

# FTC FACTS for Consumers



**Prize Offers:  
You Don't  
Have to Pay  
to Play!**

*Congratulations, it's your lucky day!*

*You've just won \$5,000!*

*You're guaranteed to win a fabulous diamond ring, luxury vacation  
or all-terrain vehicle!*

If you receive a letter or phone call with a message like this, be skeptical. The \$5,000 “prize” may cost you hundreds of dollars in taxes or service charges – and never arrive. Your “fabulous” prize may not be worth collecting. The diamond is likely to be the size of a pinhead. The “vacation” could be one night in a seedy motel, and the ATV, nothing more than a lounge chair on wheels!

Scam artists often use the promise of a valuable prize or award to entice consumers to send money, buy overpriced products or services, or contribute to bogus charities. People who fall for their ploys may end up paying far more than their “prizes” are worth, if they get a prize at all.

What these people *are* likely to get – especially if they signed up for a contest drawing at a public place or event – may be more than they bargained for: more promotions in the mail, more telemarketing calls and more unsolicited commercial email, or “spam.” This is because many prize promoters sell the information they collect to advertisers.

Worse yet, contest entrants might subject themselves to a bogus prize promotion scam.

## **And The Winner Is...**

Everyone loves to be a winner. A recent research poll showed that more than half of all American adults entered sweepstakes within the past year. Most of these contests were run by reputable marketers and non-profit organizations to promote their products and services. Some lucky winners received millions of dollars or valuable prizes.

Capitalizing on the popularity of these offers, some con artists disguise their schemes to look legitimate. And an alarming number of people take the bait. Every day, consumers throughout the United States lose thousands of dollars to unscrupulous prize promoters. During 1999 alone, the Federal Trade Commission received more than 10,000 complaints from consumers about gifts, sweepstakes

# Facts for Consumers

and prize promotions. Many received telephone calls or postcards telling them they'd won a big prize – only to find out that to claim it, they had to buy something or pay as much as \$10,000 in fees or other charges.

There's a big difference between legitimate sweepstakes and fraudulent ones. Prizes in legitimate contests are awarded solely by chance, and contestants don't have to pay a fee or buy something to enter or increase their odds of winning. In fraudulent schemes, however, "winners" almost always have to dip into their pockets to enter a contest or collect their "prize."

## Skill Contests

There's one notable exception: skill contests. These are puzzles, games or other contests in which prizes are awarded based on skill, knowledge or talent – not on chance. Contestants might be required to write a jingle, solve a puzzle or answer questions correctly to win.

Unlike sweepstakes, skill contests may legally require contestants to buy something or make a payment or donation to enter.

It's important to recognize that many consumers are deceptively lured into playing skill contests by easy initial questions or puzzles. Once they've sent their money and become "hooked," the questions get harder and the entry fees get steeper. Entrants in these contests rarely receive anything for their money and effort.

## Consumer Protections

Several consumer laws help protect consumers against fraudulent sweepstakes and prize offers promoted through the mail or by phone.

## Telephone Solicitations

Telemarketers frequently use sweepstakes and prize contests to sell magazines or other goods and services. These telemarketers make an initial contact with consumers through "cold calls," or take calls from consumers who are responding to a solicitation they received by mail.

The Telemarketing Sales Rule helps protect consumers from fraudulent telemarketers who use prize promotions as a lure. In every telemarketing call involving a prize promotion, the law requires telemarketers to tell you:

- the odds of winning a prize. If the odds can't be determined in advance, the promoter must tell you the factors used to calculate the odds.
- that you don't have to pay a fee or buy something to win a prize or participate in the promotion.
- if you ask, how to participate in the contest without buying or paying anything.
- what you'll have to pay or the conditions you'll have to meet to receive or redeem a prize.

The Telemarketing Sales Rule prohibits telemarketers from misrepresenting any of these facts, as well as the nature or value of the prizes. It also requires telemarketers who call you to pitch a prize promotion to tell you *before* they describe the prize that you don't have to buy or pay anything to enter or win.

## Written Solicitations

Many sweepstakes promotions arrive by mail as a letter or postcard that instructs the consumer to respond by return mail or phone to enter a contest or collect a prize.

The Deceptive Mail Prevention and Enforcement Act helps protect consumers against fraudulent sweepstakes promotions sent through the mail. The law prohibits:

- claims that you're a winner unless you've actually won a prize.
- requirements that you buy something to enter the contest or to receive future sweepstakes mailings.
- the mailing of fake checks that don't clearly state that they are non-negotiable and have no cash value.
- seals, names or terms that imply an affiliation with or endorsement by the federal government.

## Skill Contests

Skill contests also are covered by the new Deceptive Mail Prevention and Enforcement Act. The law requires the sponsors to disclose in a clear and conspicuous way:

- the terms, rules and conditions of the contest.
- how many rounds of the contest you must achieve to win the grand prize.
- the time frame for the winner to be determined.

- the name of the contest's sponsor.
- an address where you can reach the sponsor to request that your name be removed from the mailing list.

## Just Say "No"

Another way to protect yourself is to request that your name be removed from mail and telephone solicitation lists.

The Telemarketing Sales Rule requires telemarketers to keep a "do not call" list of

## A Dozen Ways to Protect Yourself

The next time you get a "personal" letter or telephone call telling you "it's your lucky day," the Federal Trade Commission encourages you to remember that:

1. Legitimate sweepstakes don't require you to pay or buy something to enter or improve your chances of winning, or to pay "taxes" or "shipping and handling charges" to get your prize. If you have to pay to receive your "prize," it's not a prize at all.
2. Sponsors of legitimate contests identify themselves prominently; fraudulent promoters are more likely to downplay their identities. Legitimate promoters also provide you with an address or toll-free phone numbers so you can ask that your name be removed from their mailing list.
3. Bona fide offers clearly disclose the terms and conditions of the promotion in plain English, including rules, entry procedures, and usually, the odds of winning.
4. It's highly unlikely that you've won a "big" prize if your notification was mailed by bulk rate. Check the postmark on the envelope or postcard. Also be suspicious of telemarketers who say you've won a contest you can't remember entering.
5. Fraudulent promoters might instruct you to send a check or money order by overnight delivery or courier to enter a contest or claim your "prize." This is a favorite ploy for con artists because it lets them take your money fast, before you realize you've been cheated.
6. Disreputable companies sometimes use a variation of an official or nationally recognized name to give you confidence in their offers. Don't be deceived by these "look-alikes." It's illegal for a promoter to misrepresent an affiliation with — or an endorsement by — a government agency or other well-known organization.
7. It's important to read any written solicitation you receive carefully. Pay particularly close attention to the fine print. Remember the old adage that "the devil is in the details."
8. Agreeing to attend a sales meeting just to win an "expensive" prize is likely to subject you to a high-pressure sales pitch.
9. Signing up for a sweepstakes at a public location or event, through a publication or online might subject you to unscrupulous prize promotion tactics. You also might run the risk of having your personal information sold or shared with other marketers who later deluge you with offers and advertising.
10. Some contest promoters use a toll-free "800" number that directs you to dial a pay-per-call "900" number. Charges for calls to "900" numbers may be very high.
11. Disclosing your checking account or credit card account number over the phone in response to a sweepstakes promotion — or for any reason other than to buy the product or service being sold — is a sure-fire way to get scammed in the future.
12. Your local Better Business Bureau and your state or local consumer protection office can help you check out a sweepstakes promoter's reputation. Be aware, however, that many questionable prize promotion companies don't stay in one place long enough to establish a track record, and the absence of complaints doesn't necessarily mean the offer is legitimate.

# Facts for Consumers

consumers who have asked not to be called again. Calling a consumer who has made this request is illegal and can subject the telemarketer to a hefty fine.

The Deceptive Mail Prevention and Enforcement Act requires companies that use direct mail to maintain a similar “do not mail” list for consumers who call or write and ask that their name be removed from the mailing list.

This new law gives caregivers the right to have the names of the friends and loved ones under their care removed from the mailing lists of undesirable solicitors.

Another way to reduce mail and telephone solicitations is to contact the Direct Marketing Association to request that your name be placed on its “do not call,” “do not mail” and “do not email” lists. Association members agree not to solicit consumers who have requested that they not be contacted.

To have your name removed from direct mail marketing lists, write: Direct Marketing Association, Preference Service Manager, 1120 Avenue of the Americas, New York, New York 10036-6700. To have your name removed from telemarketing lists, write: Direct Marketing Association, Preference Service Manager, 1120 Avenue of the Americas, New York, New York 10036-6700. To “opt out” of receiving unsolicited commercial email, use the DMA’s form at [www.e-mps.org](http://www.e-mps.org).

## To File a Complaint

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business prac-

tices 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](http://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.

Consumers who believe they have been victimized by fraudulent promotional offers also should contact their local postmaster or the U.S. Postal Inspection Service by phone, toll-free, at: 1-888-877-7644; by email at: [www.uspsoig.gov](http://www.uspsoig.gov); or by mail at: U.S. Postal Inspection Service, Office of Inspector General, Operations Support Group, 222 S. Riverside Plaza, Suite 1250, Chicago, IL 60606-6100.

If you have a problem with a sweepstakes or prize promotion after participating, and you are unable to resolve the problem directly with the company, contact:

- The Direct Marketing Association, ConsumerLine, 1111 19<sup>th</sup> Street, NW, Suite 1100, Washington, DC 20036-3603; phone 202-955-5030; fax 202-955-0085.
- The Better Business Bureau where the company is located.
- Call for Action, a network of radio and television station hotlines that offer resolution services for consumers. Call 301-657-7490 or write: Call for Action, 5272 River Road, Suite 300, Bethesda, MD 20816.



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

July 2000