



**Written Testimony of Lisa LaBruno
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**Before the Special Committee on Aging
United States Senate
Hearing on “Private Industry’s Role in Stemming the Tide of Phone
Scams”
Wednesday, November 19, 2014**

Chairman Nelson, Ranking Member Collins, members of Special Committee on Aging, thank you for the opportunity to testify at today's hearing regarding the role of the private sector in deterring phone scams targeting seniors. My name is Lisa LaBruno and I am the senior vice president of retail operations at the Retail Industry Leaders Association (RILA). By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and services suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturer facilities and distribution centers domestically and abroad.

The issue of senior's scams is unfortunately a growing problem and one that our members take seriously. I applaud the Committee for holding today's hearing on this important issue because we know that criminals are persistent and they will prey on anyone, including the elderly.

At the onset, it is important to understand that our retail members carry tens of thousands of products in a given store, and that the vast majority of the time we do not produce, design, or manufacture these items. We rely on the expertise of our vendors to create great products that our customers want. At the same time, since we are closest to the customer and above all we value the relationships we have with them, we want to make sure, to the extent possible, that the products are being used safely, comply with all necessary federal, state and local laws and regulations, and most importantly provide value to the customer.

Today's hearing is focused on so-called "reloadable pack cards," which are prepaid cards that have grown in popularity with our customer base. They provide a valuable service by transferring funds easily and affordably between two individuals. For example, parents may use

them to transfer spending money to a college graduate backpacking through Europe; a grandparent could easily send birthday money to a grandchild off at school; and the unbanked or underbanked can use this product to pay utility bills or transfer money to a landlord for rent payments. According to statistics by the providers of these reloadable pack cards, over 99 percent of all transactions using these cards are for legitimate purposes.

Unfortunately, these reloadable pack cards also appear to be just one of the latest mechanisms for fraudsters to con people, including the elderly, out of their money. In these unfortunate instances, a fraudster will dupe a victim into sending funds via one of these reloadable pack cards by tricking the victim into believing a loved one needs immediate financial assistance, that the victim's utilities will be shut off if payment is not made, that the money is needed as collateral in order for the victim to claim a large prize.

There is no failsafe way that retailers can guarantee that these types of scams will never occur using these products. However, more can be done by all stakeholders, including law enforcement, the companies that design, manufacture and service these reloadable pack cards, and merchants, by providing consumer education, strengthening safeguards built into these products, and partnering with law enforcement to deter criminal activity on the front end, and arrest and prosecute criminals on the back end.

While retailers are an important player in this process, we are only one link in this chain. And so we appreciate when our customers, law enforcement, pre-paid card vendors, regulators and Congress, bring to our attention areas of abuse. As responsive companies built on a foundation of trust with our customers, we want to see to it that we do our part to minimize the fraud that could occur on these transactions.

Retailers have taken various steps to mitigate the risk of seniors falling prey to these scams including employee training, signage, and point-of-sale enhancements. For example, many retailers train their staff to identify signs of common scams in order to prevent the transaction from proceeding and protecting their customers from loss. Many of these reloadable products have large warning labels directly on the package warning customers about the dangers of giving the PIN to unauthorized users. Additionally, point-of-sale information can be used to educate customers about the dangers of fraudsters. POS enhancements have been installed to alert retailers and the reloadable card vendor to possible suspicious activity and to stop the transaction when certain thresholds are met.

In discussing this issue with our member companies they were quick to share with us success stories and enhancements they are making on their own. One retailer provides an annual training for their employees focused on consumer fraud and elder abuse. This training identifies some of the common scams of which they are aware of and directs their colleagues to be on the lookout for red flags suggesting that a customer may be the victim a scam. If a colleague suspects a customer may be a victim of a scam, the colleague is directed to alert the customer to the risk of fraud and ask the customer to reconsider the purchase. This training has paid off. For example, an elderly Connecticut couple this past summer went to a store to purchase prepaid cards because they had been misled into believing their grandson was in police custody and directed to purchase prepaid cards to make a bail payment on his behalf. A colleague warned the couple of the risk of scams, and the couple did not proceed with the purchase after confirming with the police that their grandson had not been arrested. A store in Rockland County, NY, prevented a similar scam against a senior customer who believed the IRS told her to purchase prepaid cards to pay off back taxes. In addition to employee training, this store has also posted

signage at all of its prepaid card displays advising customers to be aware of such scams. These are just a few of the many examples of what retailers are doing to protect their customers.

However, despite our best efforts, unfortunately people can always fall victim to scams of any kind. Recently, we were made aware that two of the largest providers of these reloadable pack cards – GreenDot and InComm – have announced plans to pull their product from store shelves by the end of first quarter of 2015. We fully expect that all RILA members will comply with this deadline. And, we have also been made aware that a third provider of these products – Blackhawk – plans to enhance the security aspects of its reloadable pack cards; we look forward to learning more about the modifications Blackhawk is making.

I want to make one thing clear – it is not RILA’s role to stand between the relationships that merchants have with their vendors, and so we look forward to seeing what types of innovative new products will come into the marketplace that will satisfy our customers’ demand for these services, while enhancing the security of these transactions.

Finally, we must make sure that law enforcement has all the resources and tools necessary to combat these crimes. It may be appropriate for Congress to examine whether the laws on the books today are sufficient to act as a deterrent for criminals engaging in this behavior in the first place.

In closing, RILA appreciates the opportunity to testify before the Committee on this important issue. We want to work with you, our suppliers and partners in law enforcement to enhance the security of these products, while still filling a need in the marketplace. Thank you and I look forward to answering your questions.