complaint categories are #1 auto's (misrepresentations in sales, repairs, leasing or towing); #2 credit/debit (billing, fees, mortgage modifications, credit repair, fraud, debt relief, predatory lending, abusive collections); #3 home improvement/construction (shoddy work, failure to start/complete the job); #4 retail sales (false/deceptive advertising, defective merchandise, problems with rebates, coupons, gift cards, gift certificates); #5 utilities (service or billing problems with phone, cable, satellite, internet, electric or gas services). We were glad to see community banks were not on this complaint list. Speaking of lists, recent analysis finds small business owners may want to write down a few tips we will cover today to not only protect themselves, but also their friendly neighborhood community bank from the risk of fraud. Consider a report from Javelin that found small business owners have a fraud rate of 8.8%, almost double the rate of non-businesses. This could be driven by many factors, but one area where your bank can help these customers is by encouraging them to review account transactions every month (only 38% do so). This is critical, because fraud often starts small, comes from within and builds over time. Teaching your small business customers to get in the habit of looking at unusual activity, even if it is small, is important. Remind customers it often takes 18 months from when fraud was first perpetrated to surface, so diligence and consistency are imperative. Another area where you can help your small business customers is to encourage them to conduct a decent background check on any potential employees. The same Javelin report found that only 5% of business owners do this. That is a paltry number and given the low cost to do so, it just doesn't make sense. Suggest to your small business customers that they look closely at new hire resumes to see if anything seems odd. Then, hire a company to run a check on any potential hire that makes the final cut. This can be some of the cheapest insurance your customers will ever buy and it will also serve to indirectly help protect your bank. Another area the report highlighted was that only 18% of small business owners use business-specific antivirus software. To be sure, having any antivirus package is crucial, but teaching your customers that business-specific versions can be more robust than home versions can pay dividends. Business packages often have added firewalls and will protect against online, email and instant messaging threats. They can also have features that block threatening links the business might receive from inside social media networks, as well as online (and telephonic) 24x7 customer support. These packages can cost a little more, but the protection can be better. It is worth it to educate your customers about this, as the more robust the antivirus package they have, the better protected your bank will be in turn. Finally, one area many small businesses often take for granted is educating employees on how to use the internet safely. Here, the study found only 3% of small business owners do this. Having an antivirus program, running periodic scans, ensuring all email attachments and internet downloads are checked by antivirus programs before opening and making sure employees do not click on links they don't recognize are amazingly effective and easy reminders. Don't discount educating even those you think may know better. It only takes one errant click to deliver a cascade of problems, so continual education and regular virus program updates should be part of any basic protection scheme. As discussed, simple things can sometimes be quite effective, so spread the word.

Your small business customers can improve and your bank can play a key role, but remember you have to say things multiple times before they sink in, so be patient as you tell your customers (and your staff) repeatedly. Raise awareness, as you educate and inform your own customers how to protect themselves and you will also end up better protecting your bank.

BANK NEWS

M&A

Great American Bank (\$58mm, KS) will purchase Lone Summit Bank (\$26mm, MO) for an undisclosed sum. Lone Summit is under a consent order and had critically low capital.

Massive Laundering

The NY Department of Financial Services said Standard Chartered (\$624B, UK) schemed with the Iranian government to launder \$250B in transactions over a 7Y period, in direct violation of federal laws. The regulator accused Standard of hiding more than 60,000 transactions for Iranian banks and corporations and said it is considering suspending the Bank from doing business in the state.

Lenders Survey

The Fed's July Senior Loan Officers' Survey is out and while most banks did not change their standards, 20% of surveyed banks eased C&I lending standards. Demand for C&I was slightly up for medium and large firms, but unchanged for small businesses. CRE demand was up slightly.

Fed Head

Boston Fed President Eric Rosengren (non-voter) did a WSJ interview where he called on the Fed to launch an aggressive and open-ended bond buying program (MBS and USTs), as a way to boost economic growth (by reducing long term interest rates, reducing the value of the dollar and supporting equities). He also pushed for a cut in the IOER rate.

Rich Worries

Spectrem Group reports its affluent investor confidence index fell to a record 8 month low in July, as wealthy investors cited worries about the stock market and weak jobs numbers (26%); economy (20%) and the political climate (12%).

Bank Cards

The U.S. market share for credit cards is largest for Visa at 42%, followed by MasterCard (29%), American Express (24%) and Discover (5%).

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