



Consumer Insights

Digital Fraud

Digital data breaches affect thousands and cost millions every year in Australia. Reducing digital fraud could be as simple as pen and ink.

Data breaches have gained widespread attention as businesses of all sizes become reliant on digital data and cloud computing. 2022 was a particularly prolific year of cyber-attacks, with a record number of 890 data breaches reported to the Office of the Australian Information Commissioner. Some of the most notable attacks include:

OPTUS. 9.8 million customers' personal information was compromised in a major data breach. Names, birth dates, addresses, phone numbers, and passport and driver's license numbers were exposed.

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MEDIBANK. 200GB of customer files were extracted and stolen, impacting 9.7 million current and former customers. The breach included the exposure of 160,000 customers' health claims, leaking their service provider names and codes associated with diagnosis and procedures.

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TELSTRA. 130,000 customers personal details were exposed in a large-scale data breach. Telstra customers private phone numbers were made public, including 1,600 customers which were published in an online version of a White Pages directory without consent.

THE COST OF DATA BREACHES

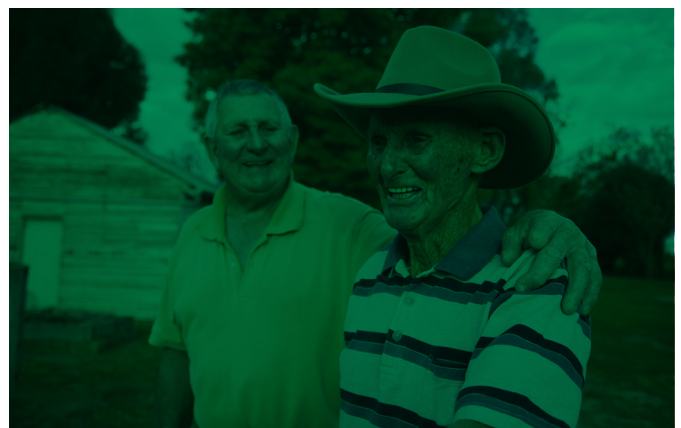
The majority of company information breaches are caused by malicious or criminal attacks, and these are the most expensive to remediate. These data breaches come at a cost to both companies and consumers. A recent study by the International Business Machines Corporation estimated an average cost of \$4.1 million per data breach to Australian companies participating in their research.

THE IMPORTANCE OF ROBUST CONTROLS

To minimise the further risk of harm to individuals, organisations must have vigilant and robust controls in place, such as fraud detection processes.

Information and Privacy Commissioner Angelene Falk stresses the importance of being on the front foot when it comes to digital data breaches.

"As personal information becomes increasingly available to malicious actors through breaches, the likelihood of other attacks, such as targeted social engineering, impersonation fraud and scams, can increase," she says.





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THE IMPACT OF DIGITAL FRAUD ON CONSUMERS

In 2022, Australians lost a record amount of more than \$3.1 billion to scams. This is a notable increase from the \$2 billion lost in 2021. As digital fraud and scams rise, so are anxieties for consumers, with the safety of personal data becoming front of mind for many Australians. Research by CommBank found that 57% of Australians reported becoming more concerned about scams over the 12 months to 2022. This is particularly true for the digitally excluded, who may be less able to protect themselves online due to lower levels of digital ability or access. In 2021, 20% of digitally excluded Australians limited their internet use due to concerns about scams.

Sources:

1. Office Of The Australian Information Commissioner, 2022-2023.
2. Sydney Morning Herald, 2022
3. The Guardian, 2022
4. IBM, 2022
5. ACCC, Scamwatch 2022
6. Public Journal of Health, 2019.
7. Toluna, 2021.

PAPER STATEMENTS A SAFER BET FOR CONSUMER PROTECTION AND PRIVACY

There has been a recent trend of companies and service and utility providers urging a switch to digital communications, and removing or charging consumers for their preference of paper statements. This decision fails to recognise their benefits, not just for comprehension/financial literacy, and for easing the impacts of a digital divide, but for privacy and consumer protection. Paper statements are a secure and reliable way for customers to record-keep and track personal finances and provide physical and irrefutable evidence against system and business transaction errors.

As Glenn Reynolds, University of Tennessee Law Professor points out, paper records are inherently more secure from attack than electronic records.

“To steal, or hold for ransom, 10 million electronic user records... all you might need is a cracked password and a thumb drive. To steal that many records on paper, you’d need a fleet of trucks and an uninterrupted month.”

It is important that consumers retain their right to paper statements, and Australians agree.

- 74% of Australians surveyed by Toluna in 2021 believe that they should have the right to choose how they receive communications (printed or electronically) from financial organisations and service providers.