The Credit Card Fraud Scheme That Involved 8,000 Straw Borrowers and 800,000,000 Reward Points

Two men orchestrated an elaborate fraud that turned credit card rewards points into millions of dollars, leaving a major credit card company holding an $8.2 million bill. The case, detailed in federal court documents, reveals how Timothy Gibson and Aharon Lev exploited weaknesses in credit card reward programs through an intricate web of fake accounts, identity theft, and carefully timed transactions.

The Scale of Deception

The numbers alone are staggering. According to the indictment, Lev opened more than 7,000 fraudulent credit card accounts using the identities of over 1,500 unwitting individuals, known as "Straw Cardholders." These accounts were used to accumulate more than 790 million rewards points, which were then converted to airline miles and sold for profit.

The scheme's sophistication becomes clear in the details of its execution. Lev recruited individuals to provide their personal information in exchange for a flat fee, promising them credit cards in their names. What these Straw Cardholders didn't know was that their information would be used to open dozens of accounts - in some cases, as many as 99 accounts per person.

The Art of Deception

The fraudsters employed multiple layers of deception to avoid detection. For example, they used a rented UPS Store box in New Jersey as a mail drop and created false email addresses that they claimed were associated with the Straw Cardholders. These tactics helped maintain the illusion of legitimate business operations.

In one particularly revealing example from December 24, 2015, Gibson emailed Lev with a warning: "[P]lease do some real spend so less issues. Talked to some other brokers, [the Credit Card Company] is pulling points from a lot of them that do [points] manufacturing, all blame fake spending." Lev's response demonstrated their calculated approach: "[A]s long as we use points fast real spend is not [an] issue."

The Mechanics of the Fraud

The scheme worked through a carefully orchestrated series of steps:

1. First, they recruited Straw Cardholders, paying them a fee for their personal information.

2. Using this information, they created fraudulent small business credit card accounts, complete with false employment and income information.

3. They made large purchases that would generate promotional rewards points, particularly focusing on airline tickets and car rentals.

4. To maximize profits, they would cancel these purchases after receiving the points but before payment was due.

5. The points were quickly converted to airline miles and sold to third parties before the credit card company could detect the fraud.

Social Engineering and Identity Theft

The sophistication of the scheme extended to social engineering. The fraudsters went so far as to have male conspirators mimic female voices when impersonating female Straw Cardholders during calls with the credit card company. They also used various ruses to expedite the posting of rewards points, including telling customer service representatives that points were needed for "upcoming honeymoon- or bereavement-related travel."

The Digital Trail

The scheme ultimately unraveled, leading to federal charges including conspiracy to commit wire fraud and aggravated identity theft. The indictment reveals how digital communications between Gibson and Lev became crucial evidence, with their emails discussing strategies to avoid detection and maximize profits.

The Legacy of the Scheme

By the time the scheme was discovered, it had caused the credit card company to pay more than $8.2 million to airlines for accepting the fraudulently obtained rewards points.

Some Surprising Facts About The Case

- **The Shell Game's Scope -** While many credit card schemes involve individual actors, Gibson and Lev created what prosecutors allege was an industrial-scale operation. They didn't just recruit a few straw borrowers - they actually ran advertisements and developed a referral network to systematically gather people's personal information. This organized recruitment approach demonstrates a level of sophistication rarely seen in rewards fraud cases.
- **The Profit Paradox** - Perhaps most surprisingly, according to forensic accounting reports mentioned in Gibson's legal filings, American Express may have actually profited from the very transactions they claimed were fraudulent. The company earned non-refundable merchant fees on every purchase - even when those purchases were later canceled to generate points. This revelation challenges the traditional narrative of a clear victim and perpetrator.
- **The Valuation Mystery -** The court documents reveal a startling discrepancy: while American Express claimed over $1.1 million in losses, they agreed to restitution of only $117,068 in the plea agreement - less than 10% of the alleged loss amount. Even more intriguing, when pressed to provide documentation of their losses, American Express reportedly refused, citing "proprietary information." This suggests the true financial impact may be fundamentally different from what was initially claimed