



Friendly fraud warning as resurgent travel businesses explore new crypto horizons

Travel firms that embrace crypto can also be hopeful of progress on the payment fraud front.

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Few industries are as competitive as international travel. An innumerable array of airlines, hotels, and tourist agencies vie for the custom of would-be vacationers, each trying to outdo the other in the features they offer. Payment options are key to this, with rich rewards for companies that are willing to innovate.

It's little surprise, then, that cryptocurrency transactions are starting to find their way into the travel space — a trend that looks set to accelerate throughout 2022.

The coming of crypto

In December, we heard that blockchain-based travel agent Travaia.com was enhancing its provision for Bitcoin payments, opening the door to millions more crypto bookings.

The really big news came a few weeks later, however, with an eye-catching [tweet](#) from Airbnb boss Brian Chesky. Having polled his followers on what new features they'd like to see, Chesky cheerily shared that crypto payments had landed the top spot. Combined with an IPO prospectus that hints at the future use of digital coins, the company's intent to accept crypto at checkout is clear to see.

Such a move would be significant for the industry. Valued north of \$100bn and boasting more than 150 million users worldwide, Airbnb is a titan of the travel sector. With continued concerns around the volatility, practical viability, and even environmental impact of crypto, having the backing of such a powerful brand would be a beacon for others to follow.

Those that do are likely to have a captive audience, research suggests. As a group, travelers are decidedly more likely to own cryptocurrency than the general public — a [quarter of people](#) who take between one and four trips a year claim to be Bitcoin users, versus 16% of the US population as a whole.

(Not so) friendly fraud

Travel firms that embrace crypto can also be hopeful of progress on the payment fraud front. So-called "friendly fraud" — when customers use chargeback systems to dishonestly reverse transactions and recoup costs — is a particularly serious problem for the industry. But because crypto transactions take place on secure decentralized electronic ledgers and can't be reversed after both parties have agreed, chargebacks aren't possible.

Fraudsters are a devious bunch, however. It's feasible that digital coins could be bought on a crypto exchange with a conventional bank card, and then be used to book travel via a holiday firm that supports crypto payments. Citing a fictitious case of card fraud, the customer could then instigate a chargeback claim against the original vendor — the exchange — while keeping their vacation plans in place. Lacking full details of the crypto transaction, it's not hard to imagine the card issuer winding up supporting the cardholder's case.

Cases of friendly fraud have skyrocketed in recent years, with more than two-thirds of online merchants reporting a rise in illegitimate claims as a result of the pandemic. Travel companies have been particularly hard hit, with airlines and vacation firms 33% more likely to respond to chargeback requests than other businesses.

Industry fortunes could be about to turn, however. International travel, which has been curtailed because of Covid, is expected to make a return to relative normality in 2022, amid growing vaccine optimism and hopefulness around the lesser virulence of new coronavirus strains.

This sort of positivity is to be applauded, but expectations should be measured. If the sudden onset of the Omicron variant has taught us anything, it's that the pandemic picture can change devastatingly fast.

An easy target

Travel companies have tight margins at the best of times, giving them very little room to maneuver when targeted by friendly fraudsters. According to the International Air Transport Association (IATA), the airline industry alone loses at least a billion dollars a year to chargeback cons.

Last-minute bookings are a large part of this. Spur-of-the-moment purchases are big business for travel providers — but they're often a vehicle for attempted fraud. Fast turnarounds can easily be exploited by customers looking to make a quick buck, with operators struggling to review purchases or contest claims in time.

What's really tricky for travel companies is that the opposite of last-minute bookings — journeys planned well in advance — are equally vulnerable. Travelers often like to book months ahead of departure, eager to secure seats and rooms before vacancies vanish or prices rise. The result? Plenty of time for second thoughts.

Coronavirus has amplified this risk of buyer's remorse. Perhaps a passenger books a flight, but doesn't realize the cost of mandatory pre-departure testing. Maybe they haven't looked into quarantine rules in their destination country, or they simply don't fancy making the journey, after all, deterred by gloomy health-related headlines. And so they try to get their payment reversed via chargeback.

Scenarios like these have played out time and time again ever since the arrival of Covid-19, with friendly fraud chargebacks [up 25%](#) in Q1 2020 alone.

The best defense

Perpetrated on a large enough scale, these sorts of scams can sink a business, particularly if it hasn't encountered chargeback fraud in the past. That's why chargeback mitigation services are so important, allowing companies to focus on other priorities while suspicious claims are tackled in the background.

Looking to the year ahead, there'll be no shortage of other priorities for travel firms. Their industry has been battered by a coronavirus, but now, at long last, there are genuine hopes of recovery. Coupled with an increased appetite for crypto payments, 2022 promises to be a busy year indeed.

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