

FTC FACTS for Consumers

Ditch the Pitch: Hanging Up on Telephone Hucksters



It's like clockwork. You sit down to dinner and the phone rings. You answer it. The caller is trying to sell you something or tell you that you've won a fabulous prize. If you're tempted by the offer, get the facts. You may be in for a fraud.

American consumers lose more than \$40 billion a year to telemarketing fraud. It's no wonder that con artists in foreign countries want in on the action. In many cases, crooks are sitting across the border – just far enough away from U.S. laws and jurisdiction to reduce the chances that American victims will ever recover their money.

Sure, con artists are still swindling consumers with the tried and true pitches for bogus sweepstakes and vacation packages. But telephone hucksters also are playing on consumers' financial vulnerabilities and economic uncertainty. Here are a few of the newest telemarketing pitches that just don't ring true.

Credit Card Loss Protection Offers

"I got a call from a woman who said I need credit card loss protection insurance. I thought there was a law that limited my liability to \$50 for unauthorized charges. She said the law had changed and that now, people are liable for all unauthorized charges on their account. Is that true?"

No. Don't buy the pitch – and don't buy "loss protection" insurance. Telephone scam artists are lying to get people to buy worthless credit card loss protection and insurance programs. If you didn't authorize a charge, don't pay it. Follow your credit card issuer's procedures for disputing charges you haven't authorized. Your liability for unauthorized charges remains at \$50.

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The FTC says worthless credit card loss protection is a popular offering for promoters trying to exploit consumer uncertainty. The agency recommends that you avoid doing business with callers who claim that:

- you're liable for more than \$50 in unauthorized charges on your credit card account;
- you need credit card loss protection because computer hackers can access your credit card number and charge thousands of dollars to your account;
- a computer bug could make it easy for thieves to place unauthorized charges on your credit card account; and
- they're from "the security department" and want to activate the protection feature on your credit card.

The FTC advises you not to give out personal information – including your credit card or bank account numbers – over the phone or online unless you're familiar with the business that's asking. Scam artists can use your personal information to commit fraud, such as identity theft – one of the fastest-growing white-collar crimes in America. That's where someone uses your personal information, such as your credit card account number, Social Security number, mother's maiden name, or birth date, without your knowledge or permission, to commit fraud or theft.

Advance-Fee Loan "Sharks"

"The caller said he could get me a loan, no questions asked, so I could pay off some bills. I just needed to pay him \$250 up front and he'd do the rest. I gave him my credit card number, but that was the last I heard from him. Now I'm out the \$250, and I still owe my creditors."

A different breed of "loan shark" is preying on unwary consumers by taking their money for the promise of a loan, credit card or other extension of credit.

Advertisements and promotions for advance-fee loans "guarantee" or suggest that

there's a high likelihood of success that the loan will be granted, regardless of your credit history. But to take advantage of the offer, you have to pay a fee first. And that's the catch: You pay the fee, the scam artist takes off with your money and the loan never materializes.

Legitimate guaranteed offers of credit don't require payments up front. Legitimate lenders may require that you pay application, appraisal or credit report fees, but these fees seldom are required before the lender is identified and the application completed. In addition, the fees generally are paid to the lender, not to the broker or person who arranged the "guaranteed" loan.

Legitimate lenders may guarantee firm offers of credit to credit-worthy consumers, but they rarely do it before evaluating a consumer's creditworthiness.

Advertisements for advance-fee loans generally appear in the classified section of daily and weekly newspapers and magazines. Often, the ads feature "900" numbers, which result in charges on your phone bill. Advance-fee loans also are promoted through direct mail and radio and cable TV spots. Remember that just because an ad appears in a media outlet that you recognize – like your local newspaper or radio station – it's no guarantee that the company behind the ad is legit.

What to do when you see an ad guaranteeing a loan for an advance fee:

- Don't pay for a promise. It's illegal for companies doing business by phone to promise you a loan and ask you to pay for it before they deliver.
- Ignore any ad – or hang up on any caller – that guarantees a loan in exchange for an advance fee. Legitimate lenders never "guarantee" or say that you will receive a loan before you apply, especially if you have bad credit or no credit record.
- Never give your credit card or bank account numbers or Social Security number on the telephone unless you are familiar with the company and know why the information is necessary.

International Lottery Scams

“Congratulations! You may receive a certified check for up to \$400,000 U.S. CASH! One Lump sum! Tax free! Your odds to WIN are 1-6.”

Hang onto your wallet. It’s a fraud. What’s more, it’s illegal for U.S. citizens to enter foreign sweepstakes and lotteries. Even so, scam operators – often based in Canada – are using the telephone and direct mail to entice U.S. consumers to buy chances in high-stakes foreign lotteries from as far away as Australia and Europe.

The FTC says most promotions for foreign lotteries are likely to be phony. Many scam operators don’t even buy the promised lottery tickets. Others buy some tickets, but keep the “winnings” for themselves. In addition, lottery hustlers use victims’ bank account numbers to make unauthorized withdrawals or their credit card numbers to run up additional charges.

If you’re thinking about responding to a foreign lottery, don’t do it. Here’s why.

- It’s illegal to play a foreign lottery – through the mail or on the telephone or Internet.
- By buying just one foreign lottery ticket, you’ve opened the door to many more bogus offers for lottery or investment “opportunities.” Your name will be added to “sucker lists” that fraudulent telemarketers buy and sell.
- Don’t share your credit card and bank account numbers. Scam artists often ask for them during an unsolicited sales pitch, and then use them to commit other frauds against you.
- Ignore all mail and phone solicitations for foreign lottery promotions. If you get what looks like lottery material from a foreign country, turn it over to your local postmaster.

Putting Cold Calls on Ice

So just how did they get your number? Fraudulent telemarketers may get your phone number from a telephone directory, mailing list or “sucker” list. Sucker lists include names, addresses, phone numbers – even how much money you may have spent on telemarketing scams in the past. Unscrupulous promoters buy and sell sucker lists on the theory that consumers who have been deceived once are easy prey for additional scams.

The FTC’s Telemarketing Sales Rule helps protect you from abusive and deceptive telephone sales practices. The Rule restricts calling times to the hours between 8 a.m. and 9 p.m., and puts other limits on telemarketers, too. For example:

- Telemarketers must tell you it’s a sales call, the name of the seller and what they’re selling before they make their pitch.
- It’s illegal for telemarketers to lie about their goods or services; earnings potential, profitability, risk, or liquidity of an investment; or the nature of a prize in a prize-promotion scheme.
- Before you pay, telemarketers must tell you the total cost of the goods they’re selling; any restrictions on getting or using them; and if a sale is final or non-refundable. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win, and any restrictions or conditions of receiving the prize.
- It’s illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization.
- Telemarketers cannot lie to get you to pay, no matter what method of payment you use.
- You do not have to pay for credit repair, recovery room, or credit services until these services have been delivered.
- It’s illegal for a telemarketer to call you if you have asked not to be called.

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You may not be able to put a freeze on cold calls, but you can learn how to spot those that spell f-r-a-u-d. Here's how:

- Say no to high-pressure sales tactics. Legitimate businesses respect the fact that you're not interested.
- Tell callers if you don't want to hear from them again. If they call back, they're breaking the law. You can feel comfortable hanging up.
- Take your time when you're presented with a sales "opportunity." Ask for written information about the product, service, investment opportunity, or charity that's being pitched. Don't talk with a salesperson if it's not convenient for you. A reputable salesperson should be willing to call you back at a time you choose.
- Talk to a friend, relative or financial advisor before you respond to a cold call. Any investment you make may have serious financial consequences for you – and the people you care about.
- Hang up if you're asked to pay for a prize. Free is free.
- Don't send money – cash, check or money order – by courier, overnight delivery, or wire to anyone who insists on immediate payment.
- Keep information about your bank accounts and credit cards to yourself – unless you know who you're dealing with.
- Hang up if a telemarketer calls before 8 a.m. or after 9 p.m. That's a tip-off to a rip-off.
- Check out the company with your state and local consumer protection office before you buy any product or service, or donate money.
- If you suspect a scam, call your state Attorney General.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	FOR THE CONSUMER
1-877-FTC-HELP	www.ftc.gov

Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer and Business Education

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