

HEALTHIER FUTURES FOR OUR FAMILIES

FACT SHEET

Be a Winner Avoid Consumer Fraud

"...alert consumers are their own best protection against fraud."

"You Definitely Have Won!" says the postcard in your mail box or the caller on the telephone.

Many frauds and deceptions use the mail and telephone, as well as newspaper, magazine, and television advertisements, to reach unwary consumers.

Others use personal contacts, such as sales talks, either in a rented space or a regular store, or through door-to-door sales.

Whatever the method, alert consumers are their own best protection against fraud. Remember the saying: "If it sounds too good to be true, it probably is."

Consumer fraud is a continuing problem in our society. Some con games and swindles have been around for many years, while others have developed as telemarketing, computerized information, and advertising methods have expanded.

It is harder than ever to distinguish between somewhat exaggerated claims (known as puffery), deception, persuasive advertising, and actual fraud.

Prevention is especially important in the area of fraud and deception, because it is difficult to legally prove fraud.

Even if a seller is proven to have broken the law, finding that person or business and/or collecting money for damages is often impossible.

Although most businesses are legitimate, a small number of sellers practice fraud and cause problems for consumers.

This fact sheet will help you:

- Recognize the warning signs of fraud and deception in the marketplace.
- Learn about some of the most common areas where fraud is prevalent.
- Follow techniques to avoid being taken advantage of.

- Learn about the agencies, regulations and laws that have jurisdiction over fraudulent activities.

Reasons Consumers Fall Victim to Schemes

Frauds and deceptions continue to exist in the marketplace because of

- Consumers' vulnerability.
- Tactics of unscrupulous sellers.
- Problems in proving deception and enforcing laws and regulations against fraud.

Why Consumers are Vulnerable

In deceptive situations, greed is perhaps the most common motivation on the part of consumers.

The feeling that you can get a lot for a little or even something for nothing has great appeal. This can be described as the "sweepstakes mentality," the feeling that "it's my turn to win, to get a good deal."

Other reasons are

- *Consumers who lack specific knowledge about a product or service* are more likely to be deceived than others who are better informed. In today's market, it is difficult for consumers to be well informed in all areas of purchasing.
- *Some people are vulnerable because of personal problems and changes in their lives.* If you are worried, lonely, or upset for any reason, you are more apt to hand over your money without careful thought and study.
- *Some consumers are too trusting and do not ask enough questions.* They may be too sympathetic to the stories told by deceptive sellers. Some of the most common frauds are presented in ways that

“...fraud occurs when a seller knowingly misrepresents an important fact or fails to tell the consumer about an important fact.”

make you feel stupid if you don't accept the deal being offered to you. It requires some assertiveness to be a careful consumer.

- *Sometimes people are too busy.* They opt for convenience, often via telephone or computer, rather than taking time to check things out or shop in person.
- *Inaccurate beliefs about laws and business practices are also prevalent.* For example, believing that newspapers or magazines who accept ads screen them for reliability or that infomercials on television are regulated more closely than they actually are can reduce a consumer's motivation to check things out before buying.

Infomercials are presented in a manner similar to regular programs. They may be designed to sell legitimate products, but often promote useless items.

- *People who lack knowledge about deceptions and scams often fall victim* to pressures to “act now,” not recognizing the warning signs of fraud.

Marketplace Problems

A few deceptions are nearly impossible for consumers to recognize because of the complexity of the marketplace. Price fixing and control of supplies are examples.

Other problems are

- *Hard selling or high pressure sales tactics* means that the consumer is being “sold” by highly persuasive practices.
- *Sometimes these techniques border on misrepresentation* without becoming actual frauds. People who promote frauds are experts at outright lies and exaggerations, as well as at staying just within the law.
- *Lack of understandable, easily accessible information* is a problem. To much information can also be a major problem when it is not well organized or documented.

Legal and Enforcement Problems

Most consumers who are swindled do not complain because they feel embarrassed.

Estimates indicate that only two to ten percent register their complaints with relevant agencies.

Con artists can make a lot of money before complaints are received and authorities are able to investigate and prosecute.

The average life of a fraudulent sales scheme is only thirty to ninety days.

Deceptive sellers often escape from state law by moving beyond the state boundaries and set up similar businesses under different names.

The Kansas Consumer Protection Act is the primary state law governing consumer transactions. This act is administered by the Consumer Protection Division of the State Attorney General's Office.

The Attorney General's Office can get conflicts resolved on a voluntary basis, as well as prosecute when illegal acts have been committed.

Targets for the Con Artist

Many scams and schemes are aimed at consumers in general, although some sellers and con artists target certain groups of people.

Particularly vulnerable to deceptions are the

- Elderly
- Widows
- People who have recently become unemployed
- Parents of new babies
- Students
- Military personnel
- Recent immigrants

What Is Consumer Fraud?

Consumer fraud involves “the making of a false statement of a past or existing fact with knowledge of its falsity, or with a reckless indifference as to its truth, with the intent to cause someone to rely on such a statement.”

In other words, fraud occurs when a seller knowingly misrepresents an important fact or fails to tell the consumer about an important fact.

Several elements must be proven to show fraud. This is why it is so difficult to prove a case of consumer fraud in a court of law. To prove that fraud occurred, one must show:

- False representation.
- Knowledge that the facts stated were untrue.
- Intention to deceive the victim.
- Actual belief by the victim, who is ignorant of the falsity of the representation, that the false representations are true.
- Damages were suffered by reliance on the untruths.

A List of Probable Deceptions and Frauds

<i>Deception</i>	<i>Description</i>	<i>Scheme</i>
Degree Mills	Sell diplomas for a price with a minimum of on-site educational experiences.	Such diplomas do not meet the standards of the genuine accrediting associations.
Look-a-like Checks	The check made out to you, and stamped "This is not a check" or "non-negotiable."	Can only be used to purchase over-priced products from a catalog.
False Platinum and Gold Credit Cards	High membership fee for a "similar" looking card.	Can only be used to purchase over-priced products from a catalog.
Going Out of Business Sales	Sign looks legitimate and the store seems full of goods.	Lots of poor quality merchandise brought in when liquidating a legitimate business; must be licensed.
Health Club Spas, Weight-loss Centers, Martial Arts Facilities, Dance Lessons	Consumer signs a contract for a series of services and some success is quickly achieved.	Firm often cannot deliver what was promised; many companies go bankrupt.
Home Improvements and Repairs	Promises high-quality work. A substantial cash amount must be paid in advance.	Unlicensed repair persons take the money and run; or do shoddy work with poor materials.
Magazines	Young people sell magazines pretending that they are working their way through school or high pressure telemarketers convince you to place order.	Either one overpays for the subscription or the "salesperson" disappears with the money.
Phony Bank Examiners	Asks for help in identifying teller who is embezzling funds by having consumer make withdrawal from that teller.	The receipt from the "bank examiner" is worthless because he really does not work for the bank.
Phony Bills	Bill comes in the mail, perhaps for a deceased relative.	A likely fraud; ask for a copy of a signature on the order form.
Song Writing and Vanity Publishing	Promise to publish your work and you can expect to make royalties on the sales.	Firm collects a substantial up-front fee that pays the cost of production; consumer never receives a profit.
Term Papers	Sell term papers on any topic.	Poorly written and referenced essays that will result in disciplinary action if turned in to a school.
Unclaimed Funds	Letter on official-looking stationery saying a "routine audit" has determined that you are owed money; send \$35 for processing fees.	The consumer sends in the fee, but never hears anything more.
Unordered Merchandise	Company mails something with the hope that receiving party will pay.	You do not have to pay. You may keep anything shipped to you as a gift if you have not ordered it.
Work at Home	Advertisements for huge profits for at-home tasks.	Products completed at home are often refused by the seller; sometimes the "deal" requires consumer to pay a lot for supplies or run similar ads to get money from other consumers.

Source: Adapted from Garman, *Ripoffs and Frauds*

“Scare techniques, rush deals and secrecy are common techniques used by con artists.”

Mail fraud involves the use of the mail for any scheme to defraud or obtain money or property under false or fraudulent pretense.

Health fraud or quackery is the promotion or sale of a medical remedy that doesn't work or hasn't been proven to work.

Telemarketing fraud refers to the use of telephone communications to fraudulently promote goods or services.

The Many Dimensions of Fraud

We can look at consumer fraud from several different perspectives.

- *One is to examine the types of products or services most often associated with fraud and deception.* Remember that most businesses are honest and only a few create problems.
- *Another is to think about the methods most often used—telephone, mail, internet, media advertising, door-to-door sales, or other personal contacts.*

No publication can provide a comprehensive list of all possible frauds. It is not easy to distinguish between deliberate fraud or deception and the situation where consumers pay a higher price for a product or service rather than getting their money's worth.

The chart on the previous page lists a variety of areas where deception and fraud are frequent

Warning Signs of Fraud

Deceptive schemes and scams have several characteristics in common.

- *Misleading advertising is frequently used to lure consumers into deceptive schemes.* People are led to believe they are getting a really good deal, maybe even something for free.
- *Consumers are often fooled into putting up money for a product or service of inferior quality and overpriced.* This is because the offer “will soon expire” or the choice items are almost all gone.
- *Consumers are enticed into going into a sales office to listen to a sales pitch.* They may be subjected to hours of pressure sales tactics including many false promises and then be pressured into making a major purchase. Appeals to vanity are common.
- *Many schemes have contractual obligations.* Consumers may be able to get out of some contracts but may have a continuing

legal obligation to make payments on many.

- *Scare techniques, rush deals and secrecy are common techniques used by con artists.* These techniques warn of impending disaster, often to health, home, or finances, or of missing out on the last chance to benefit from a great opportunity. Speed and secrecy prevent many frauds from being detected in a timely manner.
- *Contracts, order forms, or other forms with blank spaces are also a common technique.* The seller later fills the spaces in above the signature, and the consumer may be legally obligated to pay for more than expected.

Common Methods of Fraud

The next sections provide more explanation of several common methods often used by deceptive sellers. Again, remember that careful study is required to distinguish between fraud and persuasive sales techniques.

Mail Fraud

Mail fraud is one of the top areas of consumer complaints to government agencies. Most schemes work because people don't recognize them as frauds or deceptions until it is too late.

Deceptive mail order schemes seem to be a good deal, an excellent opportunity, an apparent bargain, or a chance to make a fast buck.

The most familiar mail fraud tactic is misleading or false advertising. Consumers are led to believe they are getting a good deal or receiving something for free.

Distance and lack of physical contact make identifying and apprehending mail order sellers difficult and expensive.

Prizes: Prizes are offered to interest consumers in buying anything from vitamins to water treatment systems, from home security systems to land for investment purposes.

Nearly all consumers in the United States have received—and will receive—official looking notices or telephone calls stating that they are the “guaranteed winners” of one of the following prizes—a vacation, a new car, jewelry, or cameras—worth thousands of dollars.

Such claims are rarely true. They are simply come-ons to get you to buy something

else. *Most “winners” will receive a very cheap prize.*

In some frauds, they may be told to provide credit card numbers or a fee to verify their winning.

Sweepstakes: Sweepstakes prizes are awarded to participating consumers by chance with no purchase or entry fee required. One’s chances of winning are determined by the number of participants and the number of prizes to be awarded.

A sweepstakes is very effective in generating attention for the sponsoring companies. It is often an effective form of legitimate advertising.

To be legitimate

- *The company* generally puts up the money itself.
- *A sweepstakes sponsor* must disclose the odds of winning.
- *The consumer* must not have to make a purchase to participate.

Fraudulent sweepstakes operators call consumers telling them they have won but must submit cash or a certified check to cover the expenses of shipping, handling, and/or taxes or to “guarantee” the money will be awarded. They volunteer to have the money picked up by a courier to “speed things up.”

Contests: A variety of legitimate companies offer prizes or premiums to promote their products. Most contests have easy, simple solutions, and the consumer receives a small prize for sending in a winning entry.

“You’re a winner” on a postcard or an official looking document is often the key to a scam. The directions ask you to send in money.

Some contest scams require that you call a 900 number to collect your prize. To verify or redeem your prize may require another payment.

A common ploy is that “as a credit card holder, you have won.” You are asked to give a card number for “verification.” The result can be unauthorized charges made to your card.

Telemarketing Fraud

Telemarketing is selling a product or service over the telephone. Many worthwhile products are marketed this way, and a great majority of companies involved in telemarketing are reputable firms which use the telephone to sell products and services.

On the other hand, telemarketing calls are often made from “boiler rooms.”

Historically, a boiler room has been a room in a basement next to the heating unit. The space was rented at a low cost and set up with desks and telephones.

A number of people used high pressure sales techniques to sell a variety of products or services (such as investments, land, business ventures, travel bargains, and many other “opportunities,”) as well as donations to “charities” or purchases to benefit disabled persons.

Almost anything can be sold by unscrupulous sellers over the phone.

Telemarketers often start with friendly questions and conversations, trying to establish rapport with the consumer before embarking on the sales pitch. This makes it hard for the potential customer to ask searching questions or to just hang up.

Many telemarketers use similar techniques to those used in mail fraud. They involve prizes, sweepstakes, and contest winnings.

New regulations require telemarketers to state up-front that this is a sales call. You are under no obligation to continue listening.

Most consumers assume that all 800-number (and more recently an 888-number) calls are free. However, some 800-number services use techniques which charge for calls to access “adult” talk lines, dating services, psychic advice, or other programs.

Questionable telephone information services often advertise on late-night television or cable, in tabloids, and in classified or personal ads.

Deceptive companies may try to:

- Automatically transfer you to 900 numbers.
- Make collect calls back to you.
- Charge you simply for completing the call.
- Charge for information or entertainment provided during the call, unless you:
 - use a credit card for payment, or
 - have already contracted with the 800 number service to be billed.

These are warning signs that potential deceptions are possible. Remember that both legitimate services and those that violate the law may advertise in the same places.

Some companies promote information or entertainment services you can obtain

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“Pyramid investment schemes rely on new investors to pay commissions, returns, or bonuses. There is an absence of a legitimate product or service being sold.”

by calling an international telephone number. These calls are billed at international long-distance rates and can result in expensive charges on your telephone bill.

Investment Swindles

Consumers looking for investments typically want to achieve two things:

- A high rate of return (in interest, dividends, and/or appreciation of the investment).
- Safety.

Many consumers are lured into investments that are poor deals for them but great for the sales persons. Some of these are actual swindles, while others are legitimate business opportunities and investments that are just not suited for the people who buy them.

A swindler is an unscrupulous promoter who creates an investment scheme which brings profit only to the swindler.

They are smooth talking salespersons who

- Present dazzling statistics; great promises of wealth in a hurry, without risk; and impressive references that seem to confirm the illusions they present.
- Provide seemingly logical answers to questions that potential investors ask.
- Reach their victims in the same ways used by legitimate firms—telephone, direct mail, referrals, advertisements, or on-line investment bulletin boards.
- Give the appearance of being reputable firms, running large, expensive advertisements in publications and on radio and television.

Deceptive investment or business opportunities emphasize such characteristics as:

- A very high return or yield with little risk.
- A quick return.
- A “secured principal” is guaranteed.
- Approved by someone (such as the Internal Revenue Service).
- A once-in-a-lifetime opportunity.
- No experience necessary.
- The chance to “get in on the ground floor.”
- The opportunity to make money without leaving home.

Offers for the financial opportunity of a

lifetime are often that, but the opportunity is all too frequent for the consumer to lose money. Most such offers promise high profits with little or no business experience needed.

Among the many types of investments that are often subject to deception are:

- Collectibles such as rare coins.
- Art.
- Precious metals.
- Gold and silver contracts.
- Oil and gas lease programs.
- Invention or patent promotion.
- Land sales.
- Gumball, popcorn, or similar vending machines.
- Greeting card sales.

Pyramid Schemes

Pyramid schemes are based on the assumption that many investors can make money by selling “distributorships” to others over a period of time.

In this scheme, an investor buys a franchise or distributorship, which includes the right to sell additional franchises to others. When sales are made, profits are shared with the original promoter.

The problem is that the pyramid soon collapses because there are not enough new people available to continue making investments or purchases. It is mathematically impossible for all investors to succeed.

Pyramid investment schemes rely on new investors to pay commissions, returns, or bonuses. There is an absence of a legitimate product or service being sold.

Chain letters that involve sending money through the mail with the chance that nothing will be received in return are a variation of pyramid schemes.

It is often hard to distinguish between a pyramid scheme and legitimate multilevel marketing network. In the marketing network, income does come from product sales (frequently cosmetics and household cleaning products).

Legitimate companies sell quality products and do repeat business with customers. Start-up fees for legitimate businesses are reasonable and companies that require inventory purchases will usually repurchase any unsold items.

Recovery Scams

Consumers who have lost money through prize promotions, merchandise sales, investment swindles, and charity drives often

have their names put on a “sucker’s list.” The list is then sold to other telemarketers who call with promises to recover part of the lost money.

A recovery fee scam falsely promises that, for a fee or donation, they will recover the consumer’s lost investment money or the product that was never received.

For example, the con artist—often claiming to represent a government agency or consumer organization—calls a consumer saying that, “the thieves have been caught and their assets frozen. For a fee, we can recover at least half of the money you originally lost and perhaps all of it.” No real effort is made to aid the consumer.

Work-at-Home Schemes

Various methods of making money at home are advertised in newspapers and magazines around the country.

You may see ads like this:

“Would you like to earn hundreds of dollars a week at home in your leisure time? Many people are supplementing their income in a very easy way. Let us tell you how...”

An offer like this may sound very attractive, particularly if you are unable to leave your home to work.

While some work-at-home plans are legitimate, many are not. Home employment schemes are one of the oldest kinds of classified advertising fraud.

What many of these ads do not say is that

- You may have to work many hours without pay.
- There may be hidden costs.
- You may be required to spend your own money to place ads in newspapers, make photocopies, or buy the envelopes, paper, stamps, and other supplies or equipment needed to do the job.
- The company may demand that you pay a membership fee or make regular payments in order to get continued instructions or materials.

Consumers deceived by these ads have lost thousands of dollars, as well as wasted their time and energy.

Work-at-home ads often advertise these types of employment:

- *Envelope-stuffing.* Work-at-home schemes come in many varieties, but the

most common type is envelope-stuffing.

Promoters of these programs usually advertise that for a “small” fee they will tell you how to earn money stuffing envelopes at home. Only when it is too late, you find out the promoter really has no employment to offer.

What you are likely to receive for your fee is a letter telling you to place that same ad in newspapers or magazines or to send the ad to friends and relatives.

The only way you will earn money is from the people who respond to your work-at-home ad.

- *Assembly or craft work.* Assembly or craft work is another common type of work-at-home scheme.

These programs often require you to invest hundreds of dollars in equipment or supplies or many hours of time to produce goods for a company who has promised to buy them.

For example, you might be required to buy from the company a sewing machine, a sign-making machine, or materials to make items such as aprons, baby shoes, or plastic signs.

However, in fraudulent schemes, after you have purchased the supplies or equipment and performed the required tasks, the company does not pay you for your efforts.

Many consumers, for example, have had companies refuse to pay for their work because it did not meet “quality standards.” Unfortunately, no work is ever “up to standard.” Thus you are left with relatively expensive equipment and supplies, and no income.

In reality, those who produce goods in response to such ads must usually find their own customers.

- *Reading and reviewing manuscripts or books.* Another common scheme suggests that you can make money by reading at home.

These ads are not really from publishers looking for reviewers. The promoters’ format is similar to the envelope-stuffing scheme.

For a fee, you receive a letter telling you to contact publishers yourself and ask about working for them. Or, the suggestion is made that you place a similar ad yourself and hope others will respond with a fee.

“Home employment schemes are one of the oldest kinds of classified advertising fraud.”

“A flashy internet web site does not guarantee that the seller is legitimate.”

Health Frauds

Health and fitness are major concerns of many consumers today. However, many schemes promise success, but result in unfulfilled wishes and hope, wasted dollars, and sometimes even endangered health.

Quacks sometimes lure the seriously ill into buying a bogus cure instead of getting the most reliable medical care available. “Money back guarantees” are unavailable if the company cannot be located.

In simple terms, quackery or health fraud is the promotion and sale of a medical remedy that doesn't work or hasn't been proven to work.

Some ineffective products are fairly easy to identify—like magic pills that promise to keep you young. More often, the deception is less obvious.

Sometimes they are vaguely based on a medical report that has been in the news or in a generally reliable magazine.

Quackery usually fits in one of three categories:

- False claims about drugs or cosmetics.
- Unsubstantiated food fads and diets.
- Unjustified food supplements and ineffective medical devices, such as mittens, bracelets, or special shoes.

Medical con artists sell their wares through magazines, newspapers, television and radio, or making their products available by mail or by calling a toll-free number.

Common schemes are:

- Arthritis cures
- Quick weight-loss plans
- Fitness devices
- Cancer treatments

Marketing products as food supplements, rather than as medicines, may enable the promoter to avoid Food and Drug Administration testing and labeling requirements.

These unproven products are marketed as foods or dietary supplements with no curative claims included in the label.

The “wonder cures” are advertised separately by flyers or media announcements that claim to cure various physical problems. By the time the fraudulent practices are recognized, the swindlers have moved on to other scams.

Credit Schemes

One of the most prevalent frauds today is the credit repair scheme.

Using classified ads or television commercials, credit repair companies guarantee that they can “fix your credit history, improve your credit rating, or get you out of debt.”

They charge a large fee up front for services which they do not provide or which you can obtain at low or no cost from a legitimate nonprofit credit counselling service.

Other frauds related to credit involve

- *“Advance fee” payments to guarantee you a loan in advance.* Legitimate lenders charge a processing fee for loan applications but don't guarantee that you will qualify.
- *Advertisements that tell you to call a 900 number to arrange for guaranteed credit cards or loans.* The call may be expensive (\$50 or more) and it's unlikely that you'll get credit as a result.
- *Second mortgages, often at very high rates, advertised as a quick and easy way to get credit.* Many consumers do not realize they are providing their house as collateral for these loans.

Fraudulent Sales Practices

Fraudulent sales practices include a variety of techniques which usually involve offering products or services at fictitiously low prices combined with high pressure sales techniques.

Bait and Switch: Bait and switch advertising is the offer of goods or services at bargain prices when the seller has no intention of selling the advertised products.

Such advertising is illegal. The goal is to lure the consumer into the store. *The bait involves a product advertised at a very low price. The switch is when the consumer tries to make the purchase and the salesperson says the advertised product is not available, of poor quality, or not worth the money.* The buyer is talked into selecting a much more expensive item.

This should not be confused with trading up, where the consumer decides to purchase a higher quality model without being pressured.

Door-to-Door Sales: Door-to-door sales are a continuing source of fraud. A few legitimate sellers, primarily in the cosmetics field, still use the door-to-door salesperson as their primary method of selling.

Household repairs, such as roof replacement, driveway repairs, and

magazine sales are often poor buys at best and fraudulent schemes at their worst.

Home-repair-related frauds frequently involve a visit from someone who says they have just finished paving a driveway, repairing a roof, or installing siding down the street. They have leftover materials and can give you a good price if you'll arrange to have them start work (with a cash payment in advance) immediately.

Other scams use fear tactics. Persons posing as "official" inspectors suggest the home owner is in danger of carbon monoxide, water, or termite damage if the problem is not taken care of immediately.

Fraud on the Internet

The internet enables people to communicate faster than ever before. Unfortunately, it also enables con-artists to milk people out of cash just as easily.

Fraudulent activity on the internet and "on-line" services is a potential problem as services expand.

One common problem is ordering software on-line from vendors who disappear. Reputable vendors will offer a demo or a trial review period before requiring payment. Deceptive sellers will not.

Deceptive internet sales also include the same types of activities and come-ons described under telemarketing or mail schemes.

A company whose only address is a post office box or an electronic address, is difficult or impossible to track down once the address is closed.

When you subscribe to an online service, you may be asked for credit card information as the method of payment. When you enter an interactive service site, beware of con artists who may ask you to confirm your enrollment by disclosing passwords or account numbers.

Internet addresses ending with a ".com" indicate a commercial or business address.

A flashy internet web site does not guarantee that the seller is legitimate.

How to Prevent being Conned

Uninformed or misinformed consumers often lose in marketplace transactions. They often pay too much for products and services, purchase goods of inferior quality, and sometimes suffer the consequences of unsafe products and illegal discrimination.

The consumer who is too trusting, who does not ask detailed questions, who does not check references and information for accuracy, and who makes decisions without careful consideration is vulnerable to con artists.

Frauds and deceptions can generally be avoided by following these guidelines:

- *Realize first that nothing is free.* It is almost impossible to get something for nothing.
- *Avoid putting yourself in situations where you are setting yourself up to be deceived.* Don't listen to sales pitches on the telephone or go to motel rooms to hear sales pitches. Don't let unknown door-to-door salespeople into your home.
- *Try not to be overly sympathetic to sales representatives.* This will help you avoid becoming a victim of a hard-luck-story-type of sales tactic.
- *Be careful about buying things over the telephone.* A useful guideline is not to buy anything over the phone unless you initiated the call or know the caller. Ask telephone solicitors to mail information rather than discussing it over the phone. You can call back if you're interested after reviewing the information.
- *Never give out credit card, checking account, or social security numbers for identification or verification purposes.*
- *Never send cash.* Don't send money orders or checks to a post office box unless you are sure about the company's reputation, have its street address, and know about the product.
- *Don't send money by a courier service that picks up at your home or work place.*
- *Be aware that high-pressure sales tactics are a warning.* Some sellers push hard because they earn commission or want to win a contest. Even if not dishonest, they do not have your best interests in mind.
- *Do not make quick decisions about buying or investing.* Read the fine print. Get help from an important third person. Don't assume you always have three days to cancel a transaction or that you can always get out of a contract.
- *Watch out for planted people posing as real users.* When you check references, you can use on-line forums, news groups, etc. to talk to other customers about the product and company.

"Do not make quick decisions about buying or investing."

“...letting consumer agencies know about problems helps protect others.”

Think You Have Been a Victim of Fraud?

- *First try to resolve your dispute with the seller.* Make sure you act quickly. Some companies may not accept responsibility if you fail to complain within a certain period of time.
- *Send a letter of complaint.* A letter is important because it puts your complaint on record and lets the company know you are serious about pursuing the dispute.
- *Clearly identify the problem, document it, and explain how you want your complaint resolved.* Be sure you keep a copy of the letter for your records.
- *Keep the original and send copies of the receipts, etc., by certified mail.* Certified mail records the postmark date and ensures that the seller receives your letter.

Many people are embarrassed about being deceived or conned. No one likes to admit that they have been taken advantage of. But letting consumer agencies know about problems helps protect others.

Consider contacting the following organizations for further information and assistance.

State consumer protection offices

The Kansas Consumer Protection Act is the basic statute enacted to protect Kansans against deceptive and unconscionable business practices. It is the primary duty of the Attorney General's Office to enforce the act.

Complaints made to this office are often voluntarily resolved, but they can lead to action before a court of law. Violations of the act can result in injunctions prohibiting a violator from doing business in Kansas, the recovery of actual damages for consumers, and civil penalties.

Write to the Consumer Protection Office, 301 W. 10th Street, Topeka, KS 66612, or call 1-800-432-2310

Nearest Better Business Bureau (BBB)

Information about complaints against businesses can be obtained there, but the bureau does not make recommendations about specific businesses.

Action line and consumer reporters

Check with your local newspaper or television and radio stations for a contact.

Postal inspectors

Call your local post office and ask for the inspector-in-charge if you suspect mail fraud.

Direct Marketing Association (DMA)

Contact them only for mail and telephone orders.

Write: DMA, 1111 19th Street, NW, Washington, DC 20036.

Direct Selling Association (DSA)

Contact them only for door-to-door sales. The association can assist you with your complaint if the door-to-door seller is a member.

Write: DSA, 1776 K Street, NW, Washington, DC 20006.

Private attorney

Your controversy may involve rights and liabilities that include aspects of the law, such as breach of contract, in addition to consumer protection. In these cases, your private attorney or legal clinic should be contacted.

National Fraud Information Center

The center provides information, referral services, and assistance in filing complaints. Their Internet site provides timely warnings of current fraudulent activities. You can call 1-800-876-7060 to register a complaint or to ask for information.

The Federal Trade Commission (FTC)

Although the FTC does not intervene in individual disputes, the information you provide may show a pattern of possible law violations requiring action by the FTC.

Write: Correspondence Branch, Federal Trade Commission, Washington, DC 20580.

Other governmental agencies

If your complaint is against a business that is licensed or regulated by another government agency it may be necessary for you to contact that office for assistance with your problem.

Summary

Remember that careful decision making is the key to satisfaction with your purchases of products and services. Decide in advance which features of a product or service you need.

Be alert to signs of deception and fraud. Lack of knowledge about deceptions and schemes and about specific products and services is one reason people become victims of fraud.

Many frauds work because people frequently do not recognize them as deceitful until it is too late. Fraudulent sellers use phony prizes, cheap products, high-pressure sales tactics, and many other methods to defraud unsuspecting consumers.

Several factors account for the vulnerability of some consumers. Sometimes you think it's your turn to be lucky or that you deserve a free gift or tremendous bargain. You may think that problems only happen to other people.

Emotional reasons—when you're worried, lonely, or feeling overwhelmed—can lower your resistance to high pressure tactics. Just being too busy to check information can also be a factor.

Become aware of the many ways you can lose your money. Stop, think, find out, and get help if you need it.

“You are your own best protection!”

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Consumer Con Questionnaire

The following is a list of "Common Cons." Can you match the name of the scheme with its description?

- | | | | |
|-------|----------------------|-------|---------------------|
| _____ | 1. Free vacations | _____ | 4. Driveway repairs |
| _____ | 2. Envelope stuffing | _____ | 5. Bait and switch |
| _____ | 3. Pyramid scheme | _____ | 6. Money recovery |

- A. Schemes in which consumers who have lost money through fraud are called with offers to recover their money if they pay a large fee in advance. The caller accepts their money but does not recover anything. Such consumers usually lose money twice, both in the initial fraud and in the recovery fraud.
- B. The consumer comes to a store that has advertised a product at an extremely low bargain price. The product is not available and the seller convinces the consumer to buy a more expensive item.
- C. Consumers get a post card, letter, or telephone call saying that have been specially selected to receive a free vacation. To qualify, they must give their credit card number for "verification" or pay a high fee for handling or special services. The vacation is not really free, and charges may be made using their credit card.
- D. Door-to-door sellers tell the homeowner they can give a low price on driveway repairs or paving because they are in the neighborhood and have leftover materials. The consumer must pay most of the cost in advance. The repair persons typically use poor materials or do not complete the job.
- E. A scheme in which people answer advertisements to work at home and be paid for stuffing envelopes or similar work. The company does not offer them work but suggests they place similar ads in local papers.
- F. This scheme operates in a manner similar to a chain letter. Quick, high profits are the motivation for people to invest. The original investors make money as new people buy distributorships or franchises, often for pay telephones, vending machines, or oil and mineral rights. The plan does not generate enough money in actual product sales to maintain the profits.

Answers: (1C; 2E; 3F; 4D; 5B; 6A)



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