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'Error' sends bank files to eBay

Student buys BMO computers, finds client info Hard drives were on auction site for six hours

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TYLER HAMILTON/TORONTO STAR
Geoff Ellis, foreground, holds hard drive from BMO computer he bought that still holds customer information. He contacted the bank, who recovered the equipment Saturday.

Two Bank of Montreal computers containing hundreds, potentially thousands, of sensitive customer files narrowly escaped being sold on eBay.com late last week, calling into question the process by which financial institutions dispose of old computer equipment.

Information in one of the computers included the names, addresses and phone numbers of several hundred bank clients, along with their bank account information, including account type and number, balances and, in some cases, balances on GICs, RRSPs, lines of credit, credit cards and insurance.

Many of the files were dated as recently as late 2002, while some went back to 2000. The computers appeared to originate from the

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bank’s head office on St. Jacques St. in Montreal, but customers, many of them also bank employees, had addresses ranging from Victoria, B.C., to St. John’s, Nfld.

In the wrong hands, the data could be used to steal someone else’s identity for the purposes of fraud, a fast-growing crime known as identity theft.

"Our number one priority as an organization is the protection of customer information," said Dina Palozzi, chief privacy officer for the bank, which swiftly seized the computers’ hard drives on Saturday afternoon within 24 hours of learning their whereabouts. "This kind of issue we take very, very seriously."

Geoff Ellis, a 26-year-old masters student living in North York, purchased the computers last week from Ecosys Canada Inc., a computer asset-management firm in Mississauga. He paid $400 each for two powerful IBM Netfinity servers that would have cost about $5,000 new.

Ellis buys, fixes up and then resells used computer equipment on eBay.com. He had posted the two machines on the popular online auction site for six hours before he noticed, after turning one of them on, that it contained an operating system that let him access file folders from the bank without needing a password.

He immediately removed the items from the Web site, he said.

"My first response was shock," said Ellis, who contacted the Star soon after discovering the information. "There’s no way a server should get out of a bank’s hands with a full operating system and whatever data that’s in the hard drive."

Ellis said he approached the Star first because he wasn’t sure how the bank would react and wanted a third party present. He contacted the bank late Friday afternoon, and a computer security team was dispatched to his house on Saturday to seize the hard drives.

Two other IBM computer servers that Ellis didn’t purchase from Ecosys have also been placed in quarantine. The bank said yesterday that a data recovery team was in the process of analyzing the hard drives and would have a more detailed report today.

News that customer data had entered the public domain rose quickly through Bank of Montreal’s highest ranks on Friday, including the chairman’s office. Potentially complicating the issue was that the computers also contained databases that, in the hands of a hacker, might have revealed thousands of customer records.

‘You’ve got to be constantly vigilant. It’s an important lesson for all organizations.’

Dina Palozzi, chief privacy officer for BMO

It was unclear as of yesterday evening what was held in those databases.

"At this point it’s a human error," said a visibly exhausted Robert Garigue, vice-president and chief information security officer with Bank of Montreal. The executive, speaking Saturday evening, said he hadn’t slept since learning of the stray hard drives.

Proper procedure, he added, is for the computers to be "scrubbed" so no residual data is left behind during the disposal process, which often involves resale.

An official with the bank said Rider Computer Services Ltd., which manages the computer assets for Bank of Montreal and many of Canada’s big financial institutions, was contractually responsible for ensuring the hard drives were properly erased.

Colin Taves, vice-president at Rider, said Ecosys is a sub-contractor for the bank’s Montreal head office and should have made sure the computers were wiped.

"It was really an operational breakdown," said Taves, explaining that the computers were taken from the wrong warehouse skid and it was assumed they had been erased. "It was a warehouse location issue more than anything else."

Bruce Hartley, a vice-president at Ecosys, agreed. " It’s an operational error and we’ve contained it in the shortest amount of time that we could."

Taves said his company has processed over a million computer components for the banks and this is the first time such an issue has emerged. "In my mind, everybody reacted accordingly."

Garigue said the bank’s executives and computer security staff, along with representatives from Rider, will hold meetings all week to discuss how to improve procedures and processes that let these computers slip through the cracks.

"It’s a learning experience," said Garigue, adding, "It’s been scary as well."

Palozzi said the bank will do whatever is necessary to make sure the incident is never repeated. "You've got to be constantly vigilant," she said. "It's an important lesson for all organizations."

Both executives thanked Ellis, who was given new hard drives, for reporting the computers. This made it possible, they said, to act swiftly to contain the data and prevent it from getting into the wrong hands. "We're very pleased he did the right thing," said Palozzi. "My view is that even though he purchased the equipment, that information didn't belong to him and he recognized that."

The dollar loss related to identity fraud is expected to more than double this year in Canada. South of the border, an estimated 10 million Americans were a victim of the crime last year, according to the U.S. Federal Trade Commission.

It's been a difficult month for Bank of Montreal, which last week had to combat an e-mail fraud scam that attempted to lure customers to a bogus bank Web site, where they were asked to submit account information. The site was shut down within a couple of hours, said a spokesperson.

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