

FTC Business Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

Website Woes: Avoiding Web Service Scams

If you're interested in using the Web to expand your small business, be cautious. Some unscrupulous companies, claiming to provide free web design and hosting services, are billing small businesses for services that were never authorized and have little value. The bogus charges usually appear on businesses' phone bills — an illegal practice known as “cramming” — or on fraudulent invoices.

The Scam

You get a call from a company offering you a free, 30-day website. They say you can continue the service for a nominal fee, say \$25 or \$30 a month, and cancel at any time. Some service providers state that you'll be billed automatically after the 30-day period; others claim you won't be billed after the 30 days unless you tell them you want to continue the service.

Before or after explaining the offer, the provider asks for basic information about your company: the address, contact person, business hours and a brief description of the business. The provider says that your free website will be up and running within a week, and that you'll receive a welcome package, which may include a printed copy of the website, instructions for accessing the site, and a phone number to call to make changes or cancel the service.

In fact, unscrupulous service providers bill you, whether you authorize the services or tell the provider that you want to cancel. Also, many of the services have little value. That's because these providers design and host sites that contain limited information about the business, include misinformation or misspellings, and lack important features. Moreover, most of the sites are not listed with major search engines. If customers can't find your site, it's worthless to your bottom line. In addition, you probably won't see the welcome package, but you will see the bill — either on your phone bill or as a direct invoice.

Unless you review your monthly phone bills or invoices carefully you could end up paying unauthorized charges for months before you notice the scam.

Protect Your Business

You can protect your business from losing money to unordered services. Here's how:

1. Know your rights. If you receive bills for services you didn't order, don't pay. The law allows you to treat unordered services as a gift.

2. Review your phone bills as soon as they arrive. Be on the lookout for charges for services you haven't ordered or authorized. If you find an error on your bill, follow the instructions on your statement.
3. Assign purchasing to designated staff. And document all your purchases.
4. Train your staff in how to respond to telemarketers. Advise employees who are not authorized to order services to say, "I'm not authorized to place orders. If you want to offer or sell us something, you must speak to _____."
5. Buy from people you know and trust. Authorized employees should be skeptical of "cold" or unsolicited calls and feel comfortable saying "no" to high pressure sales tactics.

Where to Complain

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

The Better Business Bureau also may be able to help you with your problem. You can file a complaint with the BBB by using the online complaint form at www.bbb.org or by contacting the local BBB in your community.

This Business Alert was produced in cooperation with the Small Business Administration, American Chamber of Commerce Executives, Better Business Bureau, National Federation of Independent Businesses and Yellow Pages Publishers Association. For more information that may be helpful to your small business, contact any of these organizations.

American Chamber of Commerce
 Executives
 4232 King Street
 Alexandria, VA 22302
www.acce.org

National Federation of Independent Businesses
 53 Century Boulevard, Suite 300
 Nashville, TN 37214
 1-800-NFIB-NOW
www.nfib.org

Better Business Bureau
 Contact your local BBB; look for the
 phone number in your telephone
 directory or contact the Council of
 Better Business Bureaus, Inc.
 4200 Wilson Boulevard, Suite 800
 Arlington, VA 22203-1804
www.bbb.org

Small Business Administration
 1-800-U-ASK-SBA (1-800-827-5722)
www.sba.gov/bi/schemes/

Yellow Pages Publishers Association
 3773 Cherry Creek North Drive, Suite 920
 Denver, CO 80209
www.yppa.org