

Module 9 - Consumerism

HANDOUT 9-7

Common frauds and scams

Foreign scams

Foreign scams often involve a letter or email that claims to be an investment opportunity. The Nigerian or West African business letter scam is a well-known example of this. The letter appears to be from a politician or business person seeking your banking information so they can share money with you. In fact, they use this information to steal from you or open credit cards under your name.

Telemarketing scams

Telemarketing is the sale of goods or services over the phone. Some telemarketers are annoying, but harmless. Others are selling scams. Signs of telemarketing scams include claims that you have won a prize, such as sweepstakes, travel packages, magazine subscriptions, or gym memberships. Check out the company before you agree to anything. Do not share your credit card or banking information with a telemarketer.

Advance fee scams

These are scams where some kind of service or benefit is offered, but you have to pay before receiving anything. In many cases, you end up paying and getting nothing in return. This is common with guaranteed loans, debt consolidation, and credit repair services. A non-profit credit counsellor will not ask for fees in advance of providing a debt management program.

Debit card fraud

There are many forms of debit card fraud. They all involve stealing your money and banking information. Common scams include:

- Stealing your card and PIN
- Setting up devices to jam your card in ATMs
- “Skimming” which means using a device that can find out your banking information through the magnetic strip on your card
- Fake ATMs that collect your card and PIN information.

For some kinds of debit card fraud, your bank will not cover the money stolen. For example, they will not cover the money if they think that you did not protect your PIN as you should. Make sure that you keep your banking information and PIN secret. Do not share this information with anyone.

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Credit card fraud

Some scams use your stolen credit card to make purchases. Some use the card to steal your identity and open more credit under your name. Review your credit card statements to make sure that all the purchases are yours. Most bank issued credit cards will not make you pay for any unauthorized or fraudulent transactions on your credit card (you will have to sign a statement claiming the activity was fraudulent/unauthorized).

Toll-free, text message and international call scams

These are scams where you are charged a fee for calling or text messaging a number. Often TV ads will urge you to call or text for a product or service. But it is not always clear that there can be costly charges just for making the call. Some phone numbers might seem like they are local, but they are in fact international. Always find out if there are charges before calling or texting.

Calling card scams

These scams target people who often make long-distance calls using calling cards. Many of these scams have large fees up front when you buy the card. Or they may charge you for a certain number of minutes, but cut your calls off before you have used your minutes up. Buy calling cards only from companies you know and trust.

Work-at-home scams

Some jobs are advertised as opportunities to make money while you work from home. But in many cases, you never get paid for your work. Common types of jobs that fall under this scam are envelope stuffing, data entry, assembling crafts, and posting ads and flyers. Make sure you research the job and the company well before you take a job like this.

Emergency scams

Emergency scams often target seniors. Callers pretend to be a grandchild or nephew and state they are in some kind of trouble, such as a car accident, and need money immediately. Person may get a call from two people, one pretending to be the relative and the other a police officer or a lawyer. Your “grandchild” asks you questions during the call, getting you to volunteer personal information. Person will be asked to wire some money through a money transfer company.

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Dating and Romance

Sites may claim to be a dating website where you pay for each email or message you send and receive.

The scammer will try to hook you in by sending you vague-sounding emails filled with talk of love or with details about them that keep you writing back and paying money for use of the website. On legitimate dating sites scammers may make claims to have a very sick family member and after many messages and maybe even a glamorous photo, you will be asked (directly or more subtly) to send them money to help their situation. Or they may tell you about a large amount of money they need to transfer out of their country, or that they want to share with you. They will then ask for your banking details or money for an administrative fee or tax that they claim needs to be paid to free up the money.

Remember! If something sounds too good to be true, it probably is! Or, if someone you do not know well is playing on your emotions, either through tragedy or love, beware! Scammers are VERY good at what they do!