

1976

EC76-2039 Is it Fraud?

Janet Wilson

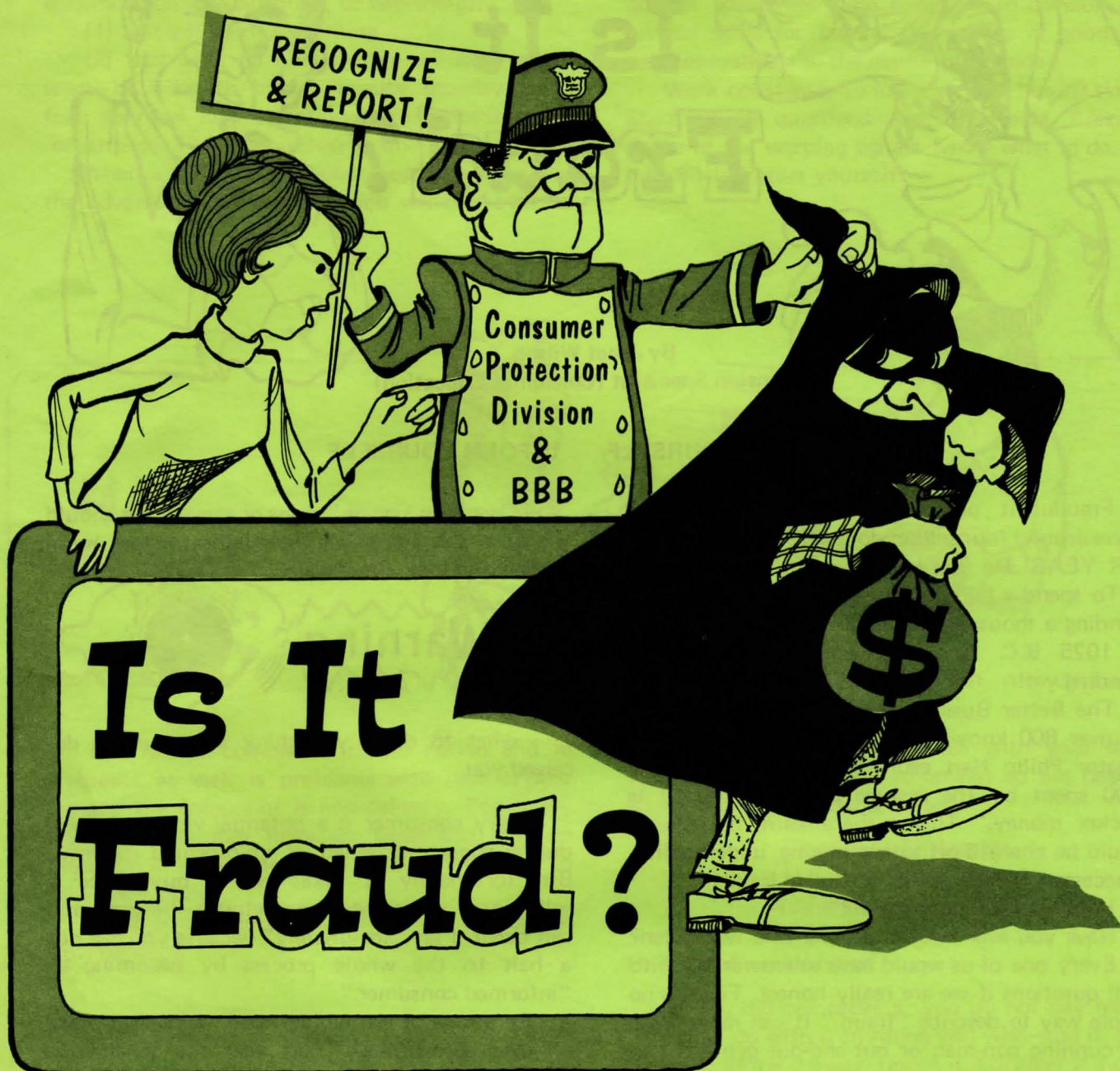
Follow this and additional works at: <http://digitalcommons.unl.edu/extensionhist>

Wilson, Janet, "EC76-2039 Is it Fraud?" (1976). *Historical Materials from University of Nebraska-Lincoln Extension*. 4289.
<http://digitalcommons.unl.edu/extensionhist/4289>

This Article is brought to you for free and open access by the Extension at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Historical Materials from University of Nebraska-Lincoln Extension by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

AGRI
3
85
E7
76-2039
6076-2039

EC 76-2039



EXTENSION WORK IN "AGRICULTURE, HOME ECONOMICS AND SUBJECTS RELATING THERETO,"
THE COOPERATIVE EXTENSION SERVICE, INSTITUTE OF AGRICULTURE AND NATURAL RESOURCES,
UNIVERSITY OF NEBRASKA-LINCOLN, COOPERATING WITH THE COUNTIES AND THE U.S. DEPARTMENT OF AGRICULTURE
LEO E. LUCAS, DIRECTOR

The Cooperative Extension Service provides information
and educational programs to all people without regard
to race, color or national origin.



Is It Fraud?



By Janet Wilson
Extension Specialist (Consumer Education)

PROTECT YOURSELF

Fraudulent practices cost consumers somewhere around four billion dollars (\$4,000,000,000) PER YEAR. Do you know how much *one* billion is? To spend a billion, you would have had to start spending a thousand dollars a day on the first day of 1025 B.C. And you wouldn't be through spending yet!

The Better Business Bureau tells us that there are over 800 known schemes in operation today. Senator Philip Hart estimates that \$30 of every \$100 spent by the average person is wasted as "sucker money." This is the amount he believes should be charged off to overpricing, underquality, unnecessary surcharges, or just plain fraud.

Have you ever been taken?

Have you ever known anyone who was taken?

Every one of us would have to answer "yes" to both questions if we are really honest. There is no simple way to describe "fraud." It can range from the cunning con-man or out-and-out gyp artist to the businessman who exaggerates the worthiness of his products in his advertising, or who offers you, the consumer, "something for nothing."

So you *have* been a victim of fraud if you, at some time, have not received full value for money spent.

How can we avoid being a victim? Obviously no one can be informed on the ins and outs of every scheme. But, you can protect yourself by learning:

—the more common fraudulent, deceptive or quack practices so you can blow the whistle when one shows up.

INFORM YOURSELF

—"warning signals," signs or signals that should trigger a warning bell in your brain to stop, listen harder, and look elsewhere.



—what to do if you think someone has deceived you.

Every consumer is a potential victim of fraud during some unguarded or uninformed moment. But fortunately it takes two—a buyer *and* a seller—or a victim *and* a perpetrator—before fraud can occur. I say "fortunately" because you can put a halt to the whole process by becoming an "informed consumer."

Be aware of the human weaknesses that make us ever susceptible. Know that the schemer is successful by appealing to those human desires that we all have. Know that he will appeal to your emotions, wants, needs. Everyone wants to be liked, loved, approved. How many truckloads of toothpaste have been sold because we've been enticed with visions of love, adventure, romance? The ads for toothpaste might not be considered fraud, but they show the very thin line that can exist between honesty and distortion, between fact and fancy.

We may not be too upset when the toothpaste does not produce miracles. The relatively small cost of the tube won't shoot the budget.

BUT, schemes that are designed to part us from sizable sums of our money are another matter.

In order to make a sale, the schemer has to convince you, the customer, of two things:

(1) that you want something,

(2) that what he has to offer will satisfy that want—be it health, money, beauty, security, comfort, approval, love, attention, status, adventure, or reassurance. The list could go on and on.

When a buyer and a seller meet, the seller has the advantage. He has what you want, or at least

can be very skilled in convincing you that you want it. He is a specialist whose main goal is to make money. Most buyers are amateurs. Most of us do not spend the time necessary to develop the needed skills for buying the variety of goods or services available in the marketplace today.

Work constantly to improve your buying skills. Start asking questions. Get the facts. Become aware of the warning signals. Know what to do. Be informed. Protect yourself.

MAIL PROBLEMS!

Mail Order

The No. 1 complaint in the nation and in Nebraska as well is problems with mail orders. Usually the complaint is non-delivery. Too many learn too late that there are firms that have no intention of delivering goods. They intend only to take your money.

Another common complaint is late delivery or slow delivery.

What you can do

To get *what* you want *when* you want it the way you want it, deal with a reputable company. Check with the Better Business Bureau for information about a company's past performance in filling orders and adjusting complaints.

Never send cash; always send check or money order. Allow at least four to six weeks for delivery.

The Law

Federal mail fraud laws prohibit:

1) misrepresenting the quality or value of goods.



2) accepting money but not delivering merchandise ordered.

If you suspect fraud, check with your local Post Office. Send your complaint to the nearest postal inspector with a copy to:

Chief Postal Inspector
U.S. Post Office Dept.
Washington, D.C. 20260

Unordered merchandise

If you did *not* order it, you do not pay for it. You may do with it anything you wish—use it, give it away, throw it away, return it. Consider it a gift.

Only in two instances can unordered merchandise be legally sent through the mail:

- 1) A charitable organization may send a trinket, stationery, key tag, etc., by mail. The hope is that you will return money more for the "cause" of the organization than for the value of the merchandise. You may keep the merchandise whether or not you pay for it.
- 2) A business may send a free sample of a product through the mail for promotional purposes.

DOOR-TO-DOOR SALES!



Many reputable companies sell their products by home calls. Unfortunately there are just as many that are out to fleece you.

Warning signals: 

The unethical salesperson may:

- tell you "you have been selected....,"
- assure you he is the "sales manager,"
- have a "free" gift for you,
- tell you he is taking a survey, or
- want your opinion on his new product.

To convince you to buy now, the salesperson may:

- say the offer "ends today,"
- tell you the supply of the product is limited,
- try to rush you into signing a paper (contract?),

— give you a sales agreement with blank spaces on it "to be filled in back at the office,"

— play on your sympathy (needs money for medical bills, college education, etc.),

— offer to inspect your furnace (or roof, basement walls, whatever)....free of charge,

— use scare techniques (to convince you that repairs are needed, your health is in jeopardy, the price will increase, etc.),

— flatter you—build your ego—make you feel "special,"

— make only oral promises—never in writing,

— appear to want to help you or do something for you,

— be very conversational, sociable, appealing, or

— tell you that yours will be free if you can get 10 of your friends to buy his product.

BE AWARE

BE AWARE

BE AWARE



HOME IMPROVEMENT SCHEMES!

Schemes?

Rackets?

Whatever?

Every kind imaginable! Fix the roof, the furnace; paint the house; waterproof the basement, on and on.

The older person living alone is a prime target. The pitch is usually introduced by a fast-talking salesperson at your door. Beware of the offer to do a "free inspection."



The Nebraska Law

The door-to-door salesperson must tell you immediately that he is selling a product, identify himself, his goods or services, and the company he represents.

He must give you a written and oral explanation of your right to cancel and give you a completed "Notice of Cancellation" form.

Contract and notice must be in the same language that the salesperson used in his salespitch.

The rule does *not* cover purchases

- made by mail or telephone,
- made in relation to earlier negotiations away from your home, or
- that are in the categories of insurance or real property.

You can cancel if...

— you did not invite or approve the salesperson's visit *before* he arrived at your home and

- the purchase was \$25 or more.

How to cancel...

- Write a letter saying "I hereby cancel" or use the form provided.
- Send the letter, preferably by certified mail.
- The letter must be postmarked no later than three business days after the purchase. (Sundays and holidays are not business days.)

What happens when you cancel?

Within 10 business days (after receiving cancellation notice) the seller must return any money or trade-in received from you.

After such returns by the seller, you must make available at your residence any goods delivered by the seller. Goods must be in substantially the same condition as when they were received. The seller is responsible for return of his merchandise within 20 days after cancellation.

What you can do

The safest rule in this costly area is to deal only with known, reputable contractors in your own community or nearby.

Don't sign a contract until you have three or four estimates on the job if it is a complicated and/or costly job. Discuss it with your lawyer and financial institution, especially read the contract, ask questions, understand all parts, and be sure there are no blanks.

Unfortunately, a common companion to home improvement schemes is the "check alteration" ruse. Examine the way you write a check. Would it be a simple job to add one or two zeros to increase the amount? Is your handwriting clear and legible? Or would it be easy to change "two" to "two hundred"? Fill in all spaces, write legibly, never use pencil, and know something about the person or company that is taking your check.



Americans contribute more than \$25 billion a year to charitable organizations.

Have you ever wondered?

"How much of my contribution will be spent on the cause?"

"How much on salaries, expenses, and fund-raising costs?"

Find out!

Senator Walter Mondale discovered that some charities are siphoning off for expenses 75 to 90 percent of the money they collect.

What you can do

Find out all you can about the organization asking for your money. The Better Business Bureau can give you information.

Check with your city or state government. Be sure the charity complies with any state or local laws. (ex: a Lincoln city ordinance states that in fund-raising projects for charitable purposes the cost of raising the money must not exceed 25% of the total raised.)

Write directly to the national office of a charity. Ask for a financial report. When donating:

Always write a check made out to the organization, never to the individual soliciting.

Never give cash. Use a check or money order.

Check to see what the organization is doing in your own community.

Make sure the charity is tax-exempt and nonprofit. If it isn't, your contribution won't be tax-deductible.

Legitimate charities suffer at the hands of the phonies. Help eliminate the phony.



Quacks ignore or misinterpret health facts.

Preying on fear and pain, they try to convince you that they can succeed where medical science has failed.

Billions of dollars go down the drain, and proper medical help is delayed or perhaps ignored.

Warning signals



The Food and Drug Administration warns us that if we answer "yes" to any of these questions, it is very likely that we could be a victim of quackery.

Is the product or service being offered as a "secret remedy" not available from other sources?

Does the sponsor claim that he is battling the medical profession which does not accept his wonderful discovery?

Is the remedy being sold from door to door, by a self-styled "health adviser" or promoted in lectures to the public, from town to town?

Is this "miracle" drug, device, or diet being promoted in a sensational magazine, by a faith healer's group, or a crusading organization of laymen?

Does the promoter tell you about the wonderful miracles his product or services have performed for others?

Is the product or service good for a vast variety of illnesses, real or fancied?

What you can do

See your physician or inform your county medical society.

Get in touch with:

U.S. Food and Drug Administration
1709 Jackson
Omaha, Nebraska 68102
Telephone: (402) 221-4676

Ask the Better Business Bureau about the reputation of the promoter.

If the drug or device was promoted through the mail, inform your local Post Office.



WORK-AT-HOME GYPS!

You will find ads in magazines, newspapers, catalogs, circulars offering high earnings for work you can do at home with no experience needed.

You will be invited to "assemble baby shoes," "address envelopes," "gild greeting cards," "sew aprons, already cut," or "raise chinchillas." The list is endless.

You are asked just to send a small fee for information or instructions. When received, the information may state that you must buy materials, equipment, etc. and send *more* money.

Some companies offer to buy back completed items *if* their standards are met. The "standards" are seldom, if ever, met. If the worker is to do anything with the product, he will have to promote and sell it himself.

Warning signals



You must spend money before you can earn money.

Company standards are not clearly defined.

**IF IT SOUNDS TOO GOOD TO BE TRUE,
IT PROBABLY IS NEITHER GOOD NOR TRUE.**

BAIT and SWITCH!



The "bait" is an advertisement of a product or service for a "bargain price." Once lured to the place of business, you find that the product is not desirable. The salesman tells you that workmanship and/or materials are inferior, it appears shoddy, they are "sold out" and re-ordering will take time, etc. Then the switch comes. The salesperson will attempt to "switch" you to a higher priced item or service that offers more advantages to him.

Warning signal



The seller discourages purchase of the item advertised.

The Law

Nebraska law bans the practice of advertising goods or services when the offer is not a real attempt to sell the advertised goods or services.

What you can do:

If you suspect a firm is practicing Bait and Switch, file a complaint with the State Attorney General's office. They will investigate.



SOMETHING for NOTHING!

Sounds great doesn't it? But remember, there just isn't any such thing.

Offers of free goods or services bring customers to stores, open doors for salespersons, put money in their pockets and cash registers.

Typical offers:

- Free magazines if you pay the postage;
- Free wig if you pay for the set;
- Free dinner if you listen to a sales promotion;
- Free glass in a box of detergent;
- Free toy in a box of cereal.

Protect yourself.....

If a "free gift" requires a purchase and you want the product, compare the price and quality

Continued on next page

SOMETHING FOR NOTHING

with similar merchandise offered by other sellers.

If a "free gift" requires listening to a sales talk, consider the time required, your interest in the product and your sales resistance before deciding whether you will accept the "gift."

Compare net weights of products sold with

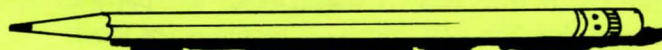
"premiums" with those with no "gift." The cost per unit (oz., lb., pint, etc.) will tell you whether or not the merchandise is free.

Warning signal



The free gift has strings attached.

Sources of Help....



Contact your County Extension Office for further information.

The Consumer Protection Division of the Attorney General's Office provides Nebraska citizens with:

- an opportunity to file complaints regarding unfair business practices.
- cooperative legal action against those unethical merchants who use fraud or deception to sell their products.

Consumer Protection Division
Attorney General's Office
Box 94634, State House
Lincoln, Neb. 68509

Better Business Bureaus:

Cornhusker BBB
411 South 13th Street
Lincoln, Neb. 68508
Lincoln telephone: 432-3329
Toll free number: (800) 742-7327

Omaha BBB
15th & Harney
Redick Tower Bldg.
Omaha, Neb. 68102
Omaha telephone: 346-3033
Toll free number: (800) 642-9332

The BBB works to maintain fair and ethical selling practices. It can tell you if it has had previous complaints about a firm and if those complaints were satisfactorily resolved. It has many educational bulletins available. Stop by and look them over.

Further reading:

Consumer Information, an index of selected Federal publications of consumer interest.

Consumer Information
Public Documents Distribution Center
Pueblo, Colorado 81009
(free)

How To Complain EC73-2019

One copy free from your County Extension Office

Mail Fraud

Free from: Chief Postal Inspector
U.S. Post Office Dept.
Washington, D.C. 20260

"Give to Charities, But Check Them Out First," *Changing Times*, the Kiplinger magazine, December, 1973.

"New Ways to Check Out Charities," *Changing Time*, the Kiplinger magazine, October, 1974.

Bulletins concerning:
food fads
health quackery
fraudulent practices

Free from
Food & Drug Administration
1709 Jackson Street
Omaha, Nebraska 68102