

FTC FACTS for Consumers

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FOR THE CONSUMER

FEDERAL TRADE COMMISSION

1-877-FTC-HELP

Straight Talk About Telemarketing

It's like clockwork. You sit down to dinner and the phone rings. You answer it. The caller is trying to sell you something or tell you that you've won a fabulous prize. If you're tempted by the offer, get the facts. If you don't, you may be in for a fraud.

Although most phone sales pitches are made on behalf of legitimate organizations offering genuine products and services, many sales calls are frauds. Consumers lose billions of dollars a year to telemarketing fraud. That's why the Federal Trade Commission (FTC) encourages you to be skeptical when you hear a phone solicitation and to be aware of a law — the Telemarketing Sales Rule — that can help you protect yourself from abusive or deceptive telemarketers.

HOW TELEMARKETING SCAMS WORK

The heart of a fraudulent telemarketing operation is usually a “boiler room,” where seasoned operators try to scam hundreds of thousands of people across the country every day. Telephone fraud knows no race, ethnic, gender, age, education or income barriers. Anyone with a phone can be victimized by telemarketing scam artists.

Cold Calls. Scammers may get your number from a telephone directory, a mailing list or what fraudsters call a “sucker list.” Sucker lists contain information about people who have responded to previous telemarketing solicitations, like their name, phone number, and how much money they spent. The lists are bought and sold by promoters. They are invaluable to scam artists, who believe that consumers who have been deceived once are vulnerable to additional scams.

Direct Mail. You may get a letter or postcard saying you've won a prize or a contest. This often is a front for a scam. The instructions tell you to respond to the promoter with certain information. If you do, you'll be called by a fraudster who may use persuasive sales pitches, scare tactics, and false claims to deceive you and take your money.

Broadcast and Print Advertisements. You may place a call in response to a television, newspaper, or magazine advertisement. The fact that you initiate the call doesn't mean the business is legitimate or that you should be less cautious about buying or investing on the phone.

THE HOOKS

Prize offers. You usually have to do something to get your “free” prize, like attend a sales presentation, buy something, pay a fee, or give out a credit card number. But the prizes are worthless or overpriced.

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Travel packages. “Free” or “low cost” vacations can end up costing a bundle in hidden costs. You may pay a high price for some part of the package — like hotel or airfare. The total cost may run two to three times more than what you’d expect to pay, or what you were led to believe. Some “bargain” vacations never happen at all.

Investments. People lose millions of dollars each year to “get rich quick” schemes that promise high returns with little or no risk. These can include movie or cable television production deals, Internet gambling, rare coins, art, or other “investment opportunities.” The schemes vary, but one thing is consistent: Unscrupulous promoters of investment fraud rely on the fact that investing can be complicated, and many people don’t research the investment process.

Charities. Con artists often push you for an immediate gift, but won’t send written information so you can check them out. They also may try to confuse you by using names that sound like well-known charitable organizations or even law enforcement agencies.

TIP-OFFS TO TELEPHONE RIP-OFFS

Fraudulent telemarketers often use phrases like these —

“You’ve been specially selected to hear this offer.”

“You’ll get a wonderful free bonus if you buy our product.”

“You’ve won one of five valuable prizes.”

“You’ve won big money in a foreign lottery.”

“You must send money right away.”

“This investment is low risk and provides a higher return than you can get anywhere else.”

“You have to make up your mind right away.”

“We’ll just put the shipping and handling charges on your credit card.”

Recovery scams. If you buy into any of the above scams, you’re likely to be placed in a sucker list and be called again by someone promising to get your money back. Be careful not to lose more money to this common practice. Even law enforcement officials can’t guarantee they’ll recover your money.

THE TELEMARKETING SALES RULE

The FTC’s Telemarketing Sales Rule requires certain disclosures and prohibits misrepresentations. It gives you the power to stop unwanted telemarketing calls and gives state law enforcement officers the authority to prosecute fraudulent telemarketers who operate across state lines.

The Rule covers most types of telemarketing calls to consumers, including calls to pitch goods, services, “sweepstakes,” and prize promotion or investment opportunities. It also applies to calls consumers make in response to materials received in the mail, or offers received through the Internet.

Keep this information near your telephone. It can help you determine if you’re talking with a legitimate telemarketer or a scam artist.

- It’s illegal for a telemarketer to call you if you’ve asked not to be called. In fact, the federal government has created the National Do Not Call Registry — the free, easy way to reduce the telemarketing calls you get at home. To register, or to get information, visit www.donotcall.gov, or call toll-free **1-888-382-1222** (TTY: 1-866-290-4236) from the phone you want to register. You will receive fewer telemarketing calls within three months of registering your number.
- It’s also against the law to call you before 8 a.m. and after 9 p.m.
- If your number is not on the National Do Not Call Registry, you still can ask a company to put you on its own do not call list. The company must honor your request. You should keep a record of the date you make the request.
- Telemarketers must tell you it’s a sales call and who’s doing the selling before they make their pitch. If it’s a prize promotion, they must tell

DEFENSIVE MOVES

In addition to knowing about the Telemarketing Sales Rule, it's a good idea to keep the following tips in mind whenever you hear a phone solicitation:

- Don't be pressured to make an immediate decision.
- Don't give your credit card, checking account, or Social Security number to unknown callers.
- Don't buy something merely because you'll get a "free gift."
- Be cautious of statements that you've won a prize — particularly if the caller says you must send money to claim it.
- Don't agree to any offer where you have to pay a registration or shipping fee to receive a "prize."
- Get all information in writing before you agree to buy.
- Check out a charity before you give. Ask how much of your donation actually goes to the charity. Ask that written information be sent to you so you can make an informed giving decision.
- Don't invest your money with an unknown caller who insists you make up your mind immediately.
- If the offer is an investment, check with your state securities regulator to see if it's properly registered.
- Don't send cash by messenger or overnight mail. If you use cash rather than a credit card in the transaction, you may lose your right to dispute fraudulent charges.
- Make sure you know the per minute charge for any 900 number call you make.
- Check out unsolicited offers with the Better Business Bureau, local consumer protection agency, or state Attorney General's office before you agree to send money.
- Beware of offers to "help" you recover money you may have lost previously. Be wary of callers saying they are law enforcement officers who will help you get your money back "for a fee."

you that no purchase or payment is necessary to enter or win. If you're asked to pay for a prize, hang up. Free is free.

- It's illegal for telemarketers to misrepresent any information, including facts about their goods or services, the earnings potential, profitability, or risk of an investment, or the nature of a prize in a prize-promotion scheme.
- Telemarketers must tell you the total cost of the products or services offered and any restrictions on getting or using them, or that a sale is final or nonrefundable, before you pay. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win, and any restrictions or conditions of receiving the prize.
- It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization. That means they must tell you the total number of payments, the amount of each payment, the date the payments will be submitted to your bank, and which account they will charge.
- Telemarketers cannot lie to get you to pay, no matter what method of payment you use.
- You do not have to pay for credit repair, recovery room, or advance-fee loan or credit services until after these services have been delivered. (Most of these offers are scams. Credit repair companies claim that, for a fee, they can change or erase accurate negative information from your credit report. Only time can erase such information. Recovery room

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operators contact people who have lost money to a previous telemarketing scam and promise that, for a fee or donation to a specified charity, they will recover your lost money, or the product or prize never received from a telemarketer. Advance-fee loans are offered by companies who claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars.)

- If you have the slightest doubt about a telephone offer, wait until you can get information in writing and check it out!

EXCEPTIONS TO THE RULE

Although most types of telemarketing calls are covered by the Rule, there are several exceptions. The Rule does not cover the following situations:

- Calls placed by consumers in response to general media advertising, like television or newspaper advertisements. (Calls responding to ads for investment opportunities, business opportunities other than those covered by the FTC's Franchise Rule, credit card loss protection, credit repair services, recovery room services, or advance-fee loans **are** covered.)
- Calls placed by consumers in response to direct mail advertising that discloses all the material information required by the Rule, except calls responding to ads for investment opportunities, business opportunities other than those covered by the Franchise Rule, credit card loss protection, prize promotions, credit repair services, recovery room services, advance-fee loans, or to "upselling." Upselling is when

a company offers you additional goods or services after the initial transaction for which you called.

- Catalog sales.
- Calls that are initiated by the consumer that are not made in response to any solicitation.
- Sales that are not completed, and payment or authorization for payment is not required, until there is a face-to-face sales presentation.
- Business-to-business calls. But calls offering nondurable office or cleaning supplies are covered.
- Sales of pay-per-call services and sales of franchises. These are covered by other FTC rules.

TO REPORT A SCAM

Fight telephone fraud. Report telephone scam artists to the Federal Trade Commission and your state Attorney General. The Telemarketing Sales Rule gives these local law enforcement officers the power to prosecute fraudulent telemarketers who operate across state lines.

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, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education