



## The Skeptics SA guide to Some common scams

**The most important thing** to understand is that if an offer sounds too good to be true it probably is! The fact is that there are many unscrupulous operators out there who survive by swindling members of the public. They operate a variety of shady schemes, all of which sound as if you, (the sucker) are getting a real bargain! This approach never fails to suck in the gullible members of the public, because most people are naturally greedy.

Some of the more common swindles are involved with the sale of land, (usually swamp land in Queensland), interstate property, or property investments. Many of these involve you attending a seminar; and once they have you in the confines of that room, they apply the hard-sell. Other 'great deals' are offered via phone solicitation, faxes, personal letters, and increasingly via e-mail. Below are a few of the many schemes being touted.

### **Boiler room scams**

One of the major industries of fraud is investment advice. You will receive a phone call from a stranger who claims he was given your name by a friend whom he has helped to make a huge profit in investments. He will recommend various stock purchases, advising you that they are 'about to take off on the market.'

If you are not interested he will keep you on the phone beating down all of your arguments until finally you succumb and buy some stock. Congratulations, you are now on the road to financial ruin. Ordinary investors have lost amounts up to \$100 000 while wealthy investors have lost hundreds of thousands of dollars.

What they don't tell you is that the stock they are selling is for small unlisted companies, not on the main board, and that the salesman speaking to you is employed by a some unregistered business, operating from an interstate site, or some Asian country where investment controls are usually non-existent.

They employ dozens of high-pressure salesmen to sell these stock packages. Your money and those of thousands of other victims is used to purchase the stock in these small unheard of companies, forcing up the price of the stock. They then contact you a week or so later advising you that your investment has made a 30 – 40% profit, and they urge you to buy more.

Even if you were cautious with your first investment now you throw caution to the wind; you agree to purchase an even larger parcel or stock. After inflating the price artificially they

will then sell off the stock to you and other gullible dupes. They make a huge profit, then the stock price collapses and you and many others are left thousands of dollars out of pocket.

(The term 'boiler room' originates from the fact that the sellers use extreme pressure to sell to clients: pressure like in a boiler. So their place of work is often referred to as 'a boiler room.')

### **The Nigerian scam**

A new version of the old Spanish prisoner scam. You will receive a letter, usually written in extremely poor English, from a Nigerian public servant. He usually claims he is in an influential position, having control of purchasing military supplies, etc. He bemoans the fact that due to political turmoil in Nigeria, or some other reason, he has not been properly paid for his 'valuable services.' Angry at this injustice he has managed to skim off money from defence contracts, etc. to the tune of thirty or forty million dollars (US), which he has secretly lodged in a Nigerian bank using various fictional account names.

Now that he is 'about to retire' he needs your help in setting up overseas bank-accounts so that he can transfer the money out of Nige-

ria. He promises that if you assist he will pay you a percentage, usually 10% of the amounts transferred. Of course, to get these arrangements started he needs some money up-front, usually only about \$10 000 – \$20 000. If you are stupid enough to send money, you receive additional letters seeking additional funds, ‘for unexpected expenses.’

Of course the whole thing is a huge scam operated by Nigerian criminal organizations. Yet despite the obvious con many people who should know better are tempted, probably by sheer greed, into forwarding large sums of money. This scheme has ruined a number of people in the US and Britain, and those foolish enough to go to Nigeria and demand their money back either disappear or are found murdered. The operators of this scheme are incredible in their audacity; if you ignore their initial request they will often forward letters reminding you that they have not yet received your money, and that it should be forwarded ASAP.

### **Phone and telemarketing scams**

A major problem in the US, these scams are being increasingly introduced into Australia. These are basically phone or television promotions selling grossly overpriced products. Even worse many of the products sold via phone contacts are not only overpriced but they are often simply trashy products, the type you can buy in any \$2.00 shops. Examples of some of the worthless items sold to unsuspecting customers over the phone include the following:

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- a ‘genuine’ fur coat: a dyed rabbit pelt worth about \$30
- an ‘all-terrain vehicle’: an aluminium chair with wheels
- the 21 ft luxury boat: a reject dinghy from a scrapped liner
- the ‘investment depository instrument’: a ‘piggy bank’
- the cardboard grandfather clock with plastic works
- a ‘sports fishing boat’: a small inflatable child’s dinghy
- the diamond ring with a diamond the size of a pin-head
- a food-processor: a 1960s vintage hand operated food chopper
- one man paid \$69 for ‘shipping and handling charge’ to obtain a ‘free’ \$1000 savings bond (with a maturity of some 30 years) when he could have bought the same bond from the US Government for only \$50 without all the ‘extras’
- the ‘home entertainment center’ complete with an ‘IBM laser PC-3’ computer. Bought for \$840, it turned out to be a small ‘boom box’ with a 5 in black and white television. The computer received was actually a derelict dumb terminal from the eighties. The actual value of the goods: about \$130
- the ‘free’ stereo system prize, that cost \$50 for ‘shipping and handling’: it turned out to be a cheap plastic transistor radio

- ‘cash prizes’ are usually certificates that are only redeemable when you purchase hundreds of dollars worth of overpriced, inferior quality goods through a particular company

### **Ponzi scams**

Ponzi scams are fraudulent investment schemes where investors are sucked in by their own greed. The operators offer incredible interest rates, usually greater than 50%. They operate by using the money from each group of investors to pay high rates of interest to the earlier investors. Amazed at the return, their natural greed takes hold and they scramble to invest more money to increase their earnings.

When they boast to friends about their profits, their friends are eager to invest, and the word quickly spreads. Doubters are silenced; soon huge numbers of people are scrambling to invest in the scheme. However once sufficient funds have accumulated the organizer disappears with the proceeds.

In one recent version of this scam a Sydney butcher, a migrant from Syria, persuaded many of his fellow migrants to invest money in his scheme. He claimed their money would earn 100% interest; and offered to turn one pensioner’s \$35 000 into \$150 000 within two years.

Unfortunately, he used much of the money to live the high-life. He paid over \$1 000 000 dollars to bring ex-president Clinton to Australia, and then presented him with an autograph of Gandhi, which he had bought for \$50 000. He was seen in newspaper photos with Clin-

ton and mixing with the elite of Sydney society. When police eventually caught up to him \$61 000 000 of investors' money was missing.

### **Retail scams**

Many otherwise reputable retail stores are not above using a little manipulation of facts to increase their sales figures.

One Adelaide electrical company offered an 'exotic seven day overseas vacation with free airfares' with the purchase of every major electrical appliance: the accommodation was at a cheap hotel in Bali, at \$200 per day, and the cost of the accommodation worked out far in excess of a reputable holiday package

A number of Adelaide stores offer customers the opportunity to purchase goods on time-payment, repaying the amount over 12 – 24 months interest free. The offer is not always as good as it sounds, for as customers soon discover that although there are no interest payments, these term accounts include a book service fee. One customer found when he received his first statement after paying the first month's installment that he had been charged \$7 to open the accounts ledger, \$7 to make an entry, and \$7 to close the ledger. In other words, although he was not paying any interest, he was in fact being charged \$21 per month for bookkeeping fees. In addition, if you are even a day late paying your monthly installment they will slug you with an extra 20 – 25% interest payment

Beware: when you hear of such 'bargain' offers, always check the fine print!

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### **Sweepstakes**

At present these are being mainly promoted in Australia by direct mailing to potential customers, however, if their promoters follow the American trend they will be increasingly sold per phone and e-mail contacts.

These lotteries always offer 'huge' prizes, holidays, cars, etc. They will generally tell you that you cannot lose; you are 'guaranteed' a one-in-five chance of winning.

A common spiel is that 'you have been chosen to win one of these prizes' but in order to participate you have to buy a 'trial sample.' These are usually poor quality merchandise, worth a small fraction of what you pay. One marketer admitted selling pen sets, vitamins, and make-up for \$299 to \$999 when their costs actually ranged from \$10 to \$200.

These operators will confuse you with a fast-paced spiel that all of the prizes are large and valuable, but in order to receive your prize as soon as possible you have to pay 'a processing fee' or 'handling fee' or customs duties or taxes and must send a cheque or money order to them immediately, otherwise you will miss out on this 'fabulous opportunity.'

One Canadian woman, told she had won \$2 000 000 but that to receive her prize, she had to forward \$18 000, foolishly forwarded the money.

### **Pyramid schemes**

These come in an sorts of guises. Some depend upon you obtaining goods from a 'supplier'

who is paid commission; you then sell to the public and also earn commission. Promoters of these schemes will usually deny they are pyramid schemes, preferring to describe them as 'multi-level marketing' schemes. Do not be fooled!

Another common one was the recent Concorde scheme. A 'Captain' starts the game, recruiting two co-pilots who, in turn, each recruit two others, (crew-members). Each of them recruits another two 'passengers.' The eight passengers put in \$2000 each, the Captain takes the \$16 000 and leaves. The participants divide into two separate games, everyone moves up one level, with each co-pilot becoming a Captain. Each of the four former passengers then recruit two new passengers who put in \$2000. The new captains take the money and move on, and so the game continues.

Of course the problem is that you eventually run out of gullible passengers and so the game collapses with a large number of people who have lost \$2000.

The game works well for those who get in early, but within a few months it collapses. The reason is obvious: if you have to keep recruiting new passengers for the game to continue, you eventually reach a point where you need to recruit millions of people to participate.

We would all like to win the lottery, or receive some valuable prize, or make a killing in the stock market. This is what these conmerchants rely upon. Remember, everyone is gullible to some degree or another, and these people use that to hook you.

The reason so many of these schemes are promoted over the phone is because it is a sure-fire way to grab your undivided attention to sell you their products. The callers are highly skilled at phone selling. They tend to be very aggressive people, able to dominate the conversation, either by pretending to be very friendly or by using bullying tactics. Given that these operators can convince even the most astute business people to buy, imagine how much more difficult it is for the ordinary person to cope with their relentless sales pitch.

Many of these bogus operators prey upon the weak and especially the elderly. In some of these scams 80% of the victims were over 65. There are a number of reasons for this:

- often socially isolated and lonely: any phone call is welcomed as an opportunity to hear another voice
  - they are easily available by phone during the day and they have time to talk to the people soliciting or selling
  - they are slow to recognize they are being conned: having grown up in an era where people trusted each other, they do not expect to be victims of fraud
  - they are often ill-informed, and often confused
  - they often have poor memories and are unable to recall what was said, or what they purchased
  - they are rarely suspicious about these schemes, which are always presented professionally
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sionally with gold-embossed letterheads and business-like prospectuses

- because many are looking for ways to increase or secure their savings, either for themselves, or as a nest-egg for their children and grand-children they are easy targets for phony investment schemes
- they are easily embarrassed, and reluctant to chase the swindlers
- it is difficult to admit their foolishness because they fear that if their well-meaning children find out, they will see this as proof of their inability to look after themselves and may want to put them into a home

Older people are common targets of con-men who will call at your house saying they have materials left over from a roofing job they did 'around the corner' and offer to spray your roof for \$500. They do the job in a few hours, a job that would normally take 3 – 4 days, then they claim that quoted \$1500 and that you must have misunderstood them. They will hassle you for the money, even driving victims to the bank and standing over them while they draw the money. In a number they actually made out the withdrawal slips for \$4000 or more. Some will even called back days later claiming the bill had not been paid and demanding another \$1500; old people are often so confused they will pay them again.

Some common sense rules to protect you from fraud:

- Never buy any goods sight unseen

- Never make any transactions over the phone
- Never use any contractors who suddenly turn up at your door
- Never give your credit cards or bank account numbers to people on the phone. Con-merchants will often phone, claiming they are from your bank. A common scenario is that there has been a major computer failure, and to sort it out they need to compare credit card numbers with customer records. They ask for your details, account and card numbers so they ran 'verify' your details. If you give them the number, you have granted them access to your credit account, and they will quickly clean it out

If they are selling investment bonds, stocks, etc. ask them to contact your financial advisor or broker and discuss the matter with them

If in doubt about any offers, ask the caller for a contact phone number, advising them you first want to check them out with Consumer Affairs. This ploy will frighten off most con-merchants.

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