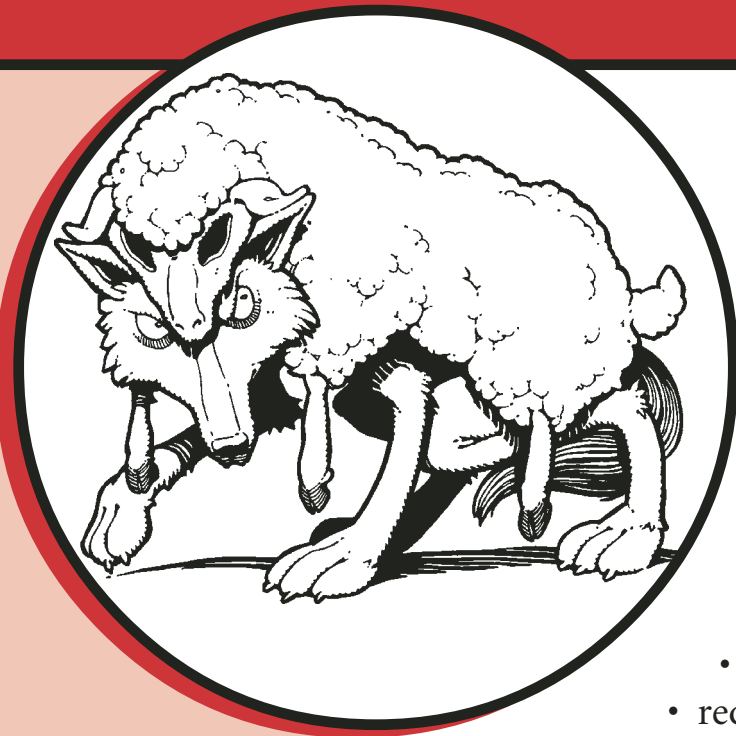


MARCH 2005

2nd edition

SCAMS TO AVOID



What is this booklet about?

This booklet describes some of the most common current consumer frauds (or scams). It shows you how to identify the scams and how to avoid them.

You can use this booklet to help yourself and others become informed and alert consumers.

Knowing about consumer scams:

- helps prevent crime and consumer fraud
- reduces the possibility that you or others will become victims of a scam

You should not rely on this booklet for legal advice. It provides general information only.

**the
people's
law
school**



Suite 150
900 Howe Street
Vancouver, B.C.
V6Z 2M4
TEL 604.331.5400
FAX 604.331.5401

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FREE

Charity Appeal Scams

In Canada we have a long and honourable tradition of voluntary giving to those in need, often through charity organizations.

But if an unfamiliar charity organization contacts you – by mail, phone, or Internet – be careful.

Bogus charities often use names that are very close to the names of legitimate and respected charities. You can check out the list of legitimate registered charities by going to the Canada Revenue Agency's website at: www.cra-arc.gc.ca/charities

Warning signs

- High pressure or threatening telemarketers who want you to contribute immediately.
- Someone calls and thanks you for a pledge you don't remember making.

What you can do

- If you receive a telephone call, ask for the information to be sent to you in writing. Ask how much of your gift will be used directly for the charity. Ask how much will go toward administrative costs. Legitimate charities have no problem giving you this information.

- Never give out your chequing account number or credit card number to anyone you don't know. Ask for an address and offer to send a cheque.
- Do not give money or credit card information at the door. You may wish to make out a cheque payable to the charity. You can mail the cheque later.
- Call the charity. Find out if they know about the appeal and have authorized it.
- Call the Better Business Bureau to find out what they know of the charity. See page 25 for contact details.
- Make sure you request an official donation receipt for the eligible amount of your gift. Only registered charities are entitled to issue official donation receipts. You can use the official donor receipt to claim a tax credit when you claim your income tax for that year.



Foreign Lottery Scams

Canadians have lost millions of dollars in illegal lottery ticket scams. The only people “hitting the jackpot” are the people running the scams.

Here are some major foreign lottery scams:

Scam 1: You have already won!

You receive a letter saying you have won millions of dollars in a foreign lottery. On closer reading you find out that all you have won is the opportunity to buy lottery tickets. Usually the scam wants you to pay a fee in order to play, often \$30 or more.

Facts

- When you send money to private lottery companies you usually do not get any proof that your money is actually used to buy lottery tickets.
- Many of these scams demand more and more money in order for you to remain eligible for future winnings.
- Most of these scams fail to pay winnings. They want you to reinvest your winnings with additional cash for the chance to win “greater prizes.”

Scam 2: You have an unclaimed prize!

You receive a letter telling you that you have won a prize in a foreign lottery. The

letter says they have been hired by a foreign lottery to distribute unclaimed prizes.

To claim the prize you have to pay an “administration fee,” or “taxes,” sometimes thousands of dollars.

Facts

- You do not receive any prize.
- If you do send the money you may be put on a mailing list for another scam.

Scam 3: Phony lawyers calling

You get a call from a telemarketer who claims to represent a law firm.

The telemarketer says you have won a valuable prize, but you need to pay taxes and a legal fee before you receive the prize money.

Fact

- You do not receive any money.

Scam 4: Canada Customs calling

Someone claiming to be a Canadian Customs officer calls to say they are holding a cheque for you worth tens of thousands of dollars of winnings in a foreign lottery, often from the United States or Australia. They say you have to pay an “insurance fee” to get the money.

Fact

- Canada Customs officers never call to ask you for money.

Scam 5: Like to recover money you have already lost in a foreign lottery?

Already lost money in a foreign lottery? The scam may contact you again.

They claim to be able to recover your lost funds for a fee. The tactic is called a “recovery room” scheme.

Fact

- You do not receive any money.

Scam 6: Phony collection agency demand letter

You may receive a demand letter from a phony collection agency, demanding payment for lottery ticket purchases.

These letters threaten immediate legal action if you don't make the payment.

The elderly are a particular target of this scam.

Fact

- In most cases, the victims of this scam have never had any lottery debts.

Scam 7: Give us your bank account number so we can deposit winnings

The caller may ask for your bank account number or for a void cheque, so that they can “deposit winnings” into your bank account.

Fact

- The scam will often use your bank account number to withdraw unauthorized sums of money from your account.

Scam 8: You have won if certain numbers appear on your credit card

Under this scam you are told you have won a prize if certain numbers appear on your credit card.

Fact

When they have the credit card number, they charge unauthorized sums against the account.

Scam 9: Subscribe to our “winning numbers services”

This scam asks lottery players to subscribe to a service that has an “impressive record of picking winning numbers.”

They claim they have a computer with artificial intelligence or a fabulous mathematician on staff. They typically want you to pay a fee of \$10 to \$20 to play the lottery.

Facts

- In most cases, the numbers sent to customers are selected at random
- Your name and address may go on mailing lists for other scams.
- Do not expect to get your money back.

What the law says

- Under the Criminal Code of Canada it is illegal, in most circumstances, for individuals or firms to sell lottery tickets without proper authorization. In addition, many of these firms engage in misleading advertising, which is illegal.
- It is against the law in BC to resell BC lottery tickets out-of-province.
- Most foreign lottery offers do not come from foreign government agencies or licensees. The activities of these companies are not controlled by the government of the country in which they are located.

What you can do

1. Don't send the money and don't reveal personal financial or bank account numbers.
2. Ask who to make a cheque out to and get their address. Then make a report to (a) Project PhoneBusters, and (b) the Competition Bureau. See page 25 for contact details.



Identity Theft

Identity theft happens when someone takes the personal information of another person and uses it without their knowledge or consent.

Identity theft is the fastest growing fraud in North America. This is a result of the growth of technology. The RCMP receives up to 100 calls a day from Canadian victims of identity theft.

Identity theft can happen to anyone. By being aware of the issue and by managing your personal information wisely, you can help guard against identity theft.

What does identity theft mean?

Identity thieves steal your name and other pieces of personal information such as address, date of birth, Social Insurance Number (SIN), credit card numbers, bank cards, PIN numbers, driver's licence numbers, calling cards, birth certificates, passports, and mother's maiden name.

Once they steal the information, identity thieves invade your personal and financial life. Using this information, they may:

- Drain your bank accounts, transfer bank balances or open new accounts.
- Run up credit card debts or apply for new credit cards.
- Apply for loans and other services or benefits.

- Go on spending sprees involving the purchase of vehicles, apartments, luxury items and vacations.
- Commit more crimes and, if arrested, use your identity.

How do they get the information?

Identity thieves can obtain your personal and financial information in a range of ways. For example, they may:

- Steal the information from your wallet or purse, home, vehicle, or computer.
- Pose as a credible person (e.g., government official, bank employee, landlord, employer, creditor, service provider) to obtain your personal or financial information from you or from confidential sources.
- Remove mail from your mailbox or redirect your mail.
- Tamper with automated teller machines (ATMs) and point-of-sale debit machines so they can read your debit or credit card number and personal identification number (PIN).
- Retrieve personal information from garbage or recycling. This information may include transaction records, copies of credit applications, insurance forms, cheques, financial statements and old income tax returns.
- Buy the information from someone who works where personal and/or financial information is stored.

- Search sources such as obituaries in newspapers, phone books, and public records to obtain your information.
- Place bogus advertisements for employment in order to obtain your information.
- Pretend they need your personal details so you can “claim” a prize or lottery winnings.

Warning signs

1. You find withdrawals or transfers you didn't make on your bank statements.
2. Your credit card statements show items you didn't purchase.
3. You notice that not all of your mail is being delivered, or that your bills are not arriving on time.
4. You get credit card statements for accounts you don't have.
5. You start getting bills from companies you know nothing about.
6. A creditor calls to say you've been approved or denied credit that you haven't applied for.
7. You apply for credit and are turned down for no apparent reason.
8. A collection agency tries to collect on a debt that isn't yours.

What you can do to minimize the risk

You can minimize the risk of someone stealing your identity. Here are some strategies you can use:

1. Immediately notify the issuer if any of your identity documents are lost or stolen.
2. Give your SIN only when absolutely necessary, and do not carry your SIN with you.
3. Never give personal or financial information to anyone who phones or emails you unless you know who they are or can confirm they are legitimate. Be aware that police and financial institutions never call or email to ask for your bank or credit card details or PIN.
4. Tear or shred receipts and copies of papers you no longer need, such as old tax returns, credit applications, insurance forms, physician statements and credit offers you get in the mail.
5. Don't leave personal information lying around at home, in your vehicle, at the office or on your computer. Don't leave receipts at an ATM, a gas station, or anywhere else where you are purchasing goods or services.
6. Carry only the documents and cards you will need during your day.
7. When you receive a renewal or replacement for a document that contains identity information (e.g., your driver's licence), return or destroy the old one.
8. Sign your credit and debit cards as soon as you get them. Cut up expired and unused cards. A card may have expired but the number may still be valid.
9. Keep key documents such as your birth certificate, passport and social insurance card in a safe place when you're not using them. Also keep other important documents such as tax returns, your will, marriage certificate, diplomas and degrees in a safe place.
10. Make a list of the names, account numbers and the expiration dates of your cards in a secure place. (Do not carry this list in your wallet.) This will help if you need to alert your credit grantors about a lost or stolen card.
11. Know when your credit card and financial statements and utility bills are due. Pay attention to credit card expiry dates. Keep credit card, debit card and ATM transaction records so you can match them to your statements.
12. Do not put more than your name and address on your personal cheques.
13. Lock your household mailbox if possible. Pick up your mail promptly. When you are away, have a trusted person pick up your mail.
14. Use passwords (for your credit card, bank account, etc.) that do not contain easily available information like your birth date, phone number or SIN.
15. On your computer, make use of spyware filters, email filters and firewall programs.

16. If you use secure sites for financial transactions, make sure you understand and follow all of the instructions for security when you enter and exit the site.
17. Do not send personal and financial information by email. It may not be secure.
18. Make sure personal information is really deleted before you sell, recycle or discard your computer. You may have deleted files from folders but the information may still be on the computer's hard drive.

What you can do if your identity is stolen

Dealing with identity theft is time-consuming. You need support and information. This section suggests actions you can take to stop the thief and regain control of your identity documents.

If you suspect you have become a victim, you need to contact financial institutions, credit issuers, other companies and credit reporting agencies. Keep a log of dates, person(s) that you speak with or write to, what they say, and how to contact them again if you have more questions.

1. Report the incident to PhoneBusters. See page 25 for contact details.

PhoneBusters has an Identity Theft Statement you can use to send to financial institutions, credit issuers, other companies and credit reporting agencies. You can download it from the website and make copies.

The Identity Theft Statement explains that identify theft has occurred, and that you did not run up the debts or charges. It includes a space where you can provide the details that companies may need to begin an investigation.

2. Contact your financial institutions, credit issuers, and other companies. Tell them what has happened and ask them to investigate. Cancel any cards that were affected, and close any affected accounts.
 - Find out if the company requires written documentation to begin investigating your claim of identity theft.
 - Do they accept the Identity Theft Statement?
 - Do they require any additional information?

Send the company the documentation they require as soon as possible.

3. Contact Canada's major credit reporting agencies: Trans Union Canada, Equifax Canada, and Northern Credit Bureaus Inc.

Equifax:

Telephone: 1-800-465-7166 (toll free)

Website: www.equifax.com

Trans Union Canada

Telephone: 1-866-525-0262 (toll free)

Website: www.tuc.ca

Northern Credit Bureaus Inc.

Telephone: 1-800-532-8784

Website: www.creditbureau.ca

Ask each agency to send you a copy of your credit report. The credit report

may show if there are other companies where the identity thief has opened accounts or incurred debt in your name.

Discuss with the credit reporting agency whether to have a “fraud alert” placed on your file. A “fraud alert” means that creditors call you before opening any new accounts or changing your existing accounts.

4. If your government-issued documents were lost or stolen, contact the department or ministry, explain what happened, and request new documents.
5. If you think your mail is being stolen or re-directed, contact Canada Post.
6. Report the incident to your local police department. Ask the police to take a report, if possible. If a police report is available, include it in all your correspondence about the identity theft with financial institutions, credit issuers, other companies and credit reporting agencies.



Internet Scams

As a global method of communication, the Internet provides many new opportunities for legitimate sellers. It also provides a new tool for consumer fraud. Old scams have gone online and new scams specific to the Internet have emerged.

Whether they're misrepresenting goods and services, making exaggerated claims about earnings potential, seeking advance payment for bogus deals, or secretly hijacking your modem, scammers are just a mouse-click away.

Here are some common Internet scams:

Scam 1: Web auction scams

Buying at online auction sites is fast becoming one of the most common ways to purchase consumer goods. While there are many reputable dealers, there are also scammers. Scammers offer attractive deals to lure bidders. You may win the bid, send the money, and receive nothing. Or the item may be of much lower quality than advertised. In addition, there may be groups suspected of driving up bids, or the price may be hiked after the highest bid has been accepted.

Remember: scammers open and close their business quickly, so sellers with no complaints registered on an auction site are not necessarily legitimate.

Scam 2: Nigerian scam

This scam, which has been around for long time, now uses email addresses. It is sometimes called the 4-1-9 scam, after the section of the Nigerian criminal code that addresses fraud schemes.

The email may come from anywhere overseas, usually somewhere in Africa.

The email claims that an important event (e.g., a change of government) has resulted in a person having a large sum of money which needs to be transferred overseas. The sender claims that if you help with the transfer, you can keep a portion of the money. If you reply to the email, you receive official-looking correspondence and are requested to provide your financial details, such as bank account information. Then something “goes wrong” and you are pressured to save the deal. The scammer demands advance fees for various taxes, legal fees, transaction fees or bribes. There are many variations of the scam, but all aim to steal your money.

Scam 3: Computer equipment/software scams

These scams include sales of computer products that are never delivered or are not as advertised. Many offers for free or low-cost computers are scams. “Free” may apply only to the hard drive, and the real cost may be hidden in a disclosure in fine print. You may need to pay for all of the other components. Or you may need to sign a contract with a particular Internet service provider for years of service.

Scam 4: “Phishing” or brand spoofing

This scam is a form of identity theft.

Scammers create email messages and web pages that mimic those of a bank, credit card company, auction site or escrow service such as Paypal. The scammers send emails randomly to “fish” for passwords and financial data, hence the term, “phishing” (pronounced “fishing”).

These emails often ask you to “re-register” or “reactivate” an account. They provide a link to a website that appears to be the legitimate site of the company or financial institution. The goal is to trick you into providing personal, financial, or password data. Once the scammers have your information such as credit card numbers, bank account information, social insurance numbers, and passwords, they use it to commit more fraud.

Scam 5: Bogus Internet services and access scams

There are numerous scams that take your money for Internet services that you did not order, or that you were told were free.

In one scam, you get a call from a company offering you a free website for a certain period of time. The caller says you can continue the service for a small monthly fee and cancel at any time. The caller obtains your contact information and a description of your business. Then you receive a bill, whether or not you ordered the service.

In another version of this scam, you receive credit card or telephone charges for services that are misrepresented as free. These often include charges for accessing “adult” materials. For example, you are promised free access to the site if you give your credit card number to prove you are over 18. The scammer then runs up charges on your card.

Scam 6: Modem hijacking

Modem hijacking is also known as “Internet dumping.” It only affects computer users with dial-up connections. It happens when pop-up windows or websites secretly upload a program to a person’s computer and instructs the modem to dial a number to which expensive charges apply. You receive a phone bill that has very high long-distance rate charges to remote places.

Telephone companies have responded to this version of the scam by automatically blocking long-distance calls to suspect locations

The scam has also been used to target users of sites where people prefer not to give personal data. Instead of being asked to give a credit card number, you are invited to use a discreet billing method such as having the cost added to the phone bill. All you have to do is download the “viewer” software. Or you may be invited to view for free if you install the “viewer.”

When you click to agree to the offer, a file downloads to the modem, which transfers you to an expensive long-distance number. The charges show up on the your telephone bill.

Scam 7: Online sales scams

The Internet provides endless opportunities for selling products, with sales of everything from T-shirts to toys, calendars to collectibles. If a scam is involved, the item you purchase online may never be delivered or may not be as advertised. Or you may be asked to pay an advance fee and receive nothing.

Sales scams most often arrive on your computer as unsolicited bulk email (“spam”) or as “pop ups” online. Many are versions of the same old scams.

Here are eight common online sales scams:

1. Pyramid schemes

You are told you can make money through the products and services you sell, as well as those sold by other people you recruit to sell.

2. Work-at-home scams

You are given extravagant promises of high earnings. You can “use your home PC to make money fast in your spare time.” All you have to do is pay money for information, kits or materials.

3. Phony prize promotions

You receive an electronic certificate congratulating you on “winning” a fabulous prize, such as a vacation or money. Some say you have been “specially selected” for this opportunity.

4. Health care products and services scams

You are invited to buy pills to let you lose weight without dieting or exercise, and are

offered cures for everything for hair loss to impotence to cancer.

5. Chain letters

You're asked to send a small amount of money to each of four or five names on a list, replace one of the names on the list with your own, and forward the revised message. The letter may claim that the scheme has been approved by the government.

6. Investment scheme scams

Investment schemes promise very high rates of return with no risk. The scammers tell you they have vital inside information for this unique opportunity. They promise to guarantee the investment or buy it back after a certain period of time. One version of this scam claims to be looking for investors to start an offshore bank. Another version invites you to make an initial investment in a day-trading system to realize huge profits immediately.

7. Cheap rate credit card deals, guaranteed credit

You are offered cheap-rate credit card deals on payment of upfront fees. Another version of the scam offers guaranteed credit cards or home loans regardless of your credit history. Often the scammer claims that "off shore banks" are involved. Sometimes these offers are combined with pyramid schemes.

8. Credit repair: wipe your credit record clean

Credit repair scams make a phony offer to wipe negative information from your credit file so you can qualify for a loan, a mortgage, and credit.

What you can do

1. If you are buying something at a reputable online auction site, always check out the references for the seller and only buy from sellers who have good references. Major online auction sites often allow you to send payment to a reputable third party (an "escrow" service such as PayPal), not directly to the seller. Be sure to check out the escrow service as well as the seller, since there are scam escrow services online, too.
2. Always use your credit card for online services, since this provides a paper trail to track down a bad transaction. Be sure your initial purchases involve only small amounts of money and that you shop at reputable sites.
3. Never give your personal information to a company that already has it, especially if the request for that information comes by email. Contact the company independently. Use the company's contact information on their official website or on a bill.
4. Read your credit card statements and phone bills carefully. Question unauthorized charges on your credit card bill by calling the bank that issued the card. Question unexpected charges on your telephone bill by calling the phone company.
5. Check out online businesses just as carefully as you would any other business. Demand clear conditions of sale, cost of shipping and handling charges. When buying goods or services off the

Internet, write down the merchant's phone number and address so you can call if something is wrong. Don't conduct business with an anonymous user. Don't send your payment to a post office box. Be skeptical of a company that does not clearly state its name, street address and telephone number. Check it out with the local Better Business Bureau. See page 25 for contact details.

6. Be wary of a request for advance payment by cash or certified cheque or money order. Never send an advance payment to collect a prize.
7. Read the fine print. Don't download any program to access a so-called "free" service without reading all the disclosures carefully. Scammers sometimes bury disclosures about cost in fine print in the hope you won't see them.
8. Make sure the website is secure if you are buying online and you need to provide your credit card number. Look for the letter "s" ("secure") following http in the website address and an unbroken key or padlock symbol to ensure it is secure.
9. Do not open spam (unsolicited email). While some spam messages are legitimate sales offers, others are the same old scams.
10. Avoid buying items offered in bulk email ("spam").
11. Make sure you read and understand a website's privacy notice before you give out your email address.
12. Be cautious if the seller uses a free email service, such as Hotmail, Yahoo, etc. Of course, most people who use these services are honest. However, it is very easy for the seller to keep his or her real identity and information hidden.
13. Save copies of all of the emails and other documents involved in the transaction. Then, if you discover you have been scammed, you have documentation to help you deal with the problem.
14. Be wary of offers that make extravagant claims about performance or earnings potential. Avoid plans that require you to recruit distributors or buy inventory.
15. Use the blocking tools that are offered by your operating system, your Internet Service Provider (ISP) and your email service.
16. Use discretion when making public posts on the Internet that include your email address.
17. Use common sense and trust your intuition. If you have a funny feeling about an item, don't buy it.
18. Report Internet scams to the Better Business Bureau. See page 25 for contact details.

Loan and Credit Scams

Bogus loan or credit offers are often pitched to people who need extra money. You may see the ads in the classified section of the newspaper, or on bulletin boards, or on the Internet. Or you may receive a phone call from a telemarketer.

Scam 1: Advance fee loan scams

You are told you are “guaranteed” or highly likely to get a loan. All you need to do is pay an upfront fee to process the loan.

Facts

- Bogus fee loan companies don’t send the promised loan. Your fee is not refunded. You get a letter saying that your loan application has been denied.
- Legitimate lenders never “guarantee” that consumers will qualify before a credit check is done.

What the law says

In BC it is against the law for a company to charge an advance fee to obtain a loan, even if that fee is described as the first or last month’s payment.

What you can do

1. Apply for loans through local banks and credit unions. Know who you’re dealing with.
2. If you have poor credit, it is unlikely that any legitimate bank or other

financial institution will give you a loan. Your credit history is one of the main criteria they use to determine whether you will be able to repay a loan.

3. If you can’t get a loan yourself, a friend, relative or employer may be willing to apply with you for a loan. Warning: if you co-sign for someone else’s loan, you are equally responsible for the debt. If the other person can’t make payments on time, you can be held liable for the loan, and your credit record will be affected.
4. Get free or low-cost help with credit problems. If you’ve got bad credit or no credit, get advice on how to build a good credit record. See page 25 for places that can help.

Scam 2: Bogus credit cards

This scam claims “guaranteed approval” for a credit card, regardless of your credit rating. They want you to pay an upfront “processing fee” to get the credit card.

The pitch might be something like this:
\$5,000 unsecured credit card, 6.95% rate, guaranteed approval regardless of your credit history (bankruptcies and foreclosures okay)!

Facts

- Few victims of these scams ever receive credit cards.
- Those who do get a card find that there are additional processing and annual fees they were not told about.

- In some cases, all you get is a list of banks you can then send an application to.
- In other cases, consumers who gave out their chequing account numbers found money had been debited from their account without their permission.
- In offers that claimed that the card would be issued by an “offshore” bank, the credit card never showed up and the bank did not exist.

What the law says

It is illegal to make false or misleading statements about providing credit cards. Any company that promises approval and charges a fee is breaking the law.

What you can do

1. If someone offers you a credit card regardless of your credit history, be wary. It’s probably a scam.
2. Don’t give out your bank account number to anyone unless you intend to have money withdrawn from your account.
3. Ask for written information about a credit card or any other offer to be mailed to you.
4. If the seller insists that you have to apply immediately, do not apply. A legitimate financial institution will be just as happy to consider your application tomorrow.

Scam 3: Wipe your credit report clean

The pitch goes something like this:
Credit problems? You can now wipe your credit report clean of bankruptcies, judgments, foreclosures, liens, and late payments! AND IT’S 100% LEGAL!

Usually the scam advises you to dispute the accurate negative information on your credit report or to set up a new credit identity for yourself.

Facts

- There’s no legal way to erase accurate negative information from your credit record.
- Legitimate financial institutions don’t issue credit cards without first checking your credit. Ignore these offers.

What you can do

Report suspected frauds to the Better Business Bureau and to Project PhoneBusters. See page 25 for contact details.

Scam 4: Abandoned property

Under this scam, a company contacts you and offers information on how to collect thousands of dollars in unclaimed property. They say that all you have to do is send them a fee.

Fact

- You send off the fee and receive nothing.

What you can do

If you wish to seek unclaimed property — dormant accounts in financial institutions, insurance and utility companies, safe deposit boxes and trust holdings — contact the local Better Business Bureau for information.

What the law says about dormant accounts

The federal Bank Act requires that all chartered banks begin trying to contact owners of accounts after they are inactive for two years. If there is no response, the bank sends a second letter after five years.

After nine years, the details are published in the Canada Gazette before the bank transfers the funds to the Bank of Canada. Amounts of over \$500 are retained indefinitely and can be claimed at any time.

To search the database visit Bank of Canada's website: <http://ucbswww.bank-banque-canada.ca>; or contact the Dormant Account Section at:

Unclaimed Balances Services,
Bank of Canada,
234 Wellington, Ottawa, ON, K1A 0G9.
Telephone: 888-891-6398 /
Fax: 613-782-7802.

The Better Business Bureau points out that some companies charge up to 40% of your bank balance to make this search. This is not illegal, but you can easily do the search yourself for free.

Prize and Contest Scams

You may find out by mail or over the phone or by email that you “have won first prize” or that you “have won first place in a contest” for a valuable item such as:

- a deluxe vacation for two
- a car
- a diamond
- a TV-VCR

Or they may not even tell you what the prize is.

Some scams use envelopes announcing that *You Have Won* and *It's Your Lucky Day*. Some use names that resemble official organizations, such as the lottery or a parcel delivery service. Others use an envelope that looks like it contains a telegram or government cheque.

Very often you will find that the prize:

- is worthless, or
- costs less than you have to spend to get it, or
- does not exist at all.

Ways these scams try to get your money

1. You have to provide your credit card number to cover the shipping and handling fee, lawyer fees etc. or “taxes” to process your winnings. This may be for just a small amount – about \$3 or \$4.

They want you to think, “It isn't much money, so why not risk it?”

If you receive a call telling you that you have won a prize but you have to pay a fee, this is a scam. The caller may describe the fee as a “filing fee” or a “processing fee” or an “administrative fee.”

2. You have to call a “900” phone number to find out what you have “won.” If you call a “900” number you are paying for the call.
3. You have to call a toll-free number (for example, an “800” or “888” number) that directs you to a pay-per-call “900” number.
4. You have to make “a small purchase” (typically a few hundred dollars’ worth of small items such as pens, key chains, or light bulbs) to get the prize.
5. You have to provide your credit card number or chequing account number for “verification” purposes. As soon as someone has your credit card number they can use it; they do not need to have your signature.
6. You have to send a certified cheque.
7. You are pressured to buy “on the spot” because the prize is available for a “limited time only.”

Facts

- If you have to pay to receive your “prize,” you haven’t won anything.
- If you have to purchase products, provide a credit card or other account numbers, or send a fee in order to receive your prize, it is not a prize.

- What the scam may be after is your name to add to “sucker lists” that it sells to others.
- If someone else - your son or daughter, for example - makes a call to a “900” number on your telephone, you are responsible for the costs.
- If you give out your chequing account number or send a certified cheque, you’re probably out of luck.

What you can do

1. Don’t pay to win or enter. Buying goods or services won’t increase your chances of winning. Prizes are supposed to be free.
2. Don’t call a 900 number. Calling a 900 number is not a free call. If you are required to call a 900 number, you are being forced to pay to win.
3. Never give your credit card number, bank information, or social security number to someone who claims they need it to “verify your eligibility” or to “deposit winnings” in your account.
4. Don’t send a company money for taxes. Only the government collects taxes on prize winnings.

Pyramid Schemes

“Pyramid” schemes aim for quick profits by selling the right to recruit other people to the scheme.

In a pyramid scheme, you are asked to pay money to become a “distributor” of a product or service.

Usually you are recruited through a meeting, where you are pressured to pay (“invest”) a large amount to become a “distributor.”

You then recruit a number of other distributors. Each of those distributors is supposed to recruit the same number of distributors, and so on.

How to spot a pyramid scheme

The focus is on profits you can make by sales to new recruits who buy the products in order to participate in the scheme.

There is more emphasis on recruiting than on selling the products or service.

Pyramid schemes are confusing. They look a lot like “multilevel marketing,” which is legal in Canada.

Under “multilevel marketing” people sell consumer products, usually in customers’ homes. The products are supplied by a multilevel marketing company.

You can obtain information about multilevel marketing from Industry Canada: 1-800-348-5358.

While multilevel marketing focuses on selling products or services, the pyramid scheme focuses on recruiting more and more people.

What the law says:

Pyramid schemes are illegal in Canada.

Facts:

- Only the people at the top of pyramid make any money.
- Most of the people who invest money in pyramid schemes lose all of it.
- Do not expect to get your money back.

Multilevel Marketing:

Lily has become a distributor for Lipstick Lady. Lipstick Lady is a brand of cosmetics that is sold door-to-door. Lily keeps a percentage of each sale she makes of Lipstick Lady products.

Pyramid:

You can make huge profits from a miracle new laundry product, Blue Bomber! When you become a distributor, you sign up other sales people and are guaranteed to make at least \$5000 a month!

Why pyramid schemes collapse

Suppose one person recruited six distributors, each of whom, in turn, recruited six others. Follow this through six steps.

Here's how many people would have to be recruited:

Number of People at Each Level of Pyramid Scheme	
Level	Number of people
first	6
second	36
third	216
fourth	1,296
fifth	7,776
sixth	46,656

For the pyramid scheme to work there would have to be an endless supply of recruits. As soon as the supply runs out, the pyramid collapses.

What you can do

You can report a suspected pyramid scheme or get help deciding if it's a pyramid or legitimate multilevel marketing by phoning the Better Business Bureau or the BC Business Practices and Consumer Protection Authority. See page 25 for contact details.

Travel Scams

Need a holiday?

Tempted by those glossy brochures?

There are bargains out there, but you need to be a careful consumer. Here are some of the major travel scams to watch out for:

Scam 1: You have won a "free holiday"

You get a letter in the mail or a phone call or an email. It goes something like this: *Congratulations! You have just won a free holiday in an exotic tourist destination.*

Scam 2: "Bargain" holiday certificates or packages

For example: *Holiday cruise for four for only \$500!*

To get the bargain, the scam says you have to:

- let the travel agent book the flight from your home to the port of departure for the cruise; or
- join a travel club; or
- attend a time-share presentation.

Facts

- Most people who join a bogus travel club or purchase a bogus holiday certificate never receive anything.
- Typically, the scam will use delays so your offer expires before you can take a trip. Or the travel dates you prefer will be unavailable.

- There will be hidden costs for transportation and accommodations. Many offers include only hotel costs.

Examples:

- The cruise may be discounted, but the flight to where the cruise leaves from may be vastly overpriced.
- A holiday certificate may be for two adults but only one adult's airfare is paid. You have to buy the other airfare at the highest rate.
- There may be fees, such as port fees for cruises, which have not been mentioned. A deposit is usually required which is only refundable upon completion of travel.
- The time-share presentation may just be a high pressure sales pitch urging you to buy now!
- The trip is often not what you expected. People who have booked luxury cruises have been given a day on a barge! Your five-star accommodations turn out to be a dump.

What the law says

- If you have signed up for a travel club or holiday certificate in BC, you have seven days to cancel. This is a "cooling-off" period required by law. Travel clubs in BC are limited to 2-year memberships. They are not "lifetime."
- If you cancel within seven days, the company is required to return your refund.

- Travel agents in BC must have a licence to operate.
- Licensed travel agencies contribute to the BC Travel Assurance Fund.
- This fund is used to compensate travelers if the travel services they have paid for become unavailable.
- This fund is available only if you have purchased your travel arrangement through a licensed BC travel agent. Note that this applies to holiday travel, not business travel.
- For more information about travel services and the Travel Assurance Fund contact the Business Practices and Consumer Protection Authority:
Phone: 604-320-1667
Toll Free: 1-888 564-9963

What you can do

1. Book through a BC registered travel agent so you are protected by the Travel Assurance Fund.
2. Do not give out your credit card number, or chequing account number, or send money until you get the full offer in writing with all costs and conditions. Find out if the prices are quoted in Canadian or US dollars. Find out exactly what the holiday package contains in terms of transportation and accommodations and for how many people.
3. Do not be pressured by any company to make an immediate decision.

4. Get the names of specific hotels, airports, airlines and restaurants that are a part of the package. Contact them to double-check the arrangements (Find the phone numbers yourself. Do not use a number provided by the company). If they've never heard of the firm offering you the trip, don't sign up.
5. Ask if the deposit is refundable, and how much is required later.
6. Be skeptical if you're told that you have 18 months or more to take the trip. By the time you try to make reservations, the company could be out of business.
7. Discuss with a local travel agent what a similar holiday would cost before you pay a deposit or make a purchase.
8. Call your local Better Business Bureau to check on the travel agent's record. See page 25 for contact details.

Work Scams

Looking for work?

Need more money?

If you see a job offer or business opportunity that looks too good to be true, it probably is.

Here are some work scams to watch out for.

Scam 1: Work at home, make huge profits

The offer may be to do such things as:

- stuff envelopes,
- clip coupons,
- assemble crafts, or
- enter data on a computer.

The ad may be on television or in the newspaper. Or you may get a phone call or a letter, or see a notice at the local community centre or even on a telephone pole.

Example: Make \$50,000 in less than 90 days from home!

Warning signs

This scam often:

- Demands you buy something in order to start the program.
- Promises you guaranteed markets, huge demand, big profits, and big earnings for part-time work.



Fact

The Better Business Bureau has not received *any* reports that work-at-home schemes produce income.

What the law says

It is illegal for an employer to require a prospective employee in BC to pay a fee in order to obtain a job.

Legitimate companies usually do not place open ads for work-at-home programs and do not require any type of payment in advance.

What you can do

1. Learn as much about the company, product and market potential as possible. Get everything in writing. Check with the Better Business Bureau to see what they know about the company.
2. Get a complete description of the work involved before you send any money. You should never have to pay for a job description or for needed materials.

Scam 2: Bogus modeling and talent agencies

Watch out for bogus modelling or talent agencies that “guarantee” huge or instant success.

Warning signs

This scam often:

- Asks you to pay for acting classes, workshops, or photographs.

- Wants money to include you in their promotional agency book.

What the law says

Modelling agencies that offer courses must be registered with the BC Career Training Institutions Agency.

What you can do

Check with the Better Business Bureau to see what they know about the agency.

Phone the BC Career Training Institutions Agency to see if the agency is registered with them. Phone 604-660-4400.

Scam 3: Work overseas schemes

You may see an advertisement for overseas employment.

The offer may be for a job:

- on a cruise ship, or
- with an airline.

Warning signs

This scam often

- Claims to guarantee employment.
- Claims to have access to confidential information about work available.
- Wants you to send payment in advance to receive the information.

Facts

- No employment service can guarantee a job.

- The access to “confidential employment opportunities” may be no more than a list from free sources such as government lists or other newspaper ads.

What you can do

If you want to work in any country overseas, contact the embassy of that country. They will tell what you need to know about permits etc.

Scam 4: Bogus franchises

Some franchises are legitimate business opportunities. Others are scams.

What is a franchise?

A franchise is where you buy the right to sell a company’s goods and services.

Examples:

- “chains” such as many fast food outlets
- vending machines
- magazine racks
- video game machines.

A business opportunity is considered a “franchise” if:

1. You will sell or distribute goods or services that are supplied by either the company or a designated supplier.
2. The company will help you by securing locations or sites for the vending machines or display racks.
3. You are required to pay the company a sum of money when you sign the contract or within a set period of time after you begin operations.

Warning signs of a franchise scam

- High pressure sales tactics. If you are pressured to sign immediately “because prices will go up tomorrow,” or “another buyer wants this deal,” do not sign.
- Be wary if the salesperson makes the job sound too easy.
- Promises of extraordinary profits with very little risk are usually too good to be true.
Example: *No experience required. No selling. Earn \$5,000+ per month.*
- Excessively high start-up fees.
- Evasive answers to your questions. If a seller won’t agree to put verbal promises in writing, avoid this seller and look for a legitimate company.
- With franchise scams you will find that promoters:
 - Do not deliver the equipment they promised.
 - Do not provide the support services they promised in the sales pitch, such as repairing or replacing damaged items.

Tips for People Interested in Buying a Franchise

- Shop around. Compare franchises with other business opportunities.
- Talk to people who have franchises. Find out how many sales people are in the area and whether you will have an exclusive territory.
- Ask the seller for a list of the names and addresses of current owners and operators. The company’s list of selected

references is not a substitute for a list of franchise owners. Be very wary if the seller provides recommendations from people but never gives you a way to contact those people yourself.

- Ask to see a Uniform Franchise Offering Circular (UFOC) and review it carefully. This document lists current franchisees, those who have left or quit, and gives financial statements of the business. It should give you the true picture of the franchise operations beyond the glossy sales brochures.

UFOCs are not legally required in BC, but demand one anyway. UFOCs are required by law in most parts of the U.S. Alberta has also introduced a version.

- Get professional advice from a lawyer and/or accountant or business advisor. Go over all the details of the franchise system. Always question where the franchise company makes its money.
- Get the seller's promises in writing. If the salesperson says one thing but the written contract says nothing about it or says something different, the written contract is what counts.

- Sales claims about successful areas of business — “Be a part of our five billion dollar industry,” for example — may have no bearing on your likelihood of success. Once you buy the business, you may be competing with franchise owners or independent business people with more experience.
- Before you sign any contract, take it to a lawyer who is familiar with franchise operations. Be sure you understand who owns what.
- Report any problems to the Better Business Bureau. See page 25 for contact details.
- For more information, contact Dial-A-Law, a service that provides legal information on tapes. Select the tape, Business Opportunity Schemes, Franchises, Pyramids and Chain Letters (Tape 259). See page 25 for contact details.



Sources of Help

It's not always easy to spot scams and new ones are invented every day. If you suspect that you may be a target of a scam, remember that you are not alone.

Here are places that can help if you want to report a scam or if you need more information.

Better Business Bureau of Mainland British Columbia

Consumer line: 604-682-2711

Website: www.bbbvan.org

Better Business Bureau of Victoria

Consumer line: 250-386-6348

Website: www.bbbvanisland.org

BC Business Practices and Consumer Protection Authority

Information about how to prevent consumer problems and what to do if you have a problem.

Telephone: 604-320-1667;

1-888-564-9963 (toll free)

Website: www.bpcpa.ca

Credit Counselling Society of BC

The Credit Counselling Society of BC provides assistance with debt problems.

Telephone: 1-888-527-8999

Website: www.ccsbc.org/help.shtml

Dial-A-Law

Dial-A-Law is a library of practical legal information. It is operated by the BC Branch of the Canadian Bar Association.

You can access Dial-A-Law in two ways:

1. by phone, as recorded scripts

2. in writing, on the Dial-A-Law website Telephone 604-687-4680 in the lower mainland or 1-800-565-5297 elsewhere in BC. Or go to www.bccba.org and click on Visitors and then Dial-A-Law. Look for the "Consumer" menu.

PhoneBusters

PhoneBusters is a national anti-fraud call centre jointly operated by the Ontario Provincial Police and the Royal Canadian Mounted Police. PhoneBusters plays a key role in educating the public about specific fraudulent telemarketing pitches.

Telephone: 1-888-495-8501

Fax: 1-888-654-9426

Website: www.phonebusters.com

Email: info@phonebusters.com

Competition Bureau

The Competition Bureau of Industry Canada deals with complaints about scams and also provides information.

Telephone: 1-800-348-5358

Website: www.cb-bc.gc.ca

Email: compbureau@cb-bc.gc.ca

Address: 50 Victoria Street,
Gatineau, Quebec K1A 0C9

Canadian Consumer Information Gateway

This federal government website includes valuable tips on how to protect yourself in various consumer situations, such as shopping on-line, investing, dealing with telemarketers, door-to-door salespeople, or renovation contractors, having your car repaired, and much more.

Website:

www.ic.gc.ca/cmb/welcomeic.nsf/ICPages/SubjectConsumers#consumergateway

Please tell us what you think...

We value your opinion about our booklets. Please take a few moments to tell us what you think.

After reading this booklet on **Scams to Avoid**, how do you rate your understanding of the area of law it explained?

- much better better
 not much better no better

Any comments?

How did you find the words and ideas when reading this booklet?

- too difficult quite difficult
 fairly easy very easy

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If you plan to take some action on this topic, how useful do you find this booklet?

- very useful quite useful
 not very useful not useful at all
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Please tell us one thing you learned when you read this booklet.

Please photocopy this page and fax or mail your completed form to us. **Thank you!**

People's Law School
150 – 900 Howe Street
Vancouver, BC
V6Z 2M4

FAX: (604) 331-5401

Credits

This booklet was prepared with the assistance of the Better Business Bureau of BC and the Canada Revenue Agency.

Writer: Gayla Reid

Proofreader: Bernice DeWitt

You should not rely on this booklet for legal advice. It provides general information only.

The People's Law School

The People's Law School is a non-profit society whose purpose is to provide British Columbians with reliable information about their rights and responsibilities under the law.

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Suite 150
900 Howe Street
Vancouver, B.C.
V6Z 2M4
TEL 604.331.5400
FAX 604.331.5401

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