

Don't Get Ripped Off¹

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“He who holds the money, holds the advantage.”

“The uninformed, gullible, nonquestioning consumer is easily led through deception to financial slaughter.”

Financial predators fleece unsuspecting consumers of more than a \$100 billion annually through fraud and deception. And most of the money will not be recovered. Unethical practices deprive the victimized consumers of their money and the goods and services they were attempting to purchase. They also cheat ethical sellers through the loss of potential sales. Since money can be spent only once, money paid for fraud and deception is unavailable to be spent with honest, legitimate sellers.

Although there are laws designed to protect consumers, often the victim does not realize what has happened until his money is gone, and the fraudulent operator has disappeared. Legal action takes time and rarely does the consumer recover his/her money. If a consumer is victimized it should be reported immediately in an effort to stop the unethical practice and protect others. If the fraud is one that may victimize others, the media should be contacted,

especially if there is a consumer reporter to alert the public.

The consumer is his/her own best protection against fraud. A healthy skepticism is the best weapon.

Know the Difference Between Frauds and Deceptions

- **Puffery** is exaggeration, bragging. Puffery is used in advertising and is not illegal. It refers to claims such as, “It is the best car on the market,” “No other roofing will last as long,” “No one has lower prices and better quality.” Smart consumers recognize puffery and disregard it.
- **Misrepresentation** is the reporting of inaccurate information by words or conduct. This can be incomplete or false information, deliberate omissions, lies, exaggerations or not telling the whole truth. It can be an innocent mistake or a deliberate action.
- **Deception** is a form of trickery. It is an exaggeration with the intent to deceive. The deception may be through exaggeration,

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claiming more than a product can or will do, or by omission, not telling the product limitations.

For example: “This satellite dish will receive 200 stations and bring you clear worldwide coverage.” The dish might not pick up that number of stations and there is no mention that a descrambler (which costs a monthly fee) would be needed to receive the network stations.

Deception may be marginal to puffery, which is legal. But, deception is always a component of fraud, which is illegal. The degree of deception is not of concern. Any deception is unethical and injurious to the consumer.

- **Fraud** is a deliberate deception practiced in order to gain an unfair or unlawful economic advantage. The seller intentionally misleads the buyer with the deliberate intent of achieving financial gain upon entering into a transaction with the buyer. The buyer suffers a financial loss. Fraud is illegal.

Proving Fraud May Not Be Easy

Even though a person has suffered financial loss, it is not easy to prove that he/she was a victim of fraud. (The loss could be the result of the buyer or seller using poor judgment or due to some other unanticipated situation.)

To establish the existence of fraud, several conditions must be proven to exist:

- A false, untrue, representation was made by the seller.
- The seller knew that the claims were false and untrue.
- The seller deliberately intended to deceive the victim.
- The victim actually believed the false claims and was ignorant of the fact that the false representations were not true.

Consumers can protect themselves by being informed, alert, and cautious. Consider it a warning

signal of potential fraud or deception when a transaction:

- Requires immediate action (no time allowed for investigation or comparison).
- Offers free gifts, something for nothing (especially gifts of value.)
- Offers fantastic bargains, unrealistic prices.
- Asks for your credit card number or bank numbers over the telephone, if you did not generate the call.
- Uses fear and/or emotion as a sales approach.
- Involves an unknown seller that has a post office box for an address.
- Involves a large fee that must be paid up front.

Frauds Use a Variety of Appeals

Con artists are not easy to recognize. They do not look or act different or “like a crook.” They would not be successful if they did. They are personable, “smooth operators” who gain your trust.

Con artists use all types of appeals to deceive and victimize. They build around existing conditions and timely concerns such as employment, terrorism, and the economy. Con artists target their scams toward specific clientele in areas in which they are vulnerable. For example:

- If the economy is on a downturn, unemployment is a problem and job security will be a concern. Scams will develop around employment opportunities, job training, work-at-home schemes, credit repairs, and credit availability.
- Weight loss programs and products target overweight people promising immediate results without effort.
- During periods of high energy costs “energy conserving” devices surface, claiming to reduce utility bills, improve the fuel efficiency of cars, and offering investments in new alternative fuel development.

Some frauds target the “human nature” of consumers. For example, get-rich-quick investment scams, fantastic bargains (high priced merchandise for unrealistically low prices), and free gifts, appeal to that little bit of greed in most of us.

There Are Many Different Kinds of Fraud

There are numerous frauds, and new ones are appearing daily. Any area that attracts wide spread public interest will also attract con artists who want to take advantage of the situation. Con artists take advantage of any situation when they can deceive an unsuspecting victim, benefit financially and escape before the deception is discovered. Some examples are:

- home and auto repairs
- employment schemes and worthless schools
- fake charities
- risky investments such as mining leases
- bogus business investments

The First Contact With a Con Artist May Be Initiated By the Con Artist or By the Consumer

In most instances, the con artist contacts the consumer first. When the con artist makes a contact, it is with the intent of taking financial advantage of the consumer. These schemes expose the consumers to extreme pressure from the con artist at the beginning of their relationship.

Some of the ways con artist first contact consumers include:

- Face-to-face contact often at the consumer's house. The con artist may go to the consumer's door claiming to be “working in the neighborhood,” noticed the poor condition of the roof, and offers to “fix it.” Or, he may claim to have materials left from repairing a driveway and offer to resurface the homeowner's drive for a “bargain” price.

- Random selection, usually as a target in an area away from the consumer's home. For example, the consumer is selected as the victim of the pigeon drop scheme by a con artist in a location near a bank. (A pigeon drop is where a con artist talks a depositor into withdrawing money from the bank. The con artist switches fake money for the depositor's money and disappears with it.)
- Telemarketing schemes. Numerous victims are contacted by email and telephone calls to their homes offering enticing prizes, fantastic bargains, or bogus investments.

There are, however, other instances where swindles result from contacts that the consumer initiated. In such situations, the desire to “get something for nothing” (or greed) causes the consumer to respond to the con artist's bait. The consumer takes the initiative to make the contact.

Examples of situations where consumers generate the contacts include responding to:

- Email and U.S. direct mail ads offering unrealistic claims and special offers.
- Ads in newspapers, on TV, and on the Internet offering fantastic bargains, free gifts, and prizes.
- Ads and commercials for merchandise to be ordered from sellers with only a post office box address. Con artists collect the money, close the post office box, and move without filling the orders.

Avoid Becoming a Victim of Fraud By Exercising Caution

- Never allow anyone to pressure you into making a hasty decision involving finances or purchases. Comparison shop! Obtain unbiased information! Legitimate sellers will allow time for consideration.
- Never give your credit card number or banking information to anyone over the telephone unless you made the initial contact. Be careful using your credit card number for ordering merchandise through direct mail. When

shopping on the Internet use your credit card only and through a secured site.

- Be skeptical if told you won a prize. It may, or may not, be a legitimate gift or prize. If you are told you must buy or pay something to get the award, such as taxes or shipping costs, refuse it. If a prize is promoted as being free, it must be awarded without charges.
- Never sign a contract without first carefully reading it and clearly understanding all details. Take time to think about it and get a completed, signed copy at the time of your signing.
- Ask for an estimate for repair work to be done. Auto repair shops must be licensed by the state and offer a written estimate. Patronize local repair shops and check their reputation before having work done.
- If offered costly merchandise for a very low price, ask why! No legitimate seller can afford to give away merchandise.
- Be careful in making investments. Make sure the seller is licensed in Florida and evaluate earning potential and investment risks. Realize products, such as gemstones, minerals, oil, mining, and franchises carry a very high risk.
- Avoid work-at-home schemes that require you to buy anything or pay money up-front. Some schemes require a consumer to purchase supplies with the promise that finished products will be purchased by the supplier (which rarely happens).
- Avoid any business organization or “sales opportunity” where the emphasis is placed on a rebate or return of percentage of revenue generated by the number of people recruited at various levels of the organization. Referral selling is very risky and pyramid schemes are illegal.
- Realize there is nothing anyone can do to repair your bad credit history that you cannot do yourself. Clearly understand every detail of a credit contract before signing -- remember, you are spending tomorrow's income.

- Hang up when you receive unsolicited telephone calls. A FTC regulation enables you to block most unsolicited phone calls by signing a no solicitation request. Florida also has a state law that protects consumers from unwanted telephone solicitations by paying a small fee to the Department of Agriculture and Consumer Services.
- Know who you are dealing with. Check the reputation of the seller before doing business with him/her or the company. Check their website and also any organizations the seller claims to be affiliated with.

If You Are Defrauded, Act Immediately

Often people are too embarrassed to report it when they have been defrauded. Or, they think, “There is nothing I can do.”

People of all educational and income levels fall prey to con artists. It is nothing to be ashamed about -- it is something to be angry about. There are things you can do.

- Contact the offending business or person immediately, clearly state the problem and what should be done. If that does not resolve the problem do not give up. There are other steps to take. Under no condition, let another con artist convince you to give them money to solve your problems for you.
- Report any deception or fraud immediately. If you are sure it is fraud and not an unintentional error, contact the appropriate regulatory agency immediately. Start with contacting the office of the Attorney General and the Florida Department of Agriculture and Consumer Services. Also contact the local consumer protection agency if one exists and the National Fraud Center. These agencies have web sites in addition to telephone numbers for easy reporting. The National Fraud Center provides information on frauds nationwide.