

# About.com Identity Theft

## How Identity Theft Happens: Small Business is Big Profit

From [Jerri Ledford](#), former About.com Guide

Jennifer and Rick took over the company that their father built from the ground up. In the years they've worked at and owned the company, they've grown it by offering compliance services in the transportation industry. On a daily basis, they struggle with Department of Transportation regulations, transportation tax issues, and myriad other details of owning the business. What they never dreamed they would have to deal with was identity theft.

Business identity theft is growing at an astounding rate. And many small and medium-sized businesses just don't realize how at risk they are. Take Jennifer and Rick's company for example. It's a small company, with less than ten employees and a few hundred customers. Why would an identity thief be interested in them?

### A Misunderstanding of Reality

Unfortunately, that's the same view that thousands of other small business owners have, and it leaves them open for identity theft. In a survey conducted by McAfee, about 45 percent of small and medium-sized business owners felt their businesses were too small to be valuable to identity thieves. That's not how a criminal sees it.

To criminals, these businesses are cash generating machines. Often, a small business owner has good credit with a large credit limit available to them, which makes them valuable. But for some, like Jennifer and Rick, credit accounts never come into the picture. At least not initially. Instead, the business may have resources that are valuable to identity thieves, like computer networks or even just their name and address.

Jennifer and Rick learned their business was the target of identity theft when a small-time criminal was picked up on forgery charges for fraudulent checks. Their company name was on one of the checks that alerted police to the forgery, but the account number was not theirs. They breathed a sigh of relief, thinking that since it was only their name that had been compromised they would be okay.

Then a half-dozen more checks were returned to them totaling more than \$12,000 and they discovered they were blacklisted by check verification companies, like Telecheck. Now it was beginning to look a little more serious. To make matters worse, the check verification companies didn't care that it wasn't the business's account number on the check. It was their name and address, that made them responsible.

The only way to have the company taken off the black list for writing checks was to fill out a few dozen forms (for each check) and produce a police report detailing every check number that had been counterfeited. That's almost like asking a magician to pull a real live dinosaur out of his hat. It's not likely to happen.

### The Reality of Small Business Identity Theft

As a whole, businesses lose about \$50 billion to identity theft each year, and most small business owners think that larger businesses are the main target, because that's such a sizable sum of money. But the truth is, small businesses are infinitely more valuable, in part because many local law enforcement agencies don't know how to deal with identity theft for either individuals or businesses. Even the FBI isn't usually much help. The agency receives more than 300,000 reports of suspicious activity each month and investigates only about two percent (or 6,000) of those cases.

For Jennifer and Rick, it turned out there was a whole forgery ring involved in their identity theft. The alleged ring leader just grabbed their name and address out of the phone book and paired it up with an account number he had stolen from somewhere else. He then created bogus checks and passed them out to a group of people who bought expensive, electronic merchandise with the checks. Once he had the merchandise, he sold it in a *gray market goods* scheme and split the profits with the other criminals.

Were it not for the fact that Jennifer's husband happens to be a police detective in the Financial Crimes unit, they may not have found out what was happening until much later—when collections on the checks became an issue. The bottom line is that they did find out early. They still have dozens more hours to put into cleaning up the mess the identity thief created. And it's possible that they'll find more damages as time goes by. But they now firm believers that their business, no matter how small, holds value for an identity thief. At least \$12,000 worth of value, which is not a small amount to a small business.

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