



Exploding The Phone

db532

www.explodingthephone.com

Bibliographic Cover Sheet

Title **Phone Credit Card Frauds - Aided By Rumor**

Publication *Los Angeles Times*

Date 1970-12-30

Author(s) Goren, Marty

V/I/P p. 1

Abstract Overview of credit card fraud. Mentions Paul Newman, Ramparts Magazine, and gives some statistics.

Keywords Credit card fraud; Paul Newman; Ramparts Magazine

The following pages may contain copyrighted material. We believe that our use of this material for non-commercial educational and research purposes constitutes "fair use" under Section 107 of U.S. Copyright Law. If you wish to use this material for purposes that go beyond "fair use," you must obtain permission from the copyright owner, if any. While it will make us slightly sad to do so, we will nonetheless comply with requests from copyright owners who want their material removed from our web site.

LOS ANGELES TIMES
DECEMBER 30, 1970
PAGE 1

PHONE CREDIT CARD FRAUDS--AIDED BY RUMOR
COMPANIES TAKING STEPS TO TIGHTEN CONTROLS
ON LONG-DISTANCE CALLS

BY MARTY GOREN
TIMES STAFF WRITER

FICTION- LAST YEAR MOVIE STAR PAUL NEWMAN PURCHASED A TELEPHONE CREDIT CARD ENABLING HIM TO PLACE UNLIMITED LONG-DISTANCE PHONE CALLS. HALFWAY THROUGH THE YEAR HE HAD TO LEAVE THE COUNTRY TO MAKE A MOVIE. WHEN THE PHONE COMPANY REFUSED TO REFUND HALF OF HIS MONTHLY BILL NEWMAN BECAME SO ANGRY HE GAVE OUT HIS CREDIT CARD NUMBER ON NATIONAL TELEVISION FOR ANYONE TO USE.

FACT-A LOT OF PEOPLE BELIEVE IN FICTION. MORE THAN \$400,000 IN FRAUDULENT CALLS HAVE BEEN CHARGED AGAINST THE NUMBER ATTRIBUTED TO NEWMAN. BUT THE NUMBER, WHICH OPERATORS ACROSS THE COUNTRY ARE NOT WISE TO, DOES NOT BELONG TO PAUL NEWMAN. NOR TO MOVIE STAR STEVE MCQUEEN, NOR TO SINGER-POET BOB DYLAN, AS OTHER RUMORS ALLEGE. ACCORDING TO PHONE COMPANY OFFICIALS, THERE IS NO SUCH THING AS A CREDIT CARD FOR UNLIMITED LONG DISTANCE PHONE CALLS.

A TELEPHONE CREDIT CARD IS A CUSTOMER CONVENIENCE ESTABLISHED BY THE PHONE COMPANIES IN 1939. IT ENABLES A PERSON TO PLACE A LONG DISTANCE CALL FROM ANY LOCATION, GIVE HIS CREDIT CARD NUMBER AND CHARGE IT TO HIS OWN BILL.

PART OF THE PHONE COMPANY'S PROBLEM WITH THE NEWMAN RUMOR IS THAT IT SOUNDS AUTHENTIC. MANY PEOPLE HAVE HEARD OF THE WIDE AREA TELEPHONE SYSTEM WHICH ENABLES BUSINESSES TO MAKE UNLIMITED LONG DISTANCE CALLS FOR A SET FEE. BUT THESE CALLS ALL HAVE TO BE MADE FROM A SPECIAL CARD AND CANNOT BE MADE BY CREDIT CARD.

SPREAD WORD BY MOUTH

THE RUMOR ALSO SOUNDS AUTHENTIC BECAUSE IT USUALLY CIRCULATES WITH A SPECIFIC CREDIT CARD NUMBER FITTING THE PROPER FORMAT. THE NUMBER IS READILY ACCEPTED BY TELEPHONE OPERATORS. THE PERSON, WHO SUCCESSFULLY COMPLETED HIS CALLS, THINKS THE RUMOR IS TRUE AND SO STARTS TELLING HIS FRIENDS.

WHAT THE CALLER DOESN'T REALIZE IS THAT IT TAKES THE PHONE COMPANY SIX TO EIGHT WEEKS TO TRACE THE FRAUDULENT PHONE CALLS.

MANY CALLERS ALSO FAIL TO REALIZE THAT THE PHONE COMPANY KEEPS TRACK OF ALL LONG DISTANCE CALLS.

PAGE TWO

WHEN THE OWNER OF THE CREDIT CARD NUMBER IS BILLED FOR CALLS HE DIDN'T MAKE--ASSUMING HE CHECKS HIS BILL CAREFULLY ENOUGH TO SPOT HE MAY COMPLAIN TO THE PHONE COMPANY, WHICH THEN CONTACTS THE RECIPIENTS OF THE CALLS TO ASK IF THE CARD HOLDER DID, INDEED, MAKE THE CALLS. IF NOT, THE RECIPIENTS ARE ASKED WHO DID CALL. IF THEY CAN REMEMBER --OR SAY THEY DON'T--THE PHONE COMPANY CAN ONLY WRITE THEM OFF AS LOSSES.

UNLESS IT CAN BE PROVEN THAT THE CARD-HOLDER OR SOMEONE AUTHORIZED BY THE CARD-HOLDER ACTUALLY MADE THE CALLS, HE WILL NOT BE CHARGED FOR THEM. HE IS LIABLE ONLY FOR HIS OWN CALLS, NOT FOR CALLS FRAUDULENTLY CHARGED TO HIS CARD.

RUMORS ARE NOT THE ONLY WAY CREDIT CARD FRAUDS ARE SPREADING. INFORMATION ABOUT THE FORMAT OF THE CREDIT CARD NUMBERS HAS BEEN AVAILABLE IN ARTICLES IN SEVERAL UNDERGROUND NEWSPAPERS.

THE WIDEST OF THESE STORIES WAS AN ARTICLE CIRCULATED IN THE AUGUST ISSUE OF RAMPARTS MAGAZINE, ENCOURAGING PEOPLE TO DEVISE CREDIT CARD NUMBERS TO BE USED AGAINST INDUSTRIES AND BUSINESSES LIKE DOUGLASS CHEMICAL, BANK OF AMERICA, AND THE TELEPHONE COMPANY ITSELF.

LIKE THE PAUL NEWMAN RUMOR, THERE IS ENOUGH TRUTH TO THESE STORIES TO MAKE THEM SOUND SUBSTANTIAL. CREDIT CARD NUMBERS CAN BE DEvised AND SOMETIMES GET BY THE OPERATOR. BUT UNLESS THE COMPANY HAPPENS TO HAVE A CREDIT CARD NUMBER EXACTLY LIKE THE ONE DEVISED, THE COMPANY WILL NEVER BE BILLED FOR THE CALL.

INSTEAD, THE ERRONEOUS CHARGE WILL BE DISCOVERED BY THE PHONE COMPANY'S BILLING COMPUTERS. AT THIS POINT IT BECOMES SUBJECT TO A PHONE COMPANY INVESTIGATION. ACCORDING TO PHONE COMPANY OFFICIALS, MORE THAN HALF OF THE PEOPLE MAKING FRAUDULENT CALLS ARE COUGHT--USUALLY BY TRACING THE NUMBERS THE PERSON CALLED.

PROBLEM NOT LARGE

MUCH OF THE PROBLEM OF TELEPHONE GRAUDS HAS GROWN, IT IS STILL NOT CONSIDERED LARGE BY PHONE COMPANY OFFICIALS. ACCORDING TO GEORGE H. DONNELLY, ASSISTANT VICE PRESIDENT OF PACIFIC TELEPHONE AND TELEGRAPH CO., THE BELL SYSTEM COLLECTS ON 93% OF THE CAHRGES IT BILLS.

"OF THE \$39 MILLION A MONTH BILLED THROUGH CREDIT CARDS BY THE BELL TELEPHONE SYSTEM," DONNELLY SIAD, "FRAUDULENT CALLS USUALLY COST BETWEEN \$70,000 AND \$100,000." IT IS A SMALL PERCENTAGE, BUT STILL A SIGNIFICANT AMOUNT OF MONEY.

BECAUSE OF THE AMOUNTS INVOLVED, PHONE COMPANIES HAVE BEEN INCREASING THEIR INVESTIGATIVE UNITS. PHONE COMPANY AGENTS IN THE PAST HAVE DEALT MOSTLY WITH OTHER TYPES OF PHONE FRAUDS--PAY PHONE ROBBERIES AND ELECTRONIC DEVICES DESIGNED TO DEFRAUD THE PHONE COMPANIES THEY ARE NOW DIRECTING MORE ATTENTION TO CREDIT CARD FRAUDS.

PAGE THREE

SETTLEMENT FOR PAYMENT

IN MOST CASES THE PHONE COMPANIES DO NOT PROSECUTE INDIVIDUALS IN CREDIT CARD FRAUDS. EXCEPT IN AGGRAVATED CASES, THE COMPANIES WILL SETTLE FOR PAYMENT OF THE CHARGES.

"THIS HAS CONSIDERABLE DETERRENT VALUE," SAID PIERCE MARTIN, SECURITY DIRECTOR OF GENERAL TELEPHONE CO. OF CALIFORNIA. "FIRST IT IS VERY EMBARRASSING FOR A PERSON TO BE CAUGHT. AND SECOND, WHEN PEOPLE THINK THEY ARE GETTING AWAY WITH SONETHING THEY USUALLY RUN UP A MUCH LARGER BILL.

THE AGGRAVATED CASES ARE GIVEN TO THE DISTRICT ATTORNEY'S OFFICE FOR PROSECUTION. ACCORDING TO THE DA'S OFFICE, PROSECUTION FOR TELEPHONE FRAUDS INVOLVING CREDIT CARDS IS RARE. THE LAST CASE WAS COMPLETED IN APRIL, 1969, AND INVOLVED \$10,000 OF UNAUTHORIZED CREDIT CARD USE.

IN CALIFORNIA, THE PENALTIES FOR MIUSE OF CREDIT CARDS CAN BE SEVERE. IF THE VIOLATION IS UNDER \$200 IT IS CONSIDERED A MISDEMEANOR AND AN INDIVIDUAL CAN BE SENTENCED UP TO SIX MONTHS. IF IT IS OVER \$200, IT BECOMES A FELONY WITH UP TO FIVE YEARS IMPRISONMENT. IT IS ALSO A VIOLATION OF THE FEDERAL "FRAUD BY WIRE" STATUTE.

MYSTERIOUS START

ACCORDING TO MARTIN, PHONE FRAUDS TAKE PLACE MOST FREQUENTLY WHERE LARGE GROUPS OF PEOPLE COME IN CLOSE CONTACT. EXAMPLES GAVE ARE TRUCK DRIVERS, STUDENTS, SOLDIERS AND SAILORS.

AND ONCE, A SMALL TOWN EAGLE MOUNTAIN CALIF., WAS TAKEN IN BY
THE NEWMAN RUMOR.

IT'S A GRIM
ACCORDING TO THE LOCAL PRESS, NO ONE KNEW HOW THE RUMOR GOT
STARTED IN EAGLE MOUNTAIN AROUND CHRISTMAS IN 1969. SOME PEOPLE
THOUGHT IT WAS A TELEVISED ANNOUNCEMENT. OTHERS SAID THEY HAD SEEN IT
ON A COMPANY BULLETIN BOARD WHILE MOST PEOPLE SEEMED TO HAVE GOTTEN
THE NUMBER FROM FRIENDS. ONE THING FOR SURE, A LOT OF PEOPLE IN
EAGLE MOUNTAIN MADE SOME UNEXPECTEDLY EXPENSIVE CHRISTMAS CALLS.

TELEPHONE GRAUDS ARE ALSO MORE FREQUENT IN HIGHLY POPULATED AREAS
SUCH AS NEW YORK AND LOS ANGELES. "SOUTHERN CALIFORNIA IS A TOUGH
PLACE TO COLLECT BILLS," DONNELLY SAID, "MOSTLY BECAUSE THE POPULATION
IS MUCH MORE MOBILE."

TELEPHONE OFFICIALS EXPECT TO GET THE UPPER HAND SOON IN PREVENTING
CREDIT CARD FRAUDS. A NEW SYSTEM OF CREDIT CARD NUMBERS IS GOING INTO
EFFECT JANUARY 1. THEY WOULD NOT ELABORATE ON THE NEW SYSTEM. "IF YOU
TALK TOO MUCH ABOUT SECURITY," MARTIN SIAD, "YOU DON'T HAVE
SECURITY."

PAGE FOUR

ALSO MENTIONED AS POSSIBLE FUTURE DETERENTS ARE A SYSTEM OF
COMPUTERIZATION AND PAY PHONES EQUIPPED WITH CREDIT CARD READING DEVICES

BUT TELEPHONE OFFICIALS ARE NOT OPTIMISTIC ABOUT PREVENTING FRAUDS
ENTIRELY. "NOT MATTER WHAT SYSTEM WE DEVISE," DONNELLY SAID, "SOMEONE
WILL THINK THEY CAN GET AROUND US. EVENTUALLY YOU ARE GOING TO GET
CAUGHT. IT'S THE LAW OF AVERAGES."

PLAIN DISRESPECT

AS TO WHY PEOPLE TRY TO DEFRAUD THE PHONE COMPANY, NO ONE IS
SURE. "THEY'RE NOT HARDENED CRIMINALS," SAID MARTIN, WHO ATTRIBUTES THE
INCREASE IN FRAUDS TO "PLAIN DISRESPECT FOR PRIVATE PROPERTY."

"IT IS ALL PART OF GROWING UP," SAID ANOTHER TELEPHONE
OFFICIAL WHO WENT ON TO RECALL SOME OF THE METHODS USED WHEN HE WAS IN
COLLEGE. "BECAUSE EVERYONE IS DOING IT," WAS THE REASON ONE COED
GAVE. ANOTHER COLLEGE STUDENT SAID SIMPLY, "BECAUSE I WAS BROKE."

END OF MESSAGE

10:45 A.M.

CJ^