

FTC Consumer Alert

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

FTC Names Its Dirty Dozen: 12 Scams Most Likely To Arrive Via Bulk Email

Email boxes are filling up with more offers for business opportunities than any other kind of unsolicited commercial email. That's a problem, according to the Federal Trade Commission (FTC), because many of these offers are scams.

In response to requests from consumers, the FTC asked email users to forward their unsolicited commercial email to the agency for an inside look at the bulk email business. FTC staff found that more often than not, bulk email offers appeared to be fraudulent, and if pursued, could have ripped-off unsuspecting consumers to the tune of billions of dollars.

The FTC has identified the 12 scams that are most likely to arrive in consumers' email boxes. The "dirty dozen" are:

1. Business opportunities

These business opportunities make it sound easy to start a business that will bring lots of income without much work or cash outlay. The solicitations trumpet unbelievable earnings claims of \$140 a day, \$1,000 a day, or more, and claim that the business doesn't involve selling, meetings, or personal contact with others, or that someone else will do all the work. Many business opportunity solicitations claim to offer a way to make money in an Internet-related business. Short on details but long on promises, these messages usually offer a telephone number to call for more information. In many cases, you'll be told to leave your name and telephone number so that a salesperson can call you back with the sales pitch.

The scam: Many of these are illegal pyramid schemes masquerading as legitimate opportunities to earn money.

2. Bulk email

Bulk email solicitations offer to sell you lists of email addresses, by the millions, to which you can send your own bulk solicitations. Some offer software that automates the sending of email messages to thousands or millions of recipients. Others offer the service of sending bulk email solicitations on your behalf. Some of these offers say, or imply, that you can make a lot of money using this marketing method.

The problem: Sending bulk email violates the terms of service of most Internet service providers. If you use one of the automated email programs, your ISP may shut you down. In addition, inserting a false return address into your solicitations, as some of the automated programs allow you to do, may land you in legal hot water with the owner of the address's domain name. Several states have laws regulating the

sending of unsolicited commercial email, which you may unwittingly violate by sending bulk email. Few legitimate businesses, if any, engage in bulk email marketing for fear of offending potential customers.

3. Chain letters

You're asked to send a small amount of money (\$5 to \$20) to each of four or five names on a list, replace one of the names on the list with your own, and then forward the revised message via bulk email. The letter may claim that the scheme is legal, that it's been reviewed or approved by the government; or it may refer to sections of U.S. law that legitimize the scheme. Don't believe it.

The scam: Chain letters — traditional or high-tech — are almost always illegal, and nearly all of the people who participate in them lose their money. The fact that a “product” such as a report on how to make money fast, a mailing list, or a recipe may be changing hands in the transaction does not change the legality of these schemes.

4. Work-at-home schemes

Envelope-stuffing solicitations promise steady income for minimal labor — for example, you'll earn \$2 each time you fold a brochure and seal it in an envelope. Craft assembly work schemes often require an investment of hundreds of dollars in equipment or supplies, and many hours of your time producing goods for a company that has promised to buy them.

The scam: You'll pay a small fee to get started in the envelope-stuffing business. Then, you'll learn that the email sender never had real employment to offer. Instead, you'll get instructions on how to send the same envelope-stuffing ad in your own bulk emailings. If you earn any money, it will be from others who fall for the scheme you're perpetuating. And after spending the money and putting in the time on the craft assembly work, you are likely to find promoters who refuse to pay you, claiming that your work isn't up to their “quality standards.”

5. Health and diet scams

Pills that let you lose weight without exercising or changing your diet, herbal formulas that liquefy your fat cells so that they are absorbed by your body, and cures for impotence and hair loss are among the scams flooding email boxes.

The scam: These gimmicks don't work. The fact is that successful weight loss requires a reduction in calories and an increase in physical activity. Beware of case histories from “cured” consumers claiming amazing results; testimonials from “famous” medical experts you've never heard of; claims that the product is available from only one source or for a limited time; and ads that use phrases like “scientific breakthrough,” “miraculous cure,” “exclusive product,” “secret formula,” and “ancient ingredient.”

6. Effortless income

The trendiest get-rich-quick schemes offer unlimited profits exchanging money on world currency markets; newsletters describing a variety of easy-money opportunities; the perfect sales letter; and the secret to making \$4,000 in one day.

The scam: If these systems worked, wouldn't everyone be using them? The thought of easy money may be appealing, but success generally requires hard work.

7. Free goods

Some email messages offer valuable goods — for example, computers, other electronic items, and long-distance phone cards — for free. You're asked to pay a fee to join a club, then told that to earn the offered goods, you have to bring in a certain number of participants. You're paying for the right to earn income by recruiting other participants, but your payoff is in goods, not money.

The scam: Most of these messages are covering up pyramid schemes, operations that inevitably collapse. Almost all of the payoff goes to the promoters and little or none to consumers who pay to participate.

8. Investment opportunities

Investment schemes promise outrageously high rates of return with no risk. One version seeks investors to help form an offshore bank. Others are vague about the nature of the investment, stressing the rates of return. Many are Ponzi schemes, in which early investors are paid off with money contributed by later investors. This makes the early investors believe that the system actually works, and encourages them to invest even more.

Promoters of fraudulent investments often operate a particular scam for a short time, quickly spend the money they take in, then close down before they can be detected. Often, they reopen under another name, selling another investment scam. In their sales pitch, they'll say that they have high-level financial connections; that they're privy to inside information; that they'll guarantee the investment; or that they'll buy back the investment after a certain time. To close the deal, they often serve up phony statistics, misrepresent the significance of a current event, or stress the unique quality of their offering—anything to deter you from verifying their story.

The scam: Ponzi schemes eventually collapse because there isn't enough money coming in to continue simulating earnings. Other schemes are a good investment for the promoters, but no for participants.

9. Cable descrambler kits

For a small sum of money, you can buy a kit to assemble a cable descrambler that supposedly allows you to receive cable television transmissions without paying any subscription fee.

The scam: The device that you build probably won't work. Most of the cable TV systems in the U.S. use technology that these devices can't crack. What's more, even if it worked, stealing service from a cable television company is illegal.

10. Guaranteed loans or credit, on easy terms

Some email messages offer home-equity loans that don't require equity in your home, as well as solicitations for guaranteed, unsecured credit cards, regardless of your credit history. Usually, these are said to be offered by offshore banks. Sometimes they are combined with pyramid schemes, which offer you an opportunity to make money by attracting new participants to the scheme.

The scams: The home equity loans turn out to be useless lists of lenders who will turn you down if you don't meet their qualifications. The promised credit cards never come through, and the pyramid money-making schemes always collapse.

11. Credit repair

Credit repair scams offer to erase accurate negative information from your credit file so you can qualify for a credit card, auto loan, home mortgage, or a job.

The scam: The scam artists who promote these services can't deliver. Only time, a deliberate effort, and a personal debt repayment plan will improve your credit. The companies that advertise credit repair services appeal to consumers with poor credit histories. Not only can't they provide you with a clean credit record, but they also may be encouraging you to violate federal law. If you follow their advice by lying on a loan or credit application, misrepresenting your Social Security number, or getting an Employer Identification Number from the Internal Revenue Service under false pretenses, you will be committing fraud.

12. Vacation prize promotions

Electronic certificates congratulating you on "winning" a fabulous vacation for a very attractive price are among the scams arriving in your email. Some say you have been "specially selected" for this opportunity.

The scam: Most unsolicited commercial email goes to thousands or millions of recipients at a time. Often, the cruise ship you're booked on may look more like a tug boat. The hotel accommodations likely are shabby, and you may be required to pay more for an upgrade. Scheduling the vacation at the time you want it also may require an additional fee.

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, call toll-free, 1-877-FTC-HELP, or use the complaint form at www.ftc.gov. 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.



July 1998