First-party fraud: when the customer is REAL and the dispute isn't

What it is, why it's growing, and how to tell it apart from stolen-card fraud.

What it is

First-party fraud, also called friendly fraud or first-party misuse, happens when the cardholder disputes a charge for something they ordered or received. Sometimes it's an honest mistake, like an unfamiliar billing descriptor or an order a family member placed. Sometimes it's deliberate, like claiming an order never arrived to get a refund and keep the goods.

How it works

- A customer places a legitimate order.
- They contact their bank instead of the merchant.
- The issuer files a chargeback. The merchant pays the amount plus fees, then responds with evidence or absorbs the loss.

True fraud vs. first-party fraud

	True fraud	First-party fraud
Who placed the order	A stranger using stolen credentials	The cardholder or someone they know
Signals at checkout	Often mismatched (device, location, velocity)	Often look normal, because the customer is real
When it surfaces	At or just after the order	Any time after the order, from minutes to weeks later
Best response	Block or challenge before approval	Spot repeat patterns early, keep clear evidence, review by risk
Does 3D-Secure help?	Often, for fraud-coded disputes	Partly. It doesn't cover "not received" or "not as described" claims

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How Sift helps

1. **Patterns no single order shows.** Risk decisions connect sign-up, login, transaction, and post-transaction events, so signals like multiple accounts tied to one person surface in context.
2. **Customers new to you, not to Sift.** The Global Data Network adds context beyond your own traffic.
3. **Not every customer gets the same treatment.** Risk-based friction applies the right level of review based on risk.
4. **Decisions your team can explain and tune.** Transparent visibility into the signals behind each decision, plus simulation to test changes before they go live.

64%

of merchants report rising first-party misuse, and about a quarter report increases of 25% or more

MRC, 2026

$80+

average cost to resolve one first-party misuse dispute

MRC, 2026

16%

consumers admitted to first-party fraud

Sift Q4 2025 Digital Trust Index

IN PRACTICE A Sift customer cut its chargeback rate 85% in its first two months with Sift.

Questions to ask your team

- What share of our chargebacks are non-fraud reason codes?
- Can we identify repeat disputers across accounts?
- How soon after an order do we know it's likely to be disputed?

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