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Partnership Fights Cross-Border Fraud

Washington, D.C. – A recently announced U.S. Federal Trade Commission case involving fraudulent Canadian telemarketers who targeted American consumers highlights the success of a new strategic partnership formed to fight cross-border fraud.

The case, announced at an Oct. 30 news conference in Toronto, is the latest effort to shut down telemarketers operating in both Canada and the United States who deceive consumers across the border.

The FTC charged that the defendants used deceptive claims and illegal billing practices to run a credit card loss protection scam. The defendants allegedly misled consumers about their financial liability if their credit cards were lost or stolen, or charged consumers' credit cards for "credit card loss protection" they never requested or agreed to buy.

According to the FTC, other fraudulent telemarketers pitch vacation packages, lotteries, advance-fee loans, prize promotions, pyramid schemes and investments to consumers in both countries.

An FTC settlement announced last summer, for example, closed a "boiler room" operation in Fort Lauderdale, Fla., that marketed fraudulent vacation packages to Canadian citizens. More than \$600,000 was returned to consumers through credit card charge-backs. In addition, the company was barred from future telemarketing activities involving vacation or travel-related products or services.

The FTC also recently announced a \$19.7 million judgment against a Toronto-based boiler room that operated an international lottery scam targeting elderly Americans. The fraudulent telemarketers failed to disclose that buying foreign lottery tickets in the United States is illegal. They were required to give money back to the consumers they scammed and now are permanently barred from promoting or selling lottery tickets to U.S. citizens.

Many of the companies behind cross-border scams use toll-free telephone numbers and domestic mail drops to conduct their business, says Helen Czerniak, an investigator with Ontario's Ministry of Consumer and Commercial Relations. She says that fraudsters believe that they won't get caught if they target citizens in another country.

"They assume that their own country's law enforcement officials aren't interested in building a case if the victims aren't local, and that officials in the victims' country don't have the authority to," she says. "They're wrong on both assumptions."

Cross-Border Cooperation

The strategic partnership involves the U.S. Federal Trade Commission, Industry Canada's Competition Bureau, the Ontario Ministry of Consumer and Commercial Relations and the Toronto Police Service. The organizations share information, manpower and other resources. Law enforcers from Canada's Project Phonebusters program are key contributors, as well.

“We’re committed to working together to stop cross-border fraud,” says Steven Baker, director of the FTC’s Midwest Region, based in Chicago. “It has become all too easy for scam artists to ‘park’ in one place and focus their crimes in an entirely different place – thinking that they can avoid detection. Because the nature of scams is changing, it’s very important that law enforcement changes, too. That’s where cross-border cooperation comes in.”

The partnership prevents law enforcement agents from duplicating efforts. All partners gather consumer complaint information and share the legwork. Together, they run surveillances, interview victims and process the paperwork required to launch a case.

“This is a great example of teamwork,” says Czerniak. “We’re sharing tools, information, effort and enthusiasm to get the job done.”

The statistics show that it’s working. Cases that once took three to six months to prepare now take as little as five weeks. “The process has become so streamlined that we can do five times as many cases as we used to,” Czerniak says.

As a result, more boiler rooms are being shut down, and faster. In just three months after the partnership was signed in May, partners closed the doors on 12 Toronto-based boiler rooms, according to Rob Dowler, director of marketplace standards for the Ontario Ministry of Consumer and Commercial Relations. In addition, the courts awarded almost \$100,000 in restitution.

“The experience so far clearly indicates that the partnership as a whole is greater than the sum of its parts,” says Dowler. “By sharing information and resources, we’ve been able to dramatically enhance enforcement activity against scammers.”

Partners encourage U.S. consumers who have been defrauded to contact the FTC toll-free at 1-877-FTC-HELP (1-877-382-4357) or to use the complaint form at www.ftc.gov. Consumers in Canada are encouraged to contact Project Phonebusters toll-free at 1-888-495-8501. Internet, telemarketing and other fraud-related complaints are entered into **Consumer Sentinel**, a secure, online database available to hundreds of civil and criminal law enforcers in the United States and Canada.

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