



Beware! Consumer Fraud

Standard 9

The student will identify and explain consumer fraud and identity theft.

Lesson Objectives

- Identify different kinds of consumer fraud.
- Recognize how to prevent being victimized by consumer fraud.
- Determine what steps to take if victimized by consumer fraud.

Personal Financial Literacy Vocabulary

Federal Trade Commission: A federal agency that enforces consumer protection.

Fraud: Someone who knowingly deceives you for their own personal gain.

Identity theft: Using a person's name or personal information without the person's permission to steal money or get other benefit.

Introduction

Liam's mom is at the door to meet him when he comes from school. His credit card bill came in today's mail, and she is furious. He promised not make any frivolous or unnecessary charges on his card; it was for gasoline for his car and emergencies, not fun and games. And here he was buying magazines and video games. Why would he do that? Should she take away his card because it seems obvious he is not trustworthy.

Lesson

Did you ever get an offer that sounds too good to be true? Most of those offers used to come through the mail, but today scammers prefer phone calls, emails, texts, or other electronic forms of communication. Scamming has no national boundaries; in fact, the vast majority of scamming schemes is from other countries which makes it extremely difficult to trace or control. Regardless of where they are or how they contact you, scam artists have one goal: to get your money.

Fraud is when someone knowingly deceives you for their own personal gain. In other words, they convince you that something is true when it really is not. Or, they make promises they have no intention of keeping. There are numerous kinds of fraud, scams and schemes, including mail fraud, phone fraud, and Internet fraud.

Based on the number of scams reported, the following list identifies the "top ten" fraudulent activities and schemes impacting consumers.

1. Internet merchandise scams. You purchase something online, but it is never delivered, it is not what they claimed it was, or it is defective.
2. Phishing/Spoofing Emails. You receive an email that pretends to be from a company, bank, or government agency, and they are asking you to enter or confirm your personal information.
3. Fake Prizes, Sweepstakes, Free Gifts, Lottery Scams. You receive an email or phone call saying you won a prize, lottery or gift, and you only have to pay a "small fee" to claim it or cover "handling costs".
4. Fake check payments. You sell something online or through a local listing, but you are paid with phony checks or asked to wire money to buyer.
5. Recovery/Refund Companies. A scammer contacts you and claims you owe money on a debt or the scammer offers to recover money lost in a previous scam.
6. Loans Scams / Credit Fixers. False promises of business or personal loans, even if credit is bad, for a fee upfront. Or a scam that promises to repair your credit for a fee.
7. Computer Performance Scams: Equipment and Software. Scammers claim to offer technical support for computer problems and charge a fee to fix nonexistent problems.
8. Scholarship, Student Loan and Financial Aid scams. A research firm offers to conduct a customized search for scholarships or grants for a fee, but they provide a worthless list or

nothing.

9. Online Dating Scams. Fake profiles of scammers posing as attractive men and women claiming they need money to help with an emergency. Generally, they are pretending to be out of the country on a business trip and need money to get home. In some cases, they may even live in a foreign country and claim to need help to get back to the U.S.
10. Facebook Fake Friend Scam. Did you ever get a “friend request” on Facebook from someone you already thought was your “friend”? If you hit accept the new request, you may have just friended a scammer. Con artists nurture online relationships to build trust and convince their victims to send money.
(source: <http://www.consumerfraudreporting.org>)

Whether you are rich or poor, young or old, or male or female, you are a potential victim of fraud. Con artists are very convincing and very persuasive, bombarding you with all kinds of excuses, explanations, and promises that seem to zap your reasoning abilities. If you find yourself in this situation, the best thing to do is walk away, hang up, or not respond.

Remember, just because someone asks you for information does not mean you have to give it to them. And, just because they ask you to do something, does not mean you have to act. You always have the right to say “NO” and the right to keep all personal information to yourself. Without your assistance and your cooperation, they will have little success in making you a victim.

Types of Consumer Fraud

Not all fraud schemes are exactly the same. Some of the more common types of consumer fraud include:

Bait and switch: Business advertises a product at a low price, but offers a more expensive product when you go to buy it. The lower priced item never existed; it was just used to “bait” you.

Bankruptcy fraud: Making false claims when filing bankruptcy.

Confidence trick or confidence game. Also known as a con, scam, swindle, grift, bunko, flim flam, or scheme. An attempt to swindle you by gaining your confidence. “Con artists” will try to appeal to your greed, your good nature, your generosity, or your willingness to take a risk.

Embezzlement: Taking money from your employer that is not yours; may range from small amounts to large amounts.

False advertising: Making false claims or statements in advertising to persuade you to buy a certain product.

False billing: Requesting payment from someone for a product or services without fulfilling the deal; may include fake renewal notices or other seemingly legitimate services.

Forgery: Creating fake documents and signatures.

Health fraud: Selling products such as fake or “quack” medicines; making false promises about health-related products.

Identity theft: Stealing money or getting other benefits by pretending to be someone else.

REMINDER

Be careful what is sold to you in person or online. You wouldn't want to be caught in a fraud scheme that can get you in trouble with the law. If it's too good to be true it usually is.

Insurance fraud or false insurance claims: Fake insurance claims to get money from an insurance company that is not warranted.

Long firm: Setting up a company for fraudulent purposes. It appears to be a legitimate business and takes money from investors or customers, but is actually just a scheme.

Marriage fraud: Marrying someone for money so they can become a citizen of the U.S. In this case, you can spend time in prison for participating in the scheme, and the immigrant will be deported.

Ponzi scheme: Promises investors abnormally high profits from the money they “invest” in the plan. The system is doomed to collapse because there are little or no underlying earnings from the money received by the promoter. Also known as a Pyramid scheme.

Security fraud: Artificially inflating the price of a stock with false and misleading statements. The goal is to sell stock that has little value at a high price.

Is Fraud a Crime?

Yes! Any form of fraud is a criminal act, and anyone knowingly participating in such activities can be prosecuted. In addition, fraud is also a violation of civil law. A civil fraud generally means that someone intentionally set out to deceive another person and to gain from that deception.

The Better Business Bureau (BBB) posted 12 tips you can follow to reduce the potential of becoming a victim of fraud.

- Always shield your PIN and never ever send it over the internet or disclose it to anyone. Your bank, the Internal Revenue Service, or the police will never phone or email you to ask you to disclose it.
- Consider your debit or credit card details to be as valuable as cash; in the hands of a criminal

there is no difference.

- Keep your computer and other electronic devices protected by using up-to-date anti-virus software. Try to ensure you have the latest operating system and web browser.
- Shop only on secure websites. Before submitting card details, look for a padlock or an unbroken key symbol on your web browser.
- Be sure your internet browser address changes from 'http' to https' to indicate you have a secure connection before entering personal information or card numbers.
- Sign up to Verified by Visa or MasterCard SecureCode when given the option. Such systems provide an added level of security because you must register a password with your card company.
- Compare sales receipts with your monthly statements. If you find an unfamiliar transaction or charge, contact your bank or card company immediately. Shred or completely destroy all documents which contain personal details; do not keep them in your car, purse, pockets, or bookbag.
- Try not to let your card out of your sight when making a transaction at restaurants, fast food places, bars, or clubs.
- Do not use a cash machine, ATM, or any other scanner that appears to have been tampered with. Report it immediately to the bank, the manager, or the police.
- Avoid being distracted or accepting help from apparently well-meaning strangers while using a cash machine. If someone is crowding or watching you, cancel the transaction and go elsewhere to complete your transaction.
- When buying tickets online, check to find out when they are being released or mailed. Also be sure the site has a physical address and a working phone number before making your purchase. Understand the refund policy in case something goes wrong.
- Avoid paying in cash before agreeing to repairs or other transactions. It is generally best to get a second opinion, ask friends for references, or take a few days to consider the estimate. Be wary about anyone who attempts to rush you into a decision.

The best guard against consumer fraud is awareness. Taking a few extra minutes or hours to research the idea, ask more questions, or get additional help can save you a lot of money and trouble in the long-run. If anything about the transaction or request for information makes you feel uncomfortable or seems unusual, just walk away, hang up the phone, or delete the email. Only you can protect yourself from becoming a part of their scheme. If it's a legitimate deal, it will still be there later if you change your mind.

Steps to Take if Victimized

If you become the victim of a fraud or even suspect you might be, let your parents know and contact your local law enforcement officials immediately. Do not be ashamed or embarrassed because you are the victim of a crime, and never let anyone make you feel silly or guilty. Instead, you need someone who will help you resolve the situation, not someone who wants to blame you. Everyone makes mistakes; it is how you deal with the mistake that makes the difference.

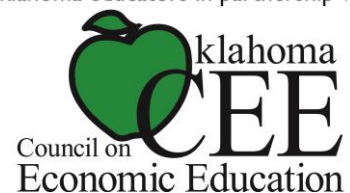
Your complaint is an essential resource for local, state, and federal law enforcement officials. Law enforcers review consumer complaints to spot trends and build cases against computer hackers, identity thieves, and scam artists. Several different agencies are involved in assisting fraud victims. In Oklahoma, the best place to start is by calling the Office of the Attorney General and they can direct you to right place.

Conclusion

Consumer fraud has a major impact on consumers and on the overall economy of the United States. It costs consumers and businesses over \$3 million annually. When it comes to your money and your personal information, be very careful about trusting anyone – even those you think are good friends or valued family members. Taking the time to ask questions or getting additional information is not being stupid; it is the sign of being a good consumer. But, if you become a victim, take immediate steps to get help and contact law enforcement officials.

FINAL NOTE: Liam’s mother needs to ask him about the charges because they may fraudulent. If they are not his charges, he and his mom need to dispute them. First, they need to call the number on the back of the credit card or on the statement to report the problem. The card company may choose to put a hold on his account, or close it and issue him a new card. The company will initiate an investigation and remove the charges from his card if they are not his. Failing to report the fraudulent activity is not a good choice because there may be additional charges on future statements.

This lesson was written and created by Oklahoma educators in partnership with



Name: _____ Class Period: _____

Beware! Consumer Fraud Review 9.1

Answer the following questions and give the completed lesson to your teacher to review.

1. Which one of the following is considered a consumer fraud scheme?
 - a. Bait and switch.
 - b. Bait and catch.
 - c. Advertising.
 - d. Spam e-mails.

2. There are several steps you can take to reduce the potential of being a victim of consumer fraud, including
 - a. taking the time to do careful research.
 - b. always sending money to get additional information.
 - c. signing whatever forms you are asked to sign, then taking them to an attorney for more information.
 - d. giving out your personal information, like Social Security Number and bank account number, so the person asking can check you out.

3. If you are the victim of fraud in Oklahoma, the best place to start is by
 - a. calling the Governor's office for help.
 - b. hiding what happened so no one will find out.
 - c. calling your friends to tell them what happened.
 - d. calling the State Attorney General's office for advice.

4. Which of the following statements is TRUE?
 - a. Only poor people are victims of fraud.
 - b. Only wealthy people are victims of fraud.
 - c. Anyone can become a victim of fraud.
 - d. Only stupid people are victims of fraud.

