

Retailers miss deadline to foil online fraudsters

South African shopping websites have missed the deadline for a new payment system that would protect online shoppers from fraud.



Pasa's Walter Volker says 9% of SA's retailer missed the deadline for new system of secure online payments. Image: LinkedIn

Walter Volker, chief executive of the Payments Association of South Africa, said almost 50% of credit card fraud took place online despite only 2% of transactions being done there.

Last year, credit card fraud amounted to R380m. Almost half, R178m, was from local online shopping.

"About 2% of local credit card use generates half of the fraud," he said.

A new payment system, endorsed by the South African Reserve Bank, will send every online shopper a one-time pin number via text message to their cellphones, which customers need to enter on the site to make their purchase. This system is already used by some banks for secure online banking.

The payment system, known as 3D Secure, was to be introduced last month by every local website that sells goods online.

Some retailers not ready

Volker said 91% of online retailers met the February deadline but airlines that sell tickets on the Internet were not ready. He said some online retailers had opposed the 3D Secure system.

"Banks have been reporting implementation statistics on a regular basis and the delayed implementation by 9% of

merchants didn't come as a surprise to the Payments Association or the South Africa Reserve Bank," he said.

Volker told The Times the level of online fraud meant there had to be new systems in place. His association previously introduced the PIN used in most ordinary credit card transactions.

"As with any new mandate, there has certainly been some resistance from the e-commerce merchant community and a number of challenges needed to be addressed," he said.

Mango airlines spokesman Hein Kaiser said: "Mango has several measures in place to curb bank card fraud." He did not respond to questions as to why Mango has missed the deadline to implement the new system that would send a one-time code to every shopper.

Marketing manager for Kulula and British Airways, Shaun Pozyn, said: "Kulula.com fully supports secure online shopping and already has a comprehensive fraud management process in place. The volume of e-commerce transactions facilitated by the airlines slowed down the implementation of new technology," he said.

"We are currently working with our technology providers to prepare our readiness for the implementation of 3D Secure across our multiple e-commerce platforms. We anticipate that we will be ready somewhere towards the third quarter of this year," he said.

South African Airways did not respond to requests for comment.

Source: The Times via I-Net Bridge

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