

C

onsumers, Beware!

M. Kate Clark, Ed.D.
Extension Specialist, ret.

Introduction

As consumers, we are bombarded by advertisements and telemarketing calls every day. Some are good and some are bad. How do we deal with these “come-ons” and make wise consumer decisions?

Through this program, participants will:

1. understand the variety of rip-offs and frauds in the marketplace,
2. learn to avoid come-ons, hooks, and traps used by fraudulent sellers,
3. learn to deal with fraudulent sellers in order to protect themselves, and
4. learn their rights and responsibilities in reporting these activities.

Each year, consumers lose nearly \$40 billion to fraudulent advertisements, telemarketing calls, and fraudulent mail. With computers becoming more commonplace in our homes, consumers also are encountering fraud in cyberspace.

Telemarketing is the selling of a product or service over the telephone. Consumers lose nearly a million dollars an hour to telemarketing scams. According to the National Consumer League, 92 percent of Americans reported fraudulent telephone offers in 1997. Yet, only 2 percent ever report fraud because they don't know how to notify the proper authorities or are ashamed.

Telemarketing often operates out of a **boiler room**, which may be a garage, basement, or one-room building in which many people use high-pressure sales tactics to get consumers' money and, sometimes, their life savings. These scams may be as short as 30 to 90 days. Then, they move on to another scheme causing consumers to lose more money.

These callers often target the elderly, poor, military people, or people on fixed incomes. Senior citizens are likely to be on the “hit list” because they tend to be trusting, naive, and lonely, or are too polite to hang up. Many older people lose their life savings to such schemes. If a consumer bites once, then he/she is placed on a “sucker's list” and will be contacted repeatedly.

There are 140,000 telemarketing firms operating today. It is estimated that about 14,000 practice some form of fraud. **Fraud** is a deceptive practice to secure unfair or unlawful gain. As consumers, we want to make “a good deal” or, better yet, get something for nothing. As wise consumers, we should be aware that **nothing** is free.

There is an old saying that can be applied to telemarketing and mail fraud: **If it sounds too good to be true, it is!** This is a saying we all should remember and heed.

Common “Come-ons”

Common “come-ons” that may or may not be fraudulent include:

1. Mail-order insurance
2. Sweepstakes and contests
3. Prizes and free gifts
4. Charitable solicitations
5. Investments
6. Free trips/travel certifications/vacations
7. Precious gems
8. Health products
9. Magazine subscriptions
10. Refund companies and “quick-fix” credit

Often, the caller suggests that a consumer send a processing fee, a redemption fee, taxes, or a shipping and handling fee to win the sweepstake/prize, contest, free trip, etc. **Or**, they may suggest you call an 800 number which, in turn, will tell you to call a 900 number to see what you have won. The cost of the **900** number often is greater than whatever you were supposed to win. **Beware! 900** numbers are **not** free and have a per-minute charge.

Another gimmick begins, "As a credit card holder, you have won . . ." All you have to do is give your credit card number for verification. **Do not give out your credit card number over the phone unless YOU initiate the call** to a reliable company or business. If you give out your number to a fraudulent company, it may use your credit card. Check your monthly credit card bills carefully to make sure you have made all the charges.

In dealing with telemarketer requests, mail solicitations, or charitable requests, ask for the information to be sent to you in writing. This way, you will be able to verify the legitimacy of the request.

Charitable Giving

We are a nation of charitable givers. Eight out of 10 American households give to charity each year. It is important for consumers to check out how charitable contributions are used. If the charity spends more than 25 cents of every dollar on fund-raising administration costs, it may be a fraudulent or mismanaged group. It also may mean that donations are being used improperly.

It is wise to send any charitable contributions directly to the charity. **Do not** let a courier pick up your donation. This gives the fraudulent person too much information about you.

Remember, fraudulent telemarketers are one step ahead of the law and, even if reported, they may only pay a few thousand dollars in fines and set up somewhere else with the same or another scheme. Beware of names that sound authentic. As a ploy, they may thank you for a contribution you never made.

Cyberspace

With all the computer technology available today, the latest arena for fraudulent practices is cyberspace. Internet and online fraud is on the rise. Such scams are carried out through e-mail messages, news groups postings, and even "chat room discussions." Here, you will likewise learn of so-called incredible "low prices," exaggerated promises, guarantees to fix bad credit ratings for a cost (that only can be repaired by you at no cost), and prizes requiring you to pay some fee.

There are an estimated 15 million Internet users in the United States today, so you easily can see how fraudulent schemes can grow in this area. Consumers need to evaluate these offers just as they do telemarketing and mail offers.

Consumers can get tips about Internet fraud and privacy protection by visiting a World Wide Web site (<http://www.fraud.org/ifw.htm>). Consumers can ask for advice about fraud as well as report suspected fraud.

General Reminders

Personal data provided when applying for a credit card, registering a car, answering household income questions related to a warranty, or subscribing to a magazine, often is sold to others for a fee. Information related to locations in the country, income brackets, number of family members, shopping habits, type of cars, age brackets, etc., are available on such lists. Our private business **is not** private.

Consumers also should be careful when using **PIN** numbers for ATM machines, telephone **calling card** numbers, and **cellular** phones. They also should exercise caution when disposing of unused and old checks, deposit slips, and credit card statements. One bad egg is all it takes to cause consumers major financial stress. Use each of these with care. Check **all** bills and bank statements to make sure they include only business that **you** have transacted.

In today's world we should be careful in handling our business. It is better to be safe than sorry.

Nevers Consumers Should Observe

- ◆ Never reveal a credit card, checking account, or social security number over the telephone for identification or verification purposes, unless **you** initiate the call and are sure of the company's legitimacy.
- ◆ Never send checks, cash, or money orders to a post office box or another place unless you are positive about the company's reputation.
- ◆ Never permit a courier service to come to your home or workplace to pick up cash, money orders, or checks.
- ◆ Never pay money for a prize.
- ◆ Never pay money in advance to obtain a loan. This is illegal.
- ◆ Never pay with cash.
- ◆ Never allow yourself to be persuaded or pressured into making a quick decision.
- ◆ Never use your calling card as an identification card.
- ◆ Memorize your calling card and PIN numbers and **never** share them with anyone.

Consumers' Roles

Telemarketers must abide by rules and regulations. Consumers should be aware of them:

- ◆ It is illegal for a telemarketer to call you if you have indicated that you **do not** want to be called. West Virginia designates how often **one** company or telemarketer can call you in a month or more.
- ◆ Telemarketing calls **must** be completed between the hours of **8 a.m. and 9 p.m.**
- ◆ Telemarketers **must** tell the consumer they are making a sales call and who is doing the selling before they make their pitch.
- ◆ Telemarketers **must** tell you the total cost of the products or services they are offering as well as any restrictions on getting or using them.

Each of us can help prevent fraudulent telemarketing by learning to recognize "come-ons" and properly reporting fraudulent practices.

Consumers need to:

1. Recognize and avoid fraudulent practices, if possible.
2. Report any deceptive practices to the proper government authorities.

Who are the authorities to contact?

In West Virginia:

State Attorney General's Office
(304) 558-2021

or

Office of Consumer Protection
(304) 558-8986 or 1-800-368-8808.

On the federal level:

Federal Trade Commission
(202) 326-3128

or

National Fraud Information Center
1-800-876-7060.

Keep these numbers at your fingertips at all times. If you are suspicious of a particular company or caller, check with the Office of Consumer Protection.

Suggested Activities

1. Using the opening examples in the member's leaflet, have one member play the role of a telemarketer selling magazines and another play the role of a gullible consumer, wanting to "get a good buy." Follow this by having one person portray a telemarketer selling magazines and another playing the role of a "sharp" consumer who asks many questions. Have members react to both situations.
2. Have members collect articles related to scams and frauds from the local newspaper or current magazines or TV commercials.
3. If some of the members have been victims of telemarketing fraud, ask them to share their experiences.

Resources

Focus on Fraud. Newsletter published quarterly by the Alliance Against Fraud in Telemarketing. Washington, D.C.

Garman, E. Thomas. *Rip-offs and Frauds: How to Avoid and How to Get Away*. Texas: Dame Publications, Inc. 1996.

Garman, E. Thomas. *Consumer Economic Issues in America*. Texas: Dame Publications, Inc. 1997.

Articles from reliable magazines such as *Consumer Reports*, *Modern Maturity*, and *Kiplinger's Personal Finance*.

Also, check publications by the *Federal Trade Commission*.

1998: 1M

Programs and activities offered by the West Virginia University Extension Service are available to all persons without regard to race, color, sex, disability, religion, age, veteran status, sexual orientation or national origin. Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Director, Cooperative Extension Service, West Virginia University.