

# Rip-offs and Fraud Cost Money

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Rip-offs and fraud are unscrupulous ways to separate people from their hard-earned money. Many consumers are unaware of deceptive tactics that exist in the marketplace. Occasionally, greed causes people to seek offers that seem too good to be true, and the result is being ripped-off or becoming victims of fraudulent transactions. Some individuals may be too trusting of others and, when faced with deceptive misrepresentation, may be too embarrassed to seek help.

## Use Caution in the Marketplace

Educated consumers compare products when shopping and make smart buying decisions. Being a savvy consumer means more than just knowing how to find a good bargain. It also means consistently recognizing fraud and knowing how to avoid a bad deal.

Financial expert E. T. Garman describes rip-offs as exploiting consumers unfairly in marketplace transactions. Fraud, although related, is a deliberate deceptive practice to unfairly or unlawfully gain advantage over the consumer. To better understand these concepts, Garman indicates that rip-offs and fraud have one thing in common--false advertising designed to lure consumers into fraudulent schemes. He offers the following advice:

1. Talk to friends and acquaintances to learn more about their experiences with particular vendors, products, and services.
2. Buy products from reputable vendors you know or from a vendor recommended by someone you trust.
3. Avoid being too nice to every salesperson and telephone caller. Don't be afraid to hang up the phone or to walk away from unwanted offers.
4. Do not trust every salesperson.
5. Be cautious of "expert" testimonials and endorsements of a product because people are often paid well for their statements.
6. Get the names, addresses, and telephone numbers of salespeople and companies.
7. Check out vendors' reputations by contacting the Better Business Bureau, the state attorney general's office, or an office of consumer affairs. Call the agencies in the state of any out-of-town sellers.
8. Research the company in library business references such as Dun & Bradstreet.
9. Try not to be overly sympathetic to salespeople, especially those who pretend to be your friend.
10. Be wary of purchasing items from door-to-door salespeople. Ask for and carefully examine identification.
11. Be cautious about buying anything over the telephone. It is good advice never to buy over the telephone unless you originated the call or you know the caller.
12. Realize that a flashy, professional-looking Web site does not guarantee that the sponsor is legitimate.
13. Ask for and wait until you receive written promises or information in writing about products or services.
14. Read and understand sales agreements and contracts before signing. Make sure the terms are the same as those given in the sales presentation and get a copy of the documents.
15. Read advertisements and warranties thoroughly. Look for limitations in the small print.
16. Get an attorney or trusted friend to look over documents and contracts when a substantial amount of money is involved.

## Fight Financial Fraud by Asking Questions

Financial fraud is a rapidly growing crime and should be taken seriously. Hundreds of millions of dollars are swindled from consumers every year. According to the Federal Deposit Insurance Corporation (FDIC), all consumers indi-

rectly pay some of the costs associated with financial fraud. This can be in the form of higher prices for goods and services from businesses that bear the primary responsibility for losses and higher taxes to pay for additional law enforcement. FDIC (2006/2007) warned consumers about the tremendous growth in counterfeit personal and business checks, cashier's checks and money orders in recent years that have been in part because of the Internet and other new technologies that have given rise to strangers being able to transact business with consumers. Consumers in the end lose thousands of dollars due to these scams. For instance the counterfeit check is deposited in the bank and money is then withdrawn and goods and services are often already extended before the bank realizes the check is worthless.

Garman recommends that consumers protect themselves from financial fraud by asking the right questions. For example, ask vendors to do the following:

1. Explain advertisements, product operations, and warranty terms.
2. Supply a copy of written policies on refunds and exchanges.
3. Supply a copy of written warranties. Read the warranty carefully and understand it before buying the product or service. Learn what it covers, for how long, and who will honor it.
4. Provide a copy of your legal rights in writing when cancelling a contract.
5. Give you time to think about a purchase overnight.

## Avoid Common Pitfalls

The National Consumers League (NCL) also provides consumers with information on combating rip-offs and fraud. The NCL reported "Consumers over the age of 55 make up nearly a third of all reports (32.8% percent), while baby boomers and older consumers total 54 percent of all complaints to the NCL's Fraud Center in 2010." Nevertheless "fake checks continue to be the most-often reported fraud to national nonprofit help centers. Experts say seniors are being particularly targeted by scammers." (NCL January 21, 2011). Consumers over the age of 55 make up nearly a third of all reports (32.8 percent), while baby boomers and older consumers total 54 percent of all complaints to the NCL's Fraud Center in 2010.

Garman offers this advice to consumers:

1. Never put yourself in situations where you may be set up to be deceived, such as listening to sales pitches on the telephone or going to a motel or a model home to hear a sales presentation.
2. Never buy on impulse. Avoid pressure to make quick decisions. Stop and think before buying. Ask yourself the following questions:
  - "Do I really need this?"
  - "Why am I buying this?"
  - "Does something sound too good to be true?"
  - "Would I be smarter to ask a trusted friend before buying?"
3. Never take a vehicle home for a one- or two-day tryout because the dealer does not have to take it back if you change your mind.

4. Never reveal your social security number or partial account numbers for credit cards or checking accounts over the telephone for "identification" or "verification" purposes unless you initiate the call, have been a satisfied customer of the business in the past, and are certain of the caller's identity.
5. Do not send cash, money orders, or personal checks to a post office box or another location without knowing the company's reputation.
6. Never permit a messenger service to come to your home or job to pick up cash, money orders, or checks.
7. Never pay money for a prize or in advance to obtain a loan.
8. Never pay with cash. Put transactions on a credit card or write a personal check. If you pay with a credit card, you have legal rights to avoid paying your credit card company if you are unhappy with goods or services from a vendor. You also have the option to call your bank to stop payment on a check. This request is good for six months and renewable if necessary.

## Become an Informed Consumer

Deal only with legitimate, reputable businesses to minimize your risk of encountering rip-offs and frauds. If you plan to do business with an unfamiliar merchant, do your research first. For example, contact your state's attorney general's office or the Better Business Bureau to see if complaints or lawsuits have been filed against the company.

Ask the merchant to give you details in writing and then check them thoroughly before doing business with them. Do not totally rely on a salesperson's oral statements about a product or service.

Garman offers the following tips to consider before shopping:

1. Educate yourself about the product or service you want to buy.
2. Read helpful consumer magazines such as *Consumer Reports*, *Kiplinger's Personal Finance Magazine*, *Money*, *Smart Money*, and *Worth*.
3. Decide on the product you want to buy before you go shopping.
4. Compare products at two or more stores before buying.

## Know Your Rights

The FDIC offers this warning: "Get as much written information as possible, including a contract, specifying cost information and your consumer rights. If a marketer refuses to supply written information or employs high-pressure sales tactics to get you to act fast, take that as your cue to say goodbye."

Garman further adds the following hints:

1. Know your consumer rights in dealing with implied warranties, door-to-door cancellations, cooling-off periods, charge-back credit regulations, stopping payments on checks, and other remedies to correct wrongdoings.
2. Let parties know if you do not agree with a clause in a contract. You have the

right to cross out a portion of a contract. Have all parties initial next to the crossed-out portion as evidence of agreement that the clause is void.

## Watch the Warning Signs

In its annual report, the Federal Trade Commission supports the findings of the FDIC, Garman, and NCL that consumers are experiencing an increase in fraud. Identity theft accounted for 250,854 of more than 1,339,265 complaints filed with the FTC in 2010.

The Consumer Sentinel Network (CSN) received more than 1.3 million consumer complaints in 2010, sorted into 30 complaint categories. Yet, a total of 725,087 CSN 2010 complaints were fraud-related. Consumers reported paying over \$1.7 billion in those fraud complaints; the median amount paid was \$594. Eighty-six percent of the consumers who reported a fraud-related complaint also reported an amount paid. Garman offers guidance on how consumers should protect themselves from rip-off and fraud:

1. Be alert to commonly used deceptive practices, such as bait-and-switch advertising.
2. Remember that legitimate businesses will never force you to make a quick decision and will not send a messenger to your home to pick up money.
3. Don't send money or buy a product assuming that you have won something.
4. Watch for high-pressure sales tactics that are a strong tip-off that you are the target of a scam.

## When it Pays to be Distrustful

The FTC and NCL suggest that consumers know who they are dealing with by conducting an inquiry and confirming a seller's name, street address, and telephone number. Should a consumer purchase a product or service via the Internet, the FTC advises the consumer to say no to a check for more than the selling price no matter how tempting the plea or how convincing the story. Garman suggests the following practices when in doubt:

1. Nothing is free. Check out deals that sound too good to be true.
2. Ask for advice from a third party if you believe you might be the target of a scam. Contact the consumer authorities such as the Better Business Bureau, the state attorney general's office, the district attorney's office, the consumer fraud section of local police department, or an office of consumer affairs.
3. Check the validity of a telemarketing call by asking the caller to mail you printed information. Once received, you can verify it.
4. Stick to your decision and leave the premises once you say no to a merchant.
5. Consult a trusted friend or impartial advisor on important decisions.
6. Get a second estimate for expensive repairs, such as those on your vehicle or your home.
7. Avoid doing business with a vendor if you are advised to act "right now" to take advantage of a deal.

8. Don't do business with a vendor if you doubt the honesty of their marketing techniques.

As consumer fraud rises, it's important to learn the warning signs and to take the proper precautions to protect yourself, your family, and your community from the high costs of fraud.

## To Report Rip-Offs & Fraud

The National Fraud Information Center specializes in helping victims of telemarketing and Internet fraud. You can reach them by writing to this address:

Fraud Center  
National Consumers League  
1701 "K" Street, NW, Suite 1200  
Washington, DC 20006

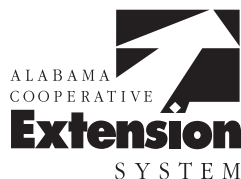
The Alabama Attorney General's Consumer Affairs office is available at (800) 392-5658.

### For unwanted mail, contact:

The Direct Marketing Association  
1120 Avenue of the Americas  
New York, NY 10036-6700  
Phone: (212) 768-7277 Fax: (212) 302-6714  
<http://www.the-dma.org>

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