2023
Visa Merchant Fraud Report

You could accept

92% of

transactions with **AI only***

In this report:

- ✓ Fraud types
- ✓ Risk indicators
- ✓ Industry trends
- ✓ Automation and AI
- ✓ Fighting the future of fraud

2023 Visa Merchant Fraud Report

August 2023

**2023 Visa Merchant
Fraud Trends**

Based on insights from 2.7 billion+ global transactions worth $381B from our flagship fraud prevention solution Decision Manager, Visa has compiled our latest findings about fraud trends and AI automation.

Fraud types

Fraud comes in many forms and is always changing. At Visa, we have noticed three main types in 2023:

Account takeover

Account takeover (ATO) fraud remains prevalent and can seriously harm victims, but it is less common because of the complexity involved, registering at about one-third the rate of payment and new account fraud attempts.

Payment Fraud

Payment fraud, a core part of money laundering and organized crime, has the highest rate of fraud attempts at 2.94%.

While it doesn't provide a lot of value per transaction, this type of fraud is widespread because it's easy to attempt and can be automated without much effort.

Preventing payment fraud can limit illegal money movement and protect consumers and merchants at the same time.

New account fraud

New account fraud is the most common (525,000 transactions, 39% of all fraud) and has the highest fraud rate (0.19%). It's preferred by criminals because they can maximize value and control and it takes longer to detect.

Risk indicators

Digital fraud

Digital fraud, committed either online or through an app, makes up the largest share of fraud attempts due to its ease of access. Transactions performed with a repeated device fingerprint in short time periods (0–180 minutes) are 2.8x more likely to be fraud than the average. Decision Manager's ThreatMetrix pinpoints both the device fingerprint and the time interval to intelligently prevent fraud.

Location: Fraud is more likely to be committed by users outside of a merchant's home country.

Card type: Prepaid cards have the lowest fraud rate of any card type.

Day of week: Fraud decreases on weekends, especially Sundays and especially in North America.

Email domains

- Premium email services are being used to get past fraud strategies, because businesses are focused on the free domains.

- Free email domains make up 75% of all transactions but 84% of all fraud attempts.

- Unique/paid domains have the highest fraud success rate, even though they don't have the highest fraud rate. While access to these domains is more limited, when fraud is attempted, it is 23% more likely to succeed than with organizational or free domains.

**2023 Visa Merchant
Fraud Trends**

Industry trends

Fraud is attempted much more often than it succeeds. The difference between these two outcomes is the fraud success rate, the percentage of fraud attempts that actually result in a loss. The average fraud success rate across all industries is **2.44%**.

Industries with the highest fraud rates:

.54% Digital

.65% Online marketplaces

.65% Electronics

1.12% Transit

.64% Insurance

Average across all industries: **0.15%**

Industries with the fastest fraud growth:

+202%

Digital Products – Software / Gaming grew 202% y/y

+4x

Digital Wallet and Transit & Automobile both grew 4x y/y

+60x

Financial Services saw an increase in fraud rate of 60x at its peak in January 2023

**Industries reducing their fraud risk:**

- **Charity organizations** using Decision Manager have kept fraud rates low after a 2022 peak of more than 4%. Current customers average 0.01% in the past eight months.

- **Telecommunications businesses** have cut their fraud rates nearly in half over the past 13 months. Telecommunications businesses using Decision Manager in particular have kept their fraud rates stable at well below the industry average.

Telecommunication–Fraud as a % of sales (fraud risk)
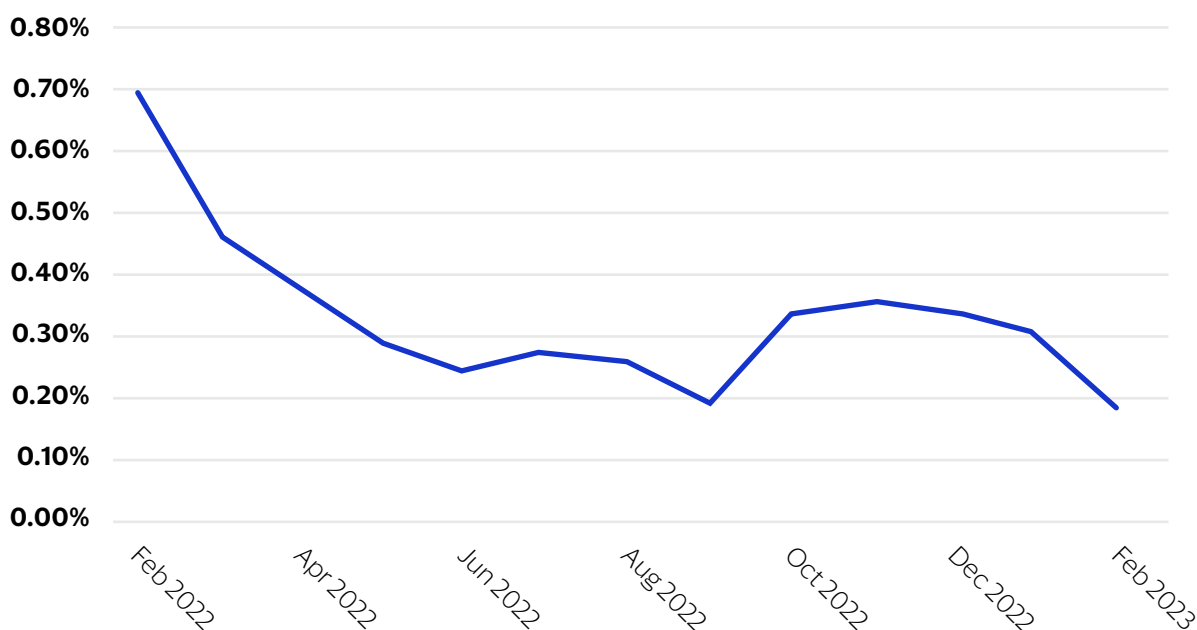
Average fraud loss by country

Average fraud success value $ $28 ▭▭▭▭▭ $1,674

$397
$274
$271
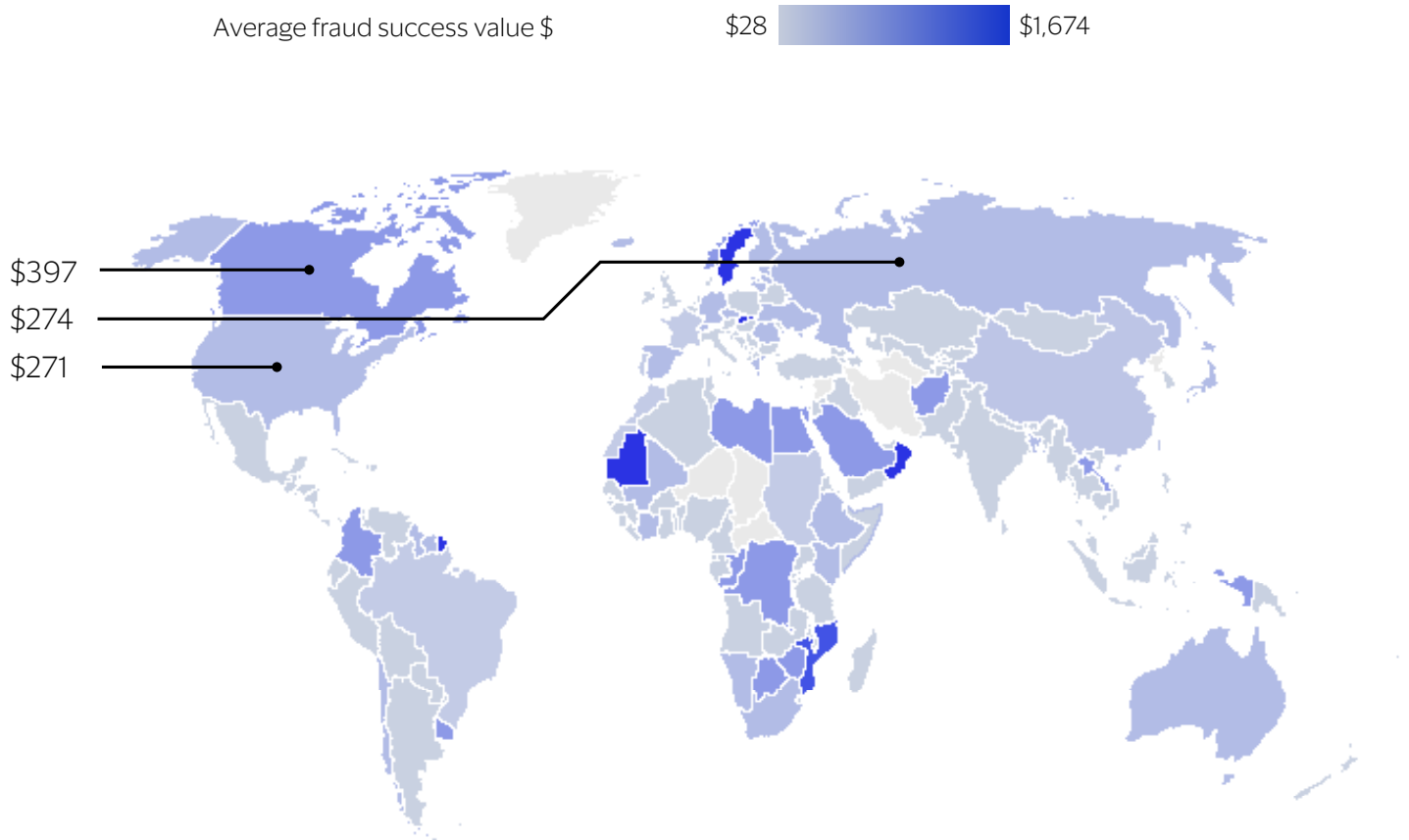
Automation and AI

Criminals have been using AI for years to automate fraud—and you should be using it, too. Machine learning models can use AI to determine which transactions are likely valid or risky, helping you decide which to let through.

Visa's Risk Index model that powers Decision Manager automatically identifies more than half of all transactions as highly valid. The fraud that slips through is a miniscule 0.02%, so our merchants can confidently accept these transactions without spending additional time and resources scrutinizing them for fraud.

Of the 92% of transactions rated likely to highly valid, only 0.07% are fraudulent. But of the 8% of transactions rated likely to highly risky, 0.8% are fraudulent, more than 10x higher. So with AI alone, you could confidently accept 92% of transactions without any manual review and still help keep your fraud rates low.

But that's just the starting point. It doesn't account for customization based on product, industry, customer, or other factors. We've found that layering this kind of human expertise on top of automation provides the best results.

Moving away from manual review

Only 1.3% of merchants using Decision Manager still rely on manual review, and 98.4% of transactions are decided with automation.

The 2023 MRC Fraud Report found that 6 in 10 merchants want to reduce or eliminate manual review. You may be concerned about increasing fraud, but we've found that fraud rates don't increase when manual review is eliminated—in fact, they slightly decrease. And given the significant costs associated with manual review, it's no surprise that most of our merchants have moved away from it. Data show that you could save up to $2,500 per 1 million transactions with an automated strategy.

Fighting the future of fraud

Fraud is constantly evolving, but AI powered by insights from billions of Visa datapoints can adapt to ever-changing trends at scale. If you want to be a part of the **98%** of merchants leading with automation, you're in the right place.

Learn more about Decision Manager