

A cents of security when online

Millions were transferred on the web last year but some Aussies remain cautious, writes **Matt de Neef**.

IF YOU'VE ever used the internet to move your money around, you'll know there are many transfer methods available.

For example, sending money to an overseas friend or relative is made easy by the online versions of the big banks and also by the US-based Western Union system. Similarly, credit cards from Visa, MasterCard and others can be used in an increasingly online world.

The past few years have also seen the emergence of many web-based transaction companies, such as eWalletXpress, EcoCard and ePassporte, all of which allow users to transfer money easily and securely online. Perhaps the most widely recognised online transaction platform is PayPal, a company that has been a subsidiary of the online marketplace eBay since 2002.

A PayPal account can be funded by a credit card or bank account and then acts as a sort of online wallet. This wallet can be used to send money to other PayPal users or to pay for items from the hundreds of thousands of online vendors that use the system. With \$US32 million of transactions tracked in Australia last year, PayPal has arguably earned its slogan: "Australia's favourite way to pay online."

PayPal's popularity aside, the company's first five years in Australia have been tumultuous.

The Reserve Bank of Australia, the ACCC and the Australian Transaction Reports and Analysis Centre (AUSTRAC) have all challenged elements of PayPal's business in recent years and PayPal has agreed to "strengthen its existing systems and controls".

While past brushes with financial regulators are sure to have discouraged some Australians from using PayPal, its status as a web-only payment system might also cause for concern to some consumers.

John Vaz, a lecturer at Monash University's department of accounting and finance, says lack of a "real world" presence might make consumers less comfortable with PayPal than the BPAY system, for example.



Academic John Vaz believes some people avoid online transactions because of a lack of "real world" presence. PICTURE: RODGER CUMMINS

"BPAY is possibly more trusted because it is generally provided as part of your banking service," Mr Vaz says.

"You can walk into the bank but PayPal is by and large a web entity — it doesn't have a tangible component."

Recent figures suggest about 84 per cent of Australians prefer to pay their bills online, a figure that has quadrupled since 2003. This dramatic increase is almost entirely due to the rise of the BPAY system, a payment scheme owned by the four major banks and Bankwest.

In the 13 years since its launch, the exclusively Australian BPAY system has accrued about 17,000 billers and the support of 170 financial institutions.

And, with more than 250 million payments being made through BPAY last year, Australians seem to be embracing the ease and efficiency of online transactions.

For the remaining Australians who choose not to use the internet for banking and business, security is often a key concern. Horror stories of drained bank accounts and "Nigerian bank scams" reinforce some consumers' distrust of online banking. Mr Vaz says the threat of online fraud is "very real" and

often involves a process known as "phishing".

The Australian Federal Police (AFP) website describes phishing as "using a form of spam to fraudulently gain access to people's internet banking details". A common phishing technique is to send an email claiming to be from one of the banks, then asking the user to input their username and password to verify an account.

The mobile phone will play a much greater role in how we transact.

JOHN VAZ, MONASH UNIVERSITY

The inputted details are then used by the fraudsters to access the user's account and withdraw funds.

While phishing attempts are common, they are easy to spot and avoid. The AFP reminds users that real banks do not send emails asking for users to input their login details and suggests users "treat phishing emails as spam and delete them without opening".

But despite the security concerns, plenty more Australians are choosing online money transactions for their ease and

convenience. As we head into an increasingly online world, our finance and banking systems follow close behind. And, according to Mr Vaz, the future of banking is likely to be linked to the continued development of mobile phones.

"The future growth of banking [and] money transfer is probably going to be micro-transactions," Mr Vaz says.

"The mobile phone will play a much greater role in how we transact in the future, acting as a personal eftpos device."

The team at Britain-based Juniper Research agrees, predicting that the "worldwide market for remote mobile payment of digital goods" is likely to reach \$US1.65 billion by the end of 2010 and more than \$US2.5 billion by 2014. But, in a sense, the future is already here.

The PayPal app for the Apple iPhone allows users to "bump" phones, transferring money to one another easily from the convenience of a hand-held device.

As the internet becomes even more present and accessible in our lives, so our banking and money transfers are more likely to be done online. If you aren't already using online banking or paying your bills online, you are in an ever-shrinking minority.

Six ways to transact

IN A world that is becoming ever more reliant on the internet and web-based technologies, it's no surprise that we are now more inclined to move money around online. A multitude of money-transfer services and methods are available in cyberspace. Here are six of the most popular.

■ **Direct deposit.** With all the major banks offering online banking platforms, transferring money to other accounts online is very easy. Just type in the bank details of the person you are sending the money to, how much you are sending and hit "transfer".

■ **Credit card.** Credit cards are one of the most versatile ways of paying for products and services. Make sure the website you are on is encrypted, then type in your credit card number, select the type of card you are using (MasterCard, Visa etc) and complete the payment.



■ **Western Union online.** Western Union allows online money transfers between consumers and businesses around the world. Transfers can be funded via a credit card or bank account and must be picked up, in person, by the recipient.



■ **BPAY.** The online banking platforms offered by the major banks all allow the payment of bills using BPAY. Just type in your account number and the biller code and the bill is as good as paid.



■ **PayPal.** PayPal allows easy payment of goods and services online through the use of one account. A PayPal account can be funded by a credit card or bank account and can then be used to pay at hundreds of thousands of websites.



■ **POLi.** POLi is fast becoming one of the key players in the online transactions market in Australia. Allowing users to transfer funds seamlessly from an online bank account to merchants, POLi operates through a secure desktop application and doesn't require users to input their personal details.



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