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Eighteen People Charged in International \$200 Million Credit Card Fraud Scam

Crime Ring Invented 7,000 Fake Identities to Obtain Tens of Thousands of Credit Cards

U.S. Attorney's Office

February 05, 2013

District of New Jersey

(973) 645-2888

NEWARK—Federal agents in four states arrested 13 people today for allegedly creating thousands of phony identities to steal at least \$200 million in one of the largest credit card fraud schemes ever charged by the Department of Justice, U.S. Attorney Paul J. Fishman announced.

The activity described in a complaint unsealed today describes a sprawling criminal enterprise that stretched across dozens of states and numerous countries. The defendants charged in the complaint allegedly fabricated identities to obtain credits cards and doctored credit reports to pump up the spending and borrowing power associated with the cards. They would then borrow or spend as much as they could based on their fraudulently obtained credit history and not repay the debts, looting businesses and financial institutions of more than \$200 million in confirmed losses.

This morning, hundreds of law enforcement officers from the FBI and the U.S. Postal Inspection Service arrested 13 defendants and searched 13 locations in New Jersey, New York, Pennsylvania, and Connecticut. All the defendants are charged with one count of bank fraud. The defendants are scheduled to appear later today before U.S. Magistrate Judge Madeline Cox Arleo in Newark federal court.

“This type of fraud increases the costs of doing business for every American consumer, every day,” U.S. Attorney Fishman said. “Through their greed and their arrogance, the individuals arrested today and their conspirators allegedly harmed not only the credit card issuers, but everyone who deals with increased interest rates and fees because of the money sucked out of the system by criminals acting in fraud rings like this one.”

“The criminal activity described in today’s complaint highlights the activity of an extensive, sophisticated, organized scheme, executed against U.S. financial institutions, which, in turn, affects every citizen of the United States,” Acting Special Agent in Charge Velazquez said. “This elaborate network utilized thousands of false identities, fraudulent bank accounts, fake companies, and collusive merchants to defraud financial institutions of hundreds of millions of dollars in order to facilitate extravagant lifestyles they could otherwise not afford. The arrests today are the result of the relentless and tenacious work of the United States Attorney’s Office, U.S. Postal Inspection, U.S. Secret Service, the Social Security Administration, the Federal Bureau of Investigation, and numerous financial institutions.”

According to documents filed in this case:

The defendants and their conspirators stole hundreds of millions of dollars through a scheme repeated thousands of times to create more than 7,000 false identities and fraudulently obtain tens of thousands of credit cards (the “fraud cards”). The scheme involved a three-step process in which the defendants would:

- “Make up” a false identity by creating fraudulent identification documents and a fraudulent credit profile with the major credit bureaus.
- “Pump up” the credit of the false identity by providing false information about that identity’s creditworthiness to the credit bureaus. Believing the furnished information to be accurate, the credit bureaus would incorporate this material into the false identity’s credit report, making it appear that the false identity had excellent credit.
- “Run up” large loans using the false identity. The higher the fraudulent credit score, the larger the loans that the defendants could obtain. These loans were never repaid, and the defendants reaped the profits.

The Sham Companies

The enormous size and scope of the Criminal Fraud Enterprise required the defendants and others to construct an elaborate network of false identities. Across the country, the defendants and their co-conspirators maintained more than 1,800 “drop addresses,” including houses,

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apartments, and post office boxes, which they used as the mailing addresses of the false identities.

They created dozens of sham companies that did little or no legitimate business, obtained credit card terminals for the companies, and then ran up charges on the fraud cards. To accept payments in the form of credit cards, a business must establish a merchant account with an entity known as a merchant processor. The merchant processor provides the business with equipment to process credit cards, receives payments from credit card companies for credit cards run at the business, and deposits those payments, minus a fee, into the business' bank account. When the merchant processors shut down accounts operated by the conspirators for fraud, they would apply for new terminals and create new companies.

The sham companies also served as "furnishers," providing the credit bureaus with false information about the credit history of numerous false identities of people who purportedly worked at or owned the sham companies.

Tradelines

The defendants used sophisticated methods—including a network of black-market businesses called "tradelines" providers—to commit fraud.

Tradelines come in two varieties: primary tradelines and authorized user tradelines. Primary tradelines are lines of credit in a credit history. If a credit card user has primary tradelines in good standing, it can have a significant impact on the user's credit score, enabling the user to borrow more from credit card issuers. The defendants, however, trafficked in fraudulent primary tradelines.

A second kind of tradeline is the "authorized user" tradeline, where a credit card holder adds another, so-called "authorized user," to a credit card account. This raises the credit score of the authorized user, who inherits some of the primary user's credit history.

Some defendants created and sold fake lines of credit for false identities made up by other defendants. These fraudulent primary tradelines were then used to increase the credit limits on fraud cards, so that the defendants could reap even larger profits. Defendants used the authorized user tradelines to create new identities.

Complicit Businesses

The defendants also relied upon complicit businesses, including several jewelry stores in the Jersey City, New Jersey area to extract money from the fraud cards. The complicit businesses would allow the defendants to conduct sham transactions on the fraud cards and would then receive the proceeds from the credit card companies and split them with the other conspirators. These complicit businesses maintained multiple credit card merchant processing accounts at the same time. By operating dozens of accounts, these businesses furthered the conspiracy by allowing more fraudulent transactions to be processed before the merchant processors shut down the account. The proceeds from these merchant terminals were deposited into various business checking accounts, and the money was paid out to the owners of the complicit businesses, along with other defendants and conspirators.

Lavish Spending

The conspiracy generated enormous profits for the defendants—even though they spent millions of dollars sustaining the elaborate network of drop addresses and running credit reports on the thousands of false identities. Records of the New York and New Jersey Departments of Labor reveal that many of the defendants have no reported legitimate employment in the last five years. Nonetheless, the defendants used the proceeds of the criminal enterprise to buy luxury automobiles, electronics, spa treatments, expensive clothing, and millions of dollars in gold. They also stockpiled large sums of cash. Law enforcement discovered approximately \$70,000 in cash in the oven of one defendant.

The defendants also moved millions of dollars through accounts under their control and wired millions of dollars overseas. An analysis of 169 bank accounts of the defendants, sham companies, and complicit businesses has identified \$60 million dollars in proceeds that flowed through the accounts, much of it withdrawn in cash. The conspirators wired millions of dollars to Pakistan, India, the United Arab Emirates, Canada, Romania, China, and Japan. Due to the massive scope of the conspiracy, which involved over 25,000 fraudulent credit cards, loss calculations are ongoing. Final figures may grow beyond the present confirmed losses of more than \$200 million.

The investigation that produced today's arrests involved cyber crime investigators from the FBI and has been ongoing for more than 18 months. It previously resulted in the arrest of four other individuals and the seizure of more than \$2 million in gold from a jewelry store in Jersey City.

The bank fraud count with which the defendants are charged is punishable by a maximum potential penalty of 30 years in prison and a fine of \$1 million.

U.S. Attorney Fishman praised special agents of the FBI's Cyber Division, under the direction of Acting Special Agent in Charge David Velazquez, for the investigation leading to today's arrests, as well as postal inspectors under the direction of Acting Postal Inspector in Charge Marie Kelokates and the U.S. Secret Service, under the direction of Special Agent in Charge James Mottola. He also thanked the U.S. Social Security Administration for its role in the investigation.

The government is represented by Assistant U.S. Attorney Erez Liebermann, chief of the Computer Hacking and Intellectual Property section of the Economic Crimes Unit, and Assistant U.S. Attorneys Daniel V. Shapiro of the General Crimes Unit, Zach Intrater of the Economic Crimes Unit, and Barbara Ward of the Asset Forfeiture Unit of the U.S. Attorney’s Office in Newark.

The charge and allegations contained in the complaint are merely accusations, and the defendants are considered innocent unless and until proven guilty.

Defendants:

Name	Age	Residence
Babar Quereshi	59	Iselin, New Jersey
Muhammad Shafiq	38	Bellerose, New York
Ijaz Butt	53	Hicksville, New York
Qaiser Khan	48	Valley Stream, New York
Shafique Ahmed	52	Floral Park, New York
Habib Chaudhary	45	Valley Stream, New York
Raghibir Singh	57	Hicksville, New York
Muhammad Naveed	35	Flushing, New York
Khawaja Ikram	40	Staten Island, New York
Nasreen Akhtar	37	Jersey City, New Jersey
Mohammad Khan	48	Staten Island, New York
Azhar Ikram	39	Howard Beach, New York
Shahid Raza, a/k/a “Abid Mian”	44	Valley Stream, New York
Vernina Adams	31	Philadelphia, Pennsylvania
Sat Verma	60	Iselin, New Jersey
Vijay Verma	45	Iselin, New Jersey
Tarsem Lal	74	Iselin, New Jersey
Vinod Dadlani	49	Lyndhurst, New Jersey

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