



Consumer Fraud by Phone or Mail

Know How to Protect Yourself

Publication 281

July 2006

Consumer fraud... by phone or mail!

When phone calls and postcards are bringing you marvelous offers to buy...

- “Shares” or “interests” in foreign lotteries
- Low-cost vacations
- Magazine subscriptions
- Office supplies or promotional items
- Club memberships
- Sure-fire investments
- Vitamins

Do they say...

“You’ve just won a contest, and if you pay ‘shipping and handling’ or a ‘small gift tax,’ it’s all yours”?

Do they want...

Your credit card number?

If so, you may be the victim of a boiler room fraud.

Direct marketing vs. boiler room fraud

Direct marketing is the sale of goods and services by direct contact with the consumer, by phone or mail.

Boiler room fraud is the use of the phone or the mail by unethical companies that only want to take your money. It is a growing problem for both individuals and businesses, costing consumers billions of dollars a year. The best way to protect yourself is to learn to recognize a fraudulent offer.

What are boiler room companies?

- Their calls are usually from firms located out of state. The firms work out of large rooms with rows of phones, staffed by solicitors trained to repeat a deceptive sales pitch.
- Sometimes they send you an enticing or official-looking letter or postcard in the mail urging you to call them.
- Often “900” numbers are used, so you’ll be billed just for calling them, even if you decide not to purchase anything.

What do the salespeople say?

- “You’ve been specially selected to hear this offer.”
- “You’ll get a wonderful free bonus if you buy our product.”
- “You’ve won a valuable free prize.”
- “You’ve won big money in a foreign lottery.”
- “This investment is low-risk and provides a higher return than you can get anywhere else.”
- “You have to make up your mind right away.”
- “You can put the shipping and handling charges on your credit card.”

Callers may use well-rehearsed sales pitches designed to sound believable. You may be transferred from person to person, so it sounds like a genuine business setting. A “vice president” may even call you back to try to convince you to buy. Beware of high-pressure pitches that require immediate decisions! Legitimate firms will always give you time to think an offer over.

What if you fall for the boiler room sales pitch?

If you are a victim of a boiler room fraud, you may find:

- You never receive any “winnings” from the foreign lottery you entered.
- The merchandise you bought is overpriced and of poor quality.
- The “free gift” never arrives, or it’s worth just a fraction of the “shipping and handling” or “gift tax” you paid.
- The investment turns out to be nonexistent or a loser.
- The donation you thought was going to charity goes instead into the fundraiser’s pocket.
- Unauthorized charges start appearing on your credit card bills.
- Con artists call and offer to help you get your money back — for a fee, of course.

How can you protect yourself?

- Hang up!
- Take your time — don’t rush into accepting an offer.
- Don’t buy something merely because you’ll get a “free gift.”
- Get all information in writing before you agree to buy.
- Check out the caller’s record with your state’s Attorney General’s office and the Better Business Bureau.
- Don’t give your credit card or checking account number to anyone who calls on the phone or sends you a postcard.
- Check out a charity before you give them any money. Ask the charity how much of your donation actually goes to the needy party.

- Be extremely cautious about investing with an unknown caller who insists you make up your mind immediately.
- If the investment is a security, check with state officials to see if it is properly registered. If large amounts of money are involved, check with your legal or financial advisor.
- Don't send money by messenger or overnight mail. If you use money rather than a credit card in the transaction, you may lose your right to dispute fraudulent charges.
- Hang up the phone rather than allow yourself to be pressured to buy.
- Make sure you know the per-minute charge for any "900" call you make.
- If it sounds too good to be true, it probably is.

Ask yourself:

- Do I have adequate time to think this over, or am I being pressured for a decision right now?
- Will they send me additional information through the mail, putting their statements and promises in writing, or do they refuse to do so?
- Are they insisting on my credit card or checking account number right now?
- Why do they want to send a private courier tonight for my check?
- Is the free gift or prize they're promising really free, or do I have to pay a registration fee or shipping and handling charge before receiving anything?

***If the answer to any
of these questions is yes...***

BEWARE!

Take time to consider the offer, get additional information and advice, and resist the "take it or leave it" high-pressure tactics so often used in boiler room pitches.

For more information about the firm and the offer you are considering, contact any of the following groups, preferably in the city or state where the firm is located:

- State Consumer Protection Agencies
- Better Business Bureau
- State Attorney General
- Chamber of Commerce
- State Securities Regulator
- Federal Trade Commission
- Federal Bureau of Investigation
- U.S. Postal Inspection Service

If you think you are the victim of a boiler room fraud, save all documentation of the transaction, including postcards, canceled checks, phone bills, credit card statements, and even mailing envelopes. Make detailed notes of your telephone conversations by date and time and write down any important statements made by each person who spoke with you.

If any part of the transaction took place through the U.S. Mail, such as the receipt of promotional literature or a mailed payment, we urge you to contact your nearest Postal Inspector. The Inspection Service ensures the safety, security, and integrity of the U.S. Mail — key elements of the Postal Service's Transformation Plan. If necessary, your local postmaster can provide the Inspector's address, or you may write directly to:

ATTN MAIL FRAUD
CRIMINAL INVESTIGATIONS SERVICE CENTER
222 S RIVERSIDE PLAZA STE 1250
CHICAGO IL 60606-6100

Or, you can report fraud online at:
www.usps.com/postalinspectors.