Step-Up
Fraud Prevention
Made Easy

Low-Cost Implementation
of an Identity Validation System
“By leveraging the validation software 72% of previously suspicious actors dropped off when challenged to provide their ID”

Head of Risk, Namecheap.com
Executive Summary

This whitepaper outlines the implementation of a fraud prevention system that uses commercially available technology from Validation.com to request ID for higher-risk transactions.

As the world’s second-largest domain registrar by domains managed, Namecheap is a target for fraudsters looking to test stolen credit cards. Namecheap’s fraud process has a step-up challenge, which occurs when a transaction receives a high risk score from automated fraud detection tools.

The old step-up challenge methodology involved uploading images via email, which had poor PII (Personally Identifiable Information) security, and increased the risk of fraudsters bypassing the step-up challenge.

Implementing the Validation system at Namecheap has been a strong fraud deterrent: 72% of fraud suspects drop off transactions when challenged for ID, with no revenue loss. Namecheap has identified serial fraudsters while improving PII security and maintaining GDPR compliance.

Validation’s patent-pending method of requesting a user’s image, photo ID, and credit card ‘proof of possession’ helps Namecheap’s fraud team to validate customers with their own eyes.

Step-up challenge:

A fraud prevention method where an ID request forms part of the fraud-prevention strategy.

It can be implemented automatically or manually.
The Validation System Implementation

Namecheap elected to implement the Validation system using the manual integration method, as this is the quickest time to market. It also requires minimal resources and technical expertise.

The existing fraud process uses commercial security tools to provide a risk score for every individual transaction. If the risk score falls within a specific range after card authorization, but before charging the card, and delivering the goods, the next step is to issue a step-up ID verification challenge to the user.

A step-up ID verification requests an official ID document (credit card, passport, driving license) and can potentially include a selfie.

At present, the Validation system requires no fundamental change in the pre-existing process. Fraud agents log in to the system and generate submission links, and send them over to their respective clients. Agents can then request multiple types of ID based on their pre-existing criteria.

Clients who follow the link will receive a screen prompt outlining the ID upload process under GDPR legislation, which ensures informed consent by anyone interacting with the system.

The client is then asked to submit their ID.
Submission screens

On the submission screen, the client is presented with a central outline to help properly position themselves for the photo. The remainder of the screen is blurred. Because of this blur, fraudsters may inadvertently reveal the misuse of their phones, printouts, or screens while the Validation process takes place.

After completing the submission, an agent receives notification via email that the client’s application is complete.

Fraud agents reviewing the ID submission can now see multiple pictures before the camera shutter initiation. They can now review a series of pictures and either approve, reject, or request a supervisory review of the submission.

A submission approval would release the order within Namecheap’s systems. A rejection of the submission reasons of suspected fraud would result in the user’s transaction being denied.
Implementing a system that requires active use of **on-device cameras** creates an immediate deterrent effect, without a drop in sales.

72% of fraud suspects drop off transactions when asked for ID.

28% Complete submission

Of the completed submissions

70% passed
30% stopped.
Catching a serial fraudster

Since Namecheap implemented the Validation system, multiple fraud attempts have been prevented. Here’s an example of how our system has helped the company expose fraudulent behavior.

The submissions below are illustrations of the review screens of user-generated submissions.

Submission 1

In the first submission reviewed, a transaction was flagged and subsequently failed as the man in the selfie did not match his ID.

Submission 2

In the second submission, the transaction failed as his selfie was fake – it was clearly a picture on his phone.
Also, his attempt to bypass the selfie submission stage was immediately spotted in the Validation timeline review.

Visual comparison tools revealed that he was the same individual from the first submission.

When reviewing the ID submission, it was clear that his ID was a picture on his phone.

A review of the timeline revealed another transaction that was being conducted with Namecheap, and this transaction also failed as it was in conjunction with a known fraudster.
Conclusion

When Validation.com becomes part of an in-depth fraud prevention strategy, its step-up challenge method has proven to be effective at exposing fraudulent behavior. As previously mentioned, since implementing Validation.com, Namecheap has prevented multiple fraud attempts without experiencing any drop in sales.

Implementation as part of a fraud prevention strategy is seamless, requiring fraud agents only to generate submission links in the Validation system, and forward them on to clients. The client’s ID submission – a series of photos – can be reviewed quickly and easily for any suspicious activity.

Setting up Validation is fast, with no additional resources or technical training required for fraud teams. This makes it an affordable measure for preventing fraud, chargebacks, and protecting customers.
Validation.com is custom-designed client document management platform. With a security first focus, partners of Validation.com are able to engage with their users to validate documents and manage them securely. Our goal is to bring our partners and their users face to face, allowing more than just documents to be validated.

With uses in the e-commerce space preventing fraud and chargebacks, KYC applications, account creation and takeover prevention, Validation.com is quickly becoming a security tool of choice for well-known companies across a number of industries.

As a product of NC Labs, the R&D arm of Namecheap Inc., Validation.com has carried forward the values and pillars of trust, truth & transparency, which have been core to nearly 20 years of its operation as a domain name registrar.

Validate your customers not just their documents

Prevent Chargebacks  KYC / Identity proofing  Stop account take overs

Get in touch today Partners@validation.com or visit www.validation.com to find out more.

About Namecheap

Namecheap is an ICANN-accredited domain registrar and technology company founded in 2000 by CEO Richard Kirkendall. It is one of the fastest-growing American companies according to the 2018 Inc. 5000. Celebrating nearly two decades of providing unparalleled levels of service, security, and support, Namecheap has been steadfast in customer satisfaction. With over 10 million domains under management, Namecheap is among the top domain registrars and web hosting providers in the world. Namecheap offers a full selection of popular and unique domains, along with fully featured hosting packages, SSL security certificates, WhoisGuard privacy protection, and more—all at some of the lowest prices in the industry.

Find out more about Namecheap products at www.namecheap.com