Virtual credit cards offer strong protections against payment fraud

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49% of commercial payments still made by check

Think quick – where is your checkbook? Do you carry it with you, or is it at home collecting dust? If you're like most people, you write significantly fewer checks than you used to. But that's not the case in the business world. According to the 2020 Ardent Partners State of ePayables survey, checks still make up 49% of all commercial payments.

Top performing AP departments use a strategic mix of payment methods to optimize working capital, and checks will always have a place in that mix. But as check fraud schemes become increasingly sophisticated, the need for more secure payment alternatives has grown.

Consider these indicators:

- According to the 2020 Strategic Treasurer B2B Payments survey, payment security concerns have increased by 62%.

- The 2020 AFP Payment Fraud Survey reports that 81% of surveyed organizations experienced payment fraud in 2019. Seventy-four percent of that fraud involved checks.

- As reported in the 2020 AFP Payments Fraud and Control study, 75% of organizations have experienced business email compromise. Sixty-one percent cite it as the most common source of payment fraud attempts.

Virtual credit cards offer several fraud protections that make them significantly safer than checks. Virtual payments are cardless account numbers set to a specific supplier, payment amount and date range. Strong control features make them an ideal defense against payment fraud.

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Five-point virtual payment protection

While no payment method is 100% immune to fraud, virtual cards are significantly more secure than checks. Five features help prevent theft and protect against loss.

1 Unique account number – Virtual card numbers are coded for a specific supplier and a set amount. They can't be processed without the correct supplier credentials and they can't be charged for an unauthorized amount.

2 Automatic deactivation – Once a payment is processed, a virtual account number automatically becomes inactive and can't be used again. This reduces the risk of intentional fraud as well as accidental duplicate charges.

3 MCC controls – Organizations have the ability to designate allowable MCCs for their program. Fraud risk can be reduced by blocking MCCs that your organization wouldn't likely be making payments to.

4 Account number expiration – Virtual credit cards can be coded with expiration dates to ensure that suppliers process payments in a timely manner. If a payment isn't processed within the allowable timeframe, the account number expires and can't be charged. Limiting the time that an account number is active reduces exposure to fraud.

5 Liability waiver – Virtual cards carry liability protection – a significant advantage that organizations often overlook or aren't aware of. In the unlikely event that a virtual card number is fraudulently charged, the loss is covered by the paying organization's commercial card association. Visa and Mastercard offer similar liability waiver protections. If a virtual account number is processed for an unauthorized charge, organizations have the same chargeback rights as "card not present" commercial card transactions. That means that if the fraud is reported according to contract terms, the paying organization won't be liable for the loss.

Mount a strong defense

The best defense against fraud is to prevent it from happening in the first place. If your organization doesn't conduct regular reviews of its payment security policies and practices, make that the first priority. Plans should address scams initiated by individuals – such as phone calls and letters – as well as automated, electronic cybercrimes like business email compromise, phishing and hacking. Are procedures in place? Do employees have the tools and training they need to put them into practice?

Review current payment methods

Consider the security features of your organization's payment methods. If your AP department relies heavily on check payments, the addition of virtual cards could reduce your exposure to fraud. And your card association's liability waiver can provide an additional layer of protection against loss.

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