

# Will ID Theft Be the Christmas Grinch?

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You can hardly read a newspaper these days that doesn't warn about legions of thieves poised to steal your identity as you fill your online shopping carts with Christmas gifts. The notion that ID theft is the fastest-growing crime in America is now repeated in story after story as if it were gospel. But no one is asking the obvious question: Is this really true? Or is ID theft the biggest urban legend of the Information Age? A closer look suggests that a real problem has been hyped into mythical proportions, causing undue fear of online transactions.

2003 was the banner year for identity theft. In July, [Gartner Inc.](#) and the [Privacy and American Business](#) organization published the results of separate surveys showing an 80% increase in ID theft among U.S. consumers ([see story](#)). In September, the Federal Trade Commission (FTC) reported that ID-theft complaints to the government were up 73% since last year and that 1 in 10 Americans has been a victim in the past five years ([see story](#)). The FBI and the Computer Security Institute said ID theft has hit 13% of their survey takers in the past year alone.

The same story is being told around the world. ID theft is reportedly up 60% this year in Canada, and it's up anywhere from 33% to 165% in the U.K. Similar trends are being reported across the rest of Europe, Australia and Southeast Asia.

At these rates, everyone in the Western world will have lost his identity in the next five years. So why don't I buy this spin?

The main reason is that the definition of what we mean by *identity theft*

seems to be growing about 80% per year. It used to be that ID theft was truly that -- someone completely assuming the identity of another person.

The perpetrator typically stole someone's mail, used the information there to take over the person's accounts and drained them in short order. It's a horrifying scenario where the victims can hardly function any longer in society.

In the past three years, however, the definition of *identity theft* has become very loose. In most surveys today, it counts as identity theft if someone has opened just one account in your name. The latest FTC survey counts as ID theft any misuse of your personal information. This isn't a loss of identity but a case of fraud, and it's this expansion of the definition that's generating all the misplaced anxiety.

Greater consumer awareness is another factor padding the reported growth rates of ID theft. The media spotlight -- including some very amusing credit card commercials -- has made people more aware of the crime, more likely to answer "yes" to survey questions and more likely to file complaints with the FTC.

That's why I'm doubtful that ID theft is the fastest-growing crime in the U.S. If I'm right, we'll see those reported growth rates plummet over the next two years.

So what do we know about so-called ID theft -- or, better said, consumer fraud?

It's clearly a big problem. Roughly 10% of Americans say that others have made unauthorized transactions in their names at an estimated cost of \$50 billion. We know that the average victim will lose over \$1,000 and spend more than a year clearing his name. We also know the perpetrators are

becoming increasingly sophisticated. They're operating through global crime rings and using the latest technology to swipe credit card numbers and combine customer information from various sources.

Consumer fraud is also still largely an off-line experience. The government reports that 70% of cases originate in personal information stolen from mailboxes, trash cans, paper receipts, wallets and purses. When information is stolen from an information system, it's nearly always the action of an insider with access to a customer database -- not someone who has intercepted an online order.

Consumer fraud is real and is widespread, but it's usually not identity theft, and it's not growing at 80% per year. The real tragedy of all the hype is that it scares people away from online purchasing. This is a big loss for the economy because online transactions help companies cut costs and slash prices.

So what's the best thing you can do to protect yourself this Christmas? Send your mail from work and buy a paper shredder for your home office.

And don't believe everything you read in the paper.