

Scams

December 2006



“Every year lots of Australians get scammed by schemes they think sound pretty good. Make sure you are not one of them.”

***Need more information?
Call Consumer Affairs Victoria
on 1300 55 81 81.***

Quick tip
Don't be fooled – if a deal sounds too good to be true, then it probably is.

What is a scam?

A scam is an attempt to deprive you of money. Scams are usually promoted as a really fabulous deal in return for a 'relatively' small investment on your part. Sounds great, doesn't it?

Scammers put a lot of effort into making their scams appear realistic and they certainly know what people want – whether it's instant wealth, good health, weight loss or love.

What to look out for

Scams aren't always easy to identify. Look out for scams that:

- promise to make you rich very quickly without much effort
- offer 'free gifts' or prizes from a competition you never entered
- appear to be on an official style correspondence.

Types of scams

You're a winner!

If you are told that you've won a great prize in a competition you don't remember entering – ask yourself 'What's the catch?' You'll probably be asked to pay a 'fee' to access your winnings, or told to call an expensive 1900 phone number. Chances are the cost of the fee or phone call will be a lot more than the value of any prize. If you really are a winner, you shouldn't have to pay anything. In most cases, with scams of this type, victims never receive the prizes they are supposed to have won.

Investment scams

Investment and financial scams are touted by people who claim to be financial or investment advisers and offer victims amazing high returns for their money with minimal risk. They may be asking you to buy shares in some fantastic venture or inviting you to buy investment properties at prices that happen to be well above fair market rates.

Email scams

Email has opened up scamming opportunities across the globe. Scammers contact you via email encouraging you to provide your bank details and other personal information.

Watch out for an email claiming to be from your bank asking you to send your account details and/or your PIN to them by return email or through a website.

When you click on a hyperlink thinking you are being sent to the bank's site, you may be sent to a fake one instead. Keep your bank's official website among your website 'favourites' and enter the site that way.

Pyramid schemes

Pyramid schemes operate by recruiting people to make money, rather than by selling a legitimate product or service.

The victim makes a cash investment and once they have recruited a certain number of other investors they will (allegedly) receive a substantial sum of cash.

Most of the time, you'll never make money and lose any money you paid to participate – as well as friends that you recruited.

Did you know that chain letters are a common type of pyramid scheme?

Door-to-door scams

Smooth or aggressive sales tactics are sometimes used by door-to-door scammers to put you under pressure.

These scammers are often skilled at preying on people's emotions, such as fear. They might say they just want you to help them with a survey, but then they try to sell you something.

Salespeople travel door-to-door offering real or false goods and services, such as a roof repair and home or garden maintenance. Some pose as professional handy men, often asking for a deposit and then disappearing, leaving an unfinished or very sub-standard job.

Even in the case of genuine businesses and products, you should take time to think about your purchase and not feel pressured into a sale.

Self-employment scams

Scammers use the internet, newspaper advertisements, seminars, mail and direct approaches to lure people into self-employment schemes. This scam involves getting you to pay in advance for a 'training' session or information, which then turns out to be useless.

Be wary of self-employment opportunities that 'guarantee' large salaries, especially if it costs you large amounts of money before you've made anything.

Clairvoyants & other lucky charms

Clairvoyant scams prey on people's insecurities for a quick buck. Self-proclaimed clairvoyants sometimes offer to perform a 'Grand Celestial Operation' to allow 'Feng Shui Cosmic Breath' to enter the recipient's life. This enables the recipient to win an unspecified lottery draw by providing them with the 'winning' numbers for a proportionately small fee.

Nigerian-style con

Everyone has seen advance fee frauds, such as the 'Nigerian con'. These scammers contact you, often by email, offering a share in a large sum of money that they wish to transfer out of their homeland. Scammers ask you to provide money or your bank account details to facilitate this process. Don't even think about handing over this sort of information to someone you don't know or trust!

Weight loss products/programs or Health remedy claims

Health scams prey on human suffering, desperation and ignorance. They offer people impossible solutions such as cures to cancer and HIV/AIDS or hollow promises such as massive weight loss in a couple of weeks by using a 'slimming capsule'. These treatments usually have little or no evidence of effectiveness.

Fax-back and telephone number scams

If you have a fax machine, watch out for sneaky scammers who appear to be advertising a product, but are actually trying to rip you off.

Fax-back scams may advertise weight loss programmes, employment opportunities, and publications.

The scam works when the cost to respond to the advertisement by fax is excessively expensive. The cost may be high if the reply needs to go to a 1900 number, or if there is a lot of material that needs to come down the line. The advertiser gets a big share of these charges. Ask yourself if the material is going to be worth the cost of the call and whether you could get the same information online for free.

Computer predictions software

Would you like to be able to predict the share market, lottery numbers, or the outcome of horse races? Scammers are offering computer software they claim can do just that. Of course, it is a scam. If these fraudsters could confidently predict these events, do you think they would be in the business of trying to sell you cheap software?

Directory Listings/Registry schemes

These particular scammers are referred to as "blowers" because they usually telephone their victims, posing as publishers of magazines, directories or Internet sites. Scammers repeatedly send invoices and demand payment without signed authority for an advertisement (in a poorly circulated, or sometimes non-existent, publication).

How do I protect myself and my business from scam operators?

- Be cautious about agreeing to anything over the telephone.
- Double check all advertising.
- Keep clear records of what's been authorised and who you spoke to originally to arrange any advertising.
- Don't pay unless the company making the demand can produce signed authorisation.
- Don't have a variety of people authorised to order or purchase on behalf of the business.

Internet dumping

Some pay-per-view websites offer an alternative to paying by credit card. This method involves agreeing to charges that will be added to your phone bill (instead of your credit card).

Internet dumping takes place when, unknown to the user, the connection with their Internet Service Provider is disconnected and then re-connected to an international or 1900 telephone number. The user is unaware that this has happened until they receive their next telephone bill.

Date of Issue:
December 2006

Tips

If an opportunity sounds too good to be true, be careful and follow these tips:

- Try and hold off to think about your options.
- Research or investigate the opportunity. Put the name or company provider name in an internet search engine like Google, if you can't find out the information you need – don't proceed.
- Ask questions, find out who you're dealing with and what the guarantees are.
- Make an informed decision and don't feel pressured.

Handy Scam Sites

Consumer Affairs Victoria

www.consumer.vic.gov.au

The Consumer Affairs Victoria website has more information on scams doing the rounds in Victoria. Check on the website regularly for the 'Top 5 Scams' and breaking scam alerts.

ScamWatch

www.scamwatch.gov.au

This site has more information on scams, how they operate, why they succeed and how to protect yourself.

Try out the interactive 'Scam Simulator' and 'Fraud Quiz' on the website to find out more about the scammers' techniques and discover how good you are at recognising them.

FIDO

www.fido.asic.gov.au

Go to the 'Scams & Swindlers' page for warnings about the latest financial scams and swindles as well as advice on how to avoid them.

Because this publication avoids the use of legal language, information about the law may have been summarised or expressed in general statements. This information should not be relied upon as a substitute for professional legal advice or reference to the actual legislation. Authorised by the Victorian Government, 113 Exhibition Street, Melbourne, Victoria, 3000. SS-23-03

More information

Information on shopping and services is available from:

Consumer Affairs Victoria

Victorian Consumer & Business Centre

113 Exhibition Street
Melbourne 3000

Telephone: 1300 55 81 81

Website www.consumer.vic.gov.au

Regional Offices

Consumer Affairs also has regional offices located in Ballarat, Bendigo, Geelong, Morwell, Mildura, Wangaratta and Warrnambool together with a mobile outreach service that regularly visits rural communities. To find details on the office or mobile service nearest you, ring 1300 55 81 81 or go to the Consumer Affairs Victoria website on www.consumer.vic.gov.au and click on the Contact Us link.