



confused about scams

What is a scam?

A scam is a dishonest attempt to trap you into parting with your money. Unfortunately we have all experienced being cheated in one way or another, and we all know how it feels.

A 'scammer' may make a personal approach, with an offer too good to be true. Someone may email you, phone, text-message or post an offer that they press you to take up.

They can often use persuasive techniques that can be hard to resist. They can sometimes make you feel that you are petty or inadequate if you resist or even question their offer.

But there are warning signs that you are being conned. There are patterns that you can learn to recognise. You can learn to spot a scam coming, and you can learn the skills to respond. You can protect yourself, and your money, from the cheat.

Warning signs

There are warning signs that may alert you to someone trying to scam you. The following points are very general, and will not necessarily indicate a scam. The list is not exhaustive either, so there may be other warning signs. If you are in doubt, contact The Office of Consumer and Business Affairs (OCBA), South Australian Police (SAPOL) or your legal advisor.

1. If someone is trying to scam you they will usually approach you in some way with an offer that sounds irresistible. But they may gloss over the details of their offer, and instead rave to you about how the product or service will change your life, make you rich or assist some needy cause or person. *Warning sign: insufficient details are provided.*

2. The scammer will usually try to hurry you into making a decision, because they know that the further you investigate or research their offer, the more likely you are to reject it. They may tell you that the offer is only available for a limited time, or to a limited number of purchasers. *Warning sign: you are being rushed.*

3. There are offers that may come to you via post or email. They may tell you about someone who has had a horrendous life, in a country whose circumstances are such that you have no way to verify the facts, and then ask you for a donation. You may feel so disturbed by the story, that when you are asked for a donation, you may be inclined to send off your bank account or credit card details. *Warning sign: you are asked for bank details by someone you don't know & for a cause you can't check on.* *Warning sign: your emotions are engaged.*

4. You may be told that you have been the winner of a prize draw or lottery, either in Australia or overseas, and the way for you to take up the win may be to send an entry cheque, or purchase a product or send your account details. *Warning sign: you haven't entered the lottery you are supposed to have won.*

5. You may be told that the offer made to you is legal and made by a reputable, successful organisation but you may be asked to keep it confidential. *Warning sign: you don't know anything about the organisation involved in the offer; why do they have to reassure you that the offer is legal?*

There are many other warning signs that you may now be able to recognise yourself from these examples. For instance:

6. You may be asked to send money to a post office box number and you can't find a street address or phone number or any other information about the operator.

7. You may be told you will receive a financial reward for enlisting other people to a scheme that has no purpose other than to make money for participants, but you can't find out enough about what the scheme actually does or promotes or sells.

Types of scams

There are some amazing offers that may come your way. You may be approached by someone pretending to be an investment adviser. But always investigate any money-making scheme very carefully before deciding whether or not to invest your hard earned money. If you have any concerns about a scheme seek legal advice and if you are still unsure have nothing to do with it! If it looks too good to be true it usually is!

Chain letters

Some chain letters promise easy money to anyone who participates, but for the majority there is a very small or no return at all. The chain letter invites you to send a sum of money to the name at the top of a list, delete that name and then add your own name to the bottom of the list before sending the letter to a number of people.

Chain letters that involve sending money in the hope of making money are pyramid selling schemes, and these are illegal in Australia.

Pyramid schemes

There are three elements that may indicate a pyramid scheme:

- a participant pays money to the promoters
- that payment entitles the participant to recruit others to the scheme, *and*
- the participant is induced to make the payment because they are told they will receive a benefit in respect of the introduction of those others to the scheme.

A pyramid selling scheme is a multi-level selling technique where the main feature is that earning money and gaining promotion depends on recruiting other people into the operations rather than selling a product or providing a service. A person is generally required to pay a fee to take part. If commission comes only from recruiting others, people who start the scheme have a large advantage over those who join later.

Pyramid selling schemes can look a little like multi-level marketing (MLM) where participants earn commissions from the sale of products. MLM usually involves commercially viable products (e.g. clothing, cosmetics, cookware etc) that present genuine business and income-earning opportunities through repeat sales. However, pyramid selling schemes often involve no product at all or 'gimmick' type products or services that do not generate regular income through repeat sales.

Phishing

Phishing scams (via the computer) have one thing in common – they trick people into disclosing their personal details by enticing them to click on a link that directs them to a hoax website where personal information is captured. Often the emails and the fake websites are designed to replicate the appearance of a bank or company's legitimate website, and the website address can also be very similar. Financial institutions do not contact their customers in this way, so don't be trapped by this scam. If you click on a dubious link you may be opening up your computer system to a 'trojan' virus, which can go on to access your personal details or financial accounts.

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Are scams illegal?

Some scams may involve unlawful conduct. There have been cases where people have been convicted of offences relating to a scam. Sometimes the scam in question may have received the publicity required to stamp it out. However, the people running a scam can be ingenious, and may move around or jump quickly from one type of con-job to another. This will make it difficult to prosecute them for any illegal conduct or bring civil proceedings to obtain compensation for losses.

This is why it is essential that YOU learn to recognise the warning signs. If not, it may be too late by the time the authorities catch up with the scammer – you may have lost your savings or you may be stuck with a product that is worthless.

Disclaimer

The information contained on this brochure covering chain letters, pyramid schemes and other scams is published in the public interest under the authority of section 91A of the *Fair Trading Act 1987(SA)*.

Under section 91B of the *Fair Trading Act 1987 (SA)*, no liability is incurred for publishing this information.

Tips on self-protection

- Avoid dealing with an unfamiliar company, especially if you can't check on their background or record
- Be wary about someone who shows up uninvited at the door or contacts you out of the blue
- Learn to be blunt; practise saying 'NO!'
- Don't divulge personal information to strangers
- Ask for written materials on any offers or charities
- Take your time making a decision; don't be rushed because the offer is only available for a day or two
- Never give out your bank account or credit card information
- Carefully review letters or emails that look official or urgent – if you feel uneasy don't respond to them
- Pay close attention to the fine print
- Do not respond to offers you do not fully understand
- Ask yourself 'Does this offer sound too good to be true?'
- Keep written records, including quotes, warranty offers, receipts etc
- Walk away from a deal if you feel like you are being pressured
- If you become a victim, report the scam to OCBA.

What makes you vulnerable to scammers or cheats?

If an offer sounds too good to be true, chances are it is. Do not be reluctant to say that you are 'not interested' and/or 'no thank you'.

Today's elderly people grew up at a time when keys were left in the car, the house was left unlocked and people had 'respect for their elders'. But times have changed. Scammers are predators who don't care who they hurt and they will prey on people's trust. If you are too trusting today you make yourself an easy target and you could end up a victim.

If you are alone or feeling lonely you may be especially vulnerable. There are counsellors and therapists who may be able to help if you feel that you may need support. Remember the scammers' focus is on the money they will make from you, not any benefit to you.

i'll lure you in

