
ftc consumer feature

Bureau of Consumer Protection

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Confronting “Community Cons”

CLEVELAND—Say you’re a small business owner who gets a call saying that the ad you previously agreed to place in a publication has been printed and is being distributed. You’re told that the bill is on its way.

It’s all for a good cause, part of a program to educate children about drug abuse and other health and safety issues. Here’s the rub: you don’t remember agreeing to buy the ad, nor does anyone else in your office. But now that it’s printed and on the street, it’s too late to do anything about it, right?

That’s the dilemma thousands of business owners around the country faced when they fell victim to a rash of fraudulent telemarketing schemes during the past several years.

The companies, mostly small businesses, never had agreed to buy the ads. The telemarketers weren’t affiliated with any local youth groups. The ads usually were never printed, and the publications were rarely distributed. Worst of all, the payments some of the businesses made weren’t donations to support community programs – just money to line the scam artists’ pockets!

When confronted by the fraudulent telemarketing companies, some businesses had reluctantly forked over payments ranging from \$30 to several hundred dollars per ad. Others refused, insisting that they’d never agreed to buy an ad, only to be threatened that the bill would be turned over to a collection agency or reported as a bad debt. In some cases, the fraudsters collected for the unordered ads by sending the company a collection-on-delivery (COD) package containing nothing but a receipt for the ad. The bill was the cost of the ad.

And once a business finally anted up and paid, it was inundated with new bills. To further confuse the business owners, the fraudulent telemarketers referred to the date the last bill was paid as the date the business had agreed to buy still another ad.

The companies using these tactics sold the names of their victims to one another. The most vulnerable businesses ended up being hit repeatedly by several of the scams at the same time. Some businesses ultimately were taken for thousands of dollars over several years.

Fortunately, some of the victims now are getting at least some of their money back. The Federal Trade Commission sued six Fort Wayne, Ind., companies for collectively defrauding thousands of businesses, largely in Indiana, Kentucky, North Carolina, Tennessee and Ohio. Two of the companies acknowledged guilt; the others did not, but agreed to discontinue their practices. The FTC now is dispersing redress funds to victims of the most recently settled case.

“What makes this particularly unconscionable is that these people preyed on business owners’ commitment to their community,” said Brinley Williams, a lead attorney on the cases, filed by the FTC’s East Central regional office.

“People thought they were contributing to their local community,” Williams said. “But in fact, their payment actually ended up *hurting* their communities because it left less money to support legitimate community causes.”

Williams urges business owners and consumers to be on the lookout for similar scams, pointing out that because the operators often traded their victims’ names, previous victims remain likely targets. “This is one instance when lightening *does*, in fact, strike twice at the same place,” he said.

But, he added, all businesses are vulnerable. To avoid being scammed by “community cons,” Williams encourages business operators to:

- Designate one person in the company to be responsible for all advertisement purchases and charitable donations.
- Establish a policy requiring written verification of all oral business commitments.
- Verify the identity of anyone selling advertising or requesting donations. If the caller claims to be associated with a community-based organization, ask for a local contact and check it out.
- Notify any local group if you believe its name is being used deceptively to support a scam.
- If you suspect you’ve been a victim of a fraudulent telemarketer, contact the Federal Trade Commission on its toll-free helpline at 1-877-FTC-HELP (382-4357) or online at www.ftc.gov.