

Green Dot Issues Fraud Warning



Possibly the most important and difficult part of a money-making scam is collection. It may be easy to get people to believe your fraud, but you still need a way to collect the money. But as wire-transfer services have instituted new fraud-prevention techniques, Green Dot is coming under fire for being one of the safer ways for swindlers to reap their profits.

It begins with a prepaid debit card from Green Dot, hailed as a great option due to low fees, free withdrawals at MoneyPass ATMs, and the ability to waive monthly charges. You can also reload it by buying a MoneyPak, which can also be used to pay bills and other services online.

Enter scammers.

Green Dot is becoming the preferable method for thieves because MoneyGram and Western Union have recently plugged holes in their fraud detection programs.

MoneyPaks can safely store money before you put it into your account or on a prepaid

card, and money sent through MoneyPaks is untraceable. Furthermore, Green Dot does not assume responsibility for fraud or theft of funds in your MoneyPak.

This paves the way for a simple lotto scam or other cold-callers to defraud you of “service fees” that you must pay. Thieves call the elderly and unsuspecting people on the phone and tell them they’ve won a bunch of money. But the victims are told they must send a small amount in order to receive the prize. They’re instructed to put the money on a Green Dot MoneyPak, available at many large retailers like Walgreens, and to tell the scammer the access number, similar to handing over [handing over your account number](#), which can then be used to drain the MoneyPak.

Green Dot gave us this statement in reference to the recent rise in scams:

“Green Dot Corp. is a bank holding company and its prepaid debit cards issued through both Green Dot Bank and its partner banks are FDIC-insured deposit accounts carrying Reg E and Visa and MasterCard zero liability protections for consumers. The security of our customers’ funds has always been at the core of our operations and we have and continue to invest heavily in fraud detection systems and platforms, just as all banks do. However, MoneyPak is neither a debit card nor a bank account, but rather a product that allows people to load cash onto a prepaid card.

“Because of MoneyPak’s ubiquity, con artists assume it will be available where most of their targeted victims reside, and will use that fact to trick them into using it for the wrong purpose. Green Dot works actively with both the FTC and law enforcement to identify fraudulent activity and help track its origin. Nevertheless, fraudsters continue to develop ways to scam and trick consumers into providing this sensitive information, so consumer awareness and education plays an equally important role in putting an end to this activity. We have placed prominent fraud warnings on both the MoneyPak website and product, and we urge consumers to protect their MoneyPak number as they would cash and to never give the number to someone else, such as those claiming to be with your utility company, a lottery or trying to sell you good and services.

“In our commitment to educating consumers about how to avoid being victimized we have also partnered with the Consumer Federation of America to help enhance these efforts. Please report fraudulent MoneyPak activity to Green Dot by calling 1- 800-GREENDOT (800-473-3636) so we can continue working with law enforcement to end this abuse.”

Last year the Better Business Bureau issued a warning about the rise of [Green Dot-related fraud](#). And earlier this month the Florida attorney general issued a [similar warning](#).

Con artists opt for Green Dot cards over money wires

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Con artists thwarted by fraud prevention measures aimed at wire money transfers have a new way to get potential victims to send the cash: Green Dot prepaid cards.

Regulators say scams where fraudsters got payment through Green Dot, the nation's leading provider of prepaid debit cards, are spreading across the country as its reloadable MoneyPaks replace wires from Western Union and MoneyGram.

The Florida Attorney General's Office has received 84 complaints since 2011 involving schemes that used Green Dot, said spokesman John Lucas, and the numbers are increasing.

Raymond Welsh, of Coconut Creek, became suspicious when a caller claiming to be from Publishers Clearinghouse sweepstakes last week told Welsh he had just won \$50,000 — but first needed to pay \$191 in processing fees through a prepaid card he could buy at Walmart.

When Welsh hesitated, the caller "gave me a hard time, and told me to think of all the things I could do for other people with the money," Welsh said. "That's when I hung up."

The Better Business Bureau issued an alert last month when more than 40 unsuspecting borrowers in St. Louis lost tens of thousands of dollars when they sent financing charges on MoneyPaks. The Federal Trade Commission said thieves running lottery and sweepstakes scams, where more than 40 percent of the victims are over age 70, now often ask for MoneyPak payments.

"If you are going to run a scam, you need a way to collect the money," said Steven Baker, a fraud expert and the FTC's Midwest region director. Like wire transfers, money sent through MoneyPaks is not traceable and Green Dot is not responsible if consumers are defrauded, he said.

Thieves are favoring Green Dot because MoneyGram, which settled charges with the FTC in 2009 regarding lax oversight of telemarketing fraud, and Western Union now have sophisticated fraud detection programs and electronic transaction flagging systems, Baker said.

Green Dot products are sold at many major retailers, including large discount store chains and drug stores. Its MoneyPaks can't directly be used for purchases but are designed to safely store funds, like a just-cashed paycheck, until they can be moved into an account or loaded onto debit cards.

Green Dot now has fraud prevention tips on its web site, and is partnering with law enforcement and consumer agencies, the company said.

Customers can load up to \$1,500 a day on MoneyPaks for \$5.95 per transaction, and get cards with a number on the back. The cash is held by Green Dot's partner bank and accessed through the number, similar to a bank account's routing number.

Scammers get their cash by getting their victims to load MoneyPak card, then call them back with the access number. "Most people aren't aware how easy it is for the crooks to empty their accounts," said Bill Smith, an investigator in BBB's St. Louis office.