

Scam & Complaints
Industry Report

How Scams and Bad Business Practices
Affect Consumers

2012^{Q1}
QUARTERLY
Industry Report

scambook
beta

Letter From Us

Scams impede the lives of thousands of consumers, and everyone is a consumer.

Dear Fellow Consumers,

We at Scambook want to shed light on what has impacted the daily lives and pocketbooks of consumers for too long – scams. Scams impede the lives of thousands of people, and have cost them over \$1 billion in the United States alone. Making informed decisions when purchasing a product or service affects every facet of our lives, so it is imperative consumers spend wisely.

With over \$1 billion in total reported damages submitted to Scambook, we want to share this report with you to uncover the “who, what, where and how” of scams.

If you find this report beneficial, please share with your fellow consumers!

All the Best,
Scambook

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Executive Summary

How to use this report

Regardless of whether or not you have been scammed, there's something here for you. As a consumer, it is vital to arm yourself with knowledge about scams that are consistently on the rise.

This report is a summary of trending scams, how they work and scam prevention. You will also discover the key elements of how Scambook helps support positive consumer experience from this report.

Scams and the problems they pose

This section examines the impact of scams on consumers and how big of a problem they have become in the economy.

Trending scams and complaints of 2012

This area will give you an overview of which scams to look for in 2012 and how you can quickly spot them.

Scam and bad business practices prevention

This informative section is an ultimate guide for every consumer. We provide helpful tips on how to protect your personal information, what telltale signs to look for in a scam and what you can do as a consumer to raise awareness.

The Big Picture

A look at the numbers

False Advertising is at the top of the list for the most prevalent type of scam in 2012.

Scambook Statistics

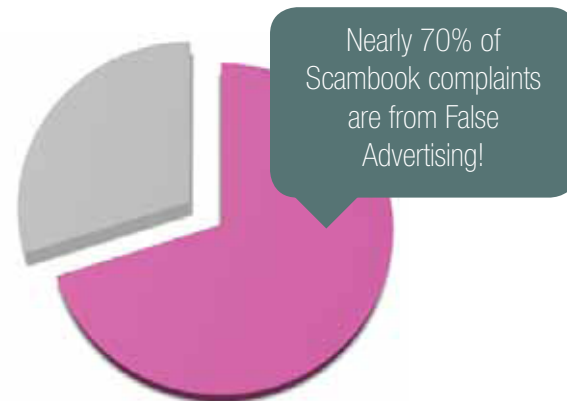
Over \$1 billion in damages have been reported to Scambook since launching in June 2011.

Nearly 70% of complaints submitted to Scambook are false advertising complaints.

Complaints on over 40,000 companies have been reported to Scambook.

False advertising has generated the most total reported damages on Scambook at over \$650 million.

Consumers reported more than \$29 million in damages from text messaging scams, a trending Scambook category recently launched in March 2012.



A look at the numbers

Identity Theft is a \$48 billion a year business.

Industry Wide Statistics

27.3 million people were said to be victims of identity theft, losing more than \$48 billion a year.^[i]

30 million Americans, ages 18 and older, were victims of consumer fraud during a one-year period, according to the Federal Trade Commission.^[ii]

An estimated total of 125 trillion spam messages have been sent out in the past five years, says Project Honeypot. Monday is the busiest day for spam, and Saturday, the least. 8am EST sees the highest volume during any day.^[iii]

About 3,500 new sites harboring malware are set up every day.^[iv]

One third of all adults have at some time, been approached with scams. Lottery cons are the most common, followed by bogus grants and work-at-home schemes.^[v]



How Scams Affect Consumers

Economic distress as a direct consequence of scams.

Added socioeconomic decline due to budget cuts on city-operated services, such as police and fire departments and public transportation.

Indirect economic losses passed down by large corporations due to losses.

Emotional and psychological problems placed on the scam victims.^[i]

Effects of Scams and Bad Business Practices on the Consumer

Scams take a huge toll on society and the economy. The worldwide explosion of the Internet has opened the door for scammers to rapidly expand their craft across an endless market of consumers. Scams and bad business practices have a negative effect on everyone and we highlight how in this section.

Victims of scams are more susceptible to stress-related complications and psychological problems.

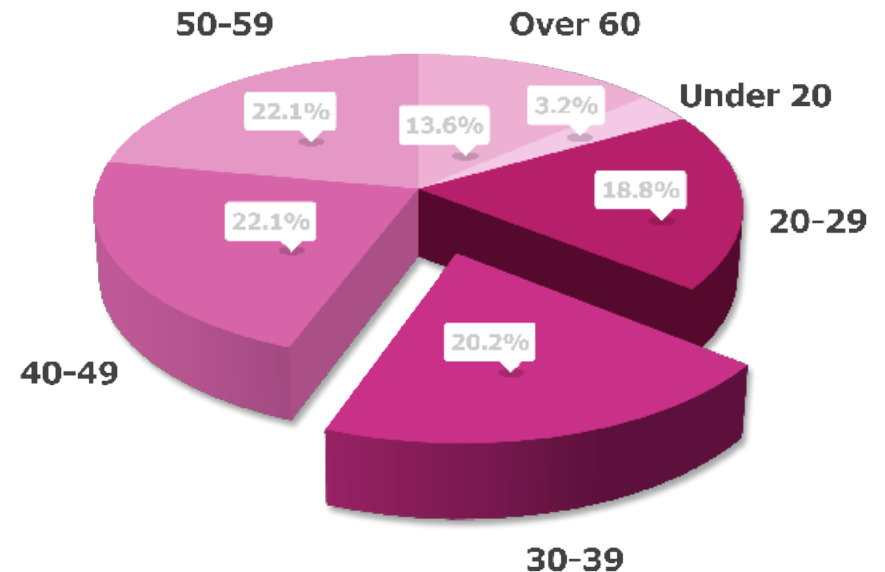
Emotional Effects Among Consumers

Victims of scams are more susceptible to stress-related complications and psychological problems. When scams evolve into crimes such as identity theft, many consumers find it more difficult to recover from the financial loss. If they were baited into a scam, they may feel as if they not only lost their money, but their sense of security, self-esteem and dignity as well. For some, this may be an ordeal that takes years to resolve. Also, scam victims may feel lonely or embarrassed because of a change in social status. The incident may cause marital problems and prevent someone from providing adequate monetary support for their family.

How Big Is The Problem?

The 2010 Internet Crime Report demonstrates how pervasive online crime has become, affecting people in all demographic groups. These statistics provide specific details about various crimes, their victims and the perpetrators.

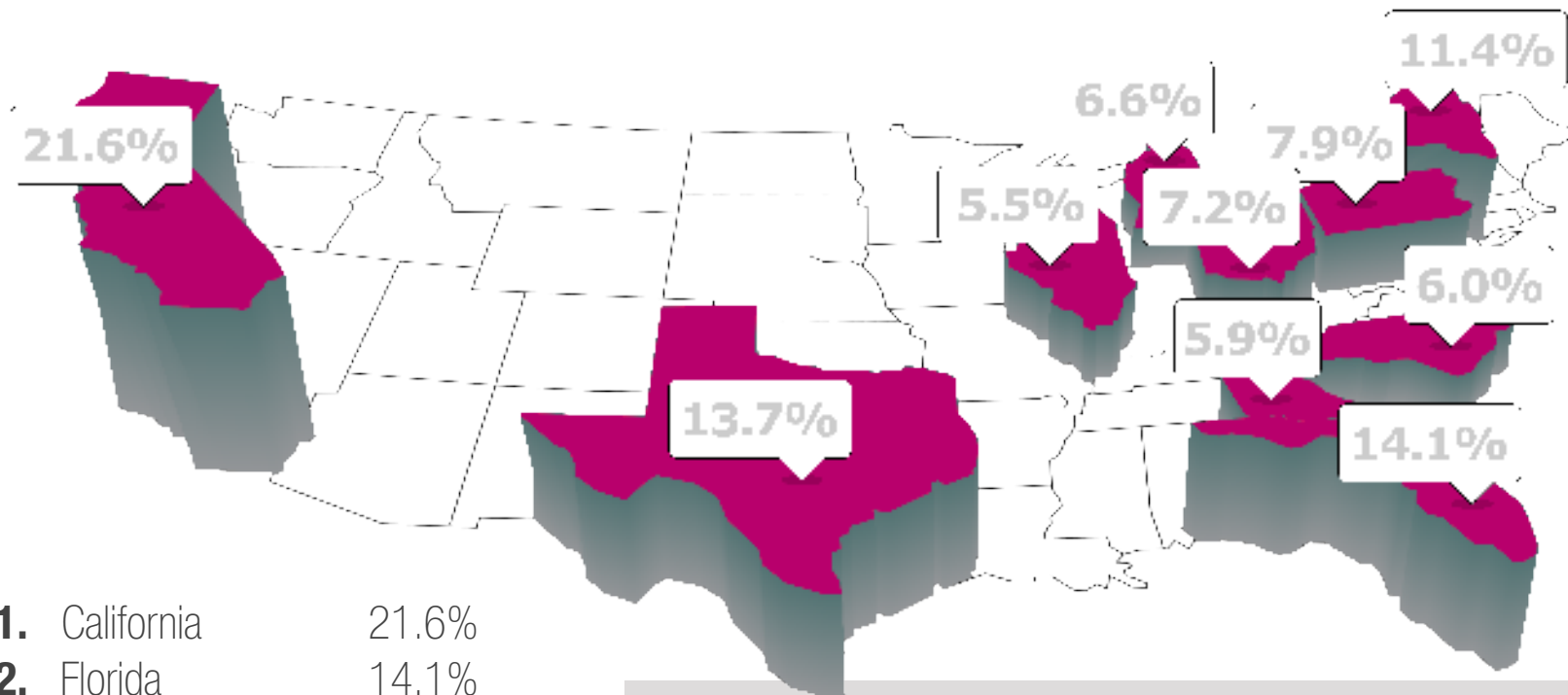
Complaint Demographic by Age



This chart breaks down the age range of consumers who filed complaints. Adults ages 40-59 are the majority demographic who file complaints.

Top 10 U.S. States Ranked by Number of Complaints

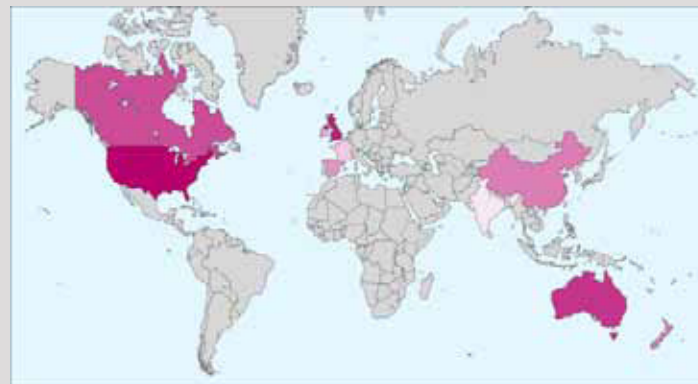
This map highlights the top 10 states in the U.S. that file the most complaints.



1.	California	21.6%
2.	Florida	14.1%
3.	Texas	13.7%
4.	New York	11.4%
5.	Pennsylvania	7.9%
6.	Illinois	7.2%
7.	Ohio	6.6%
8.	North Carolina	6%
9.	Georgia	5.9%
10.	Michigan	5.5%

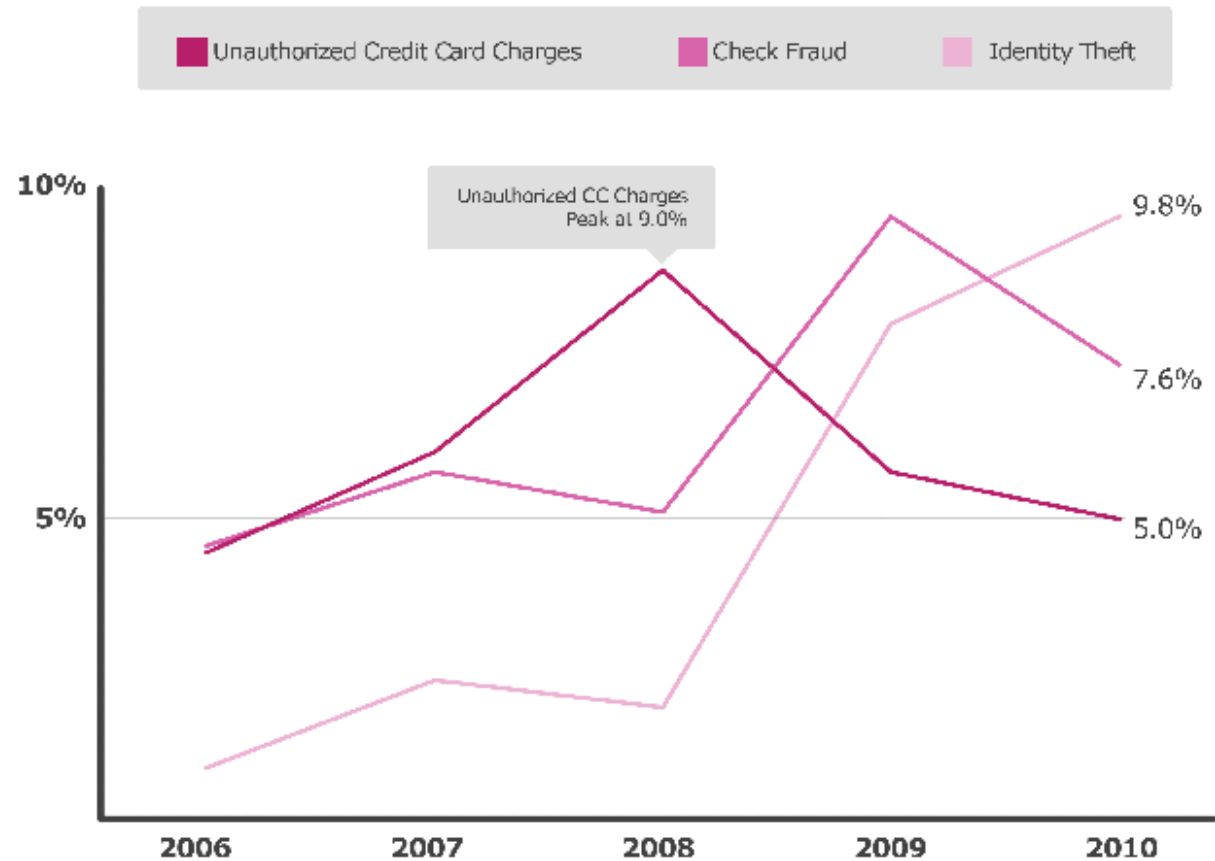
Top 10 Countries Ranked by Number of Complaints

51.0%	United States
8.3%	Great Britain
4.3%	Australia
2.3%	Canada
0.6%	New Zealand
0.5%	China
0.3%	Spain
0.3%	Ireland
0.3%	France
0.2%	India



Top 10 countries in the world that file the most complaints. The U.S. ranks at #1 with 51%.

Growth Rate of 3 Prevalent Scams from 2006-2010



Overall scams have shown steady growth from 2006 to 2010, with Unauthorized Credit Card Charges peaking in 2008. From 2008 to 2009, check fraud spiked from 5.4% to 9.8%. Identity theft shows continuous growth from 2.5% to 8.2% from 2008 to 2009.

Scam Alert: Keeping you one step ahead of the scammers.

With a five-year growth of over 8%, Identity Theft is on the rise and will have to be monitored closely over the next few quarters.

Trending Scams For 2012

Unauthorized Credit Card Charges

Case Study: [JustFab.com](#)

Smishing

Case Study: [Walmart Text Spam](#)

Social Media/Networking

Case Study: [XDating.com](#)

Penny Auctions

Case Study: [ZBidly.com](#)

Job Scams

Case Study: [Secret Shopper](#)

Government

Case Study: [GrantAssist.com](#)

Lottery, Sweepstakes, and Contest Scams

Case Study: [Publishers Clearing House](#)

Payday Loan Scams

Case Study: [LoanFromPhone.com](#)

Unauthorized Credit Card Charges

Trending Scams for 2012

Unauthorized credit card charges occur when someone other than the cardholder or a person who has the actual implied or apparent authority to use the credit card does without the primary cardholder's consent.

How it works

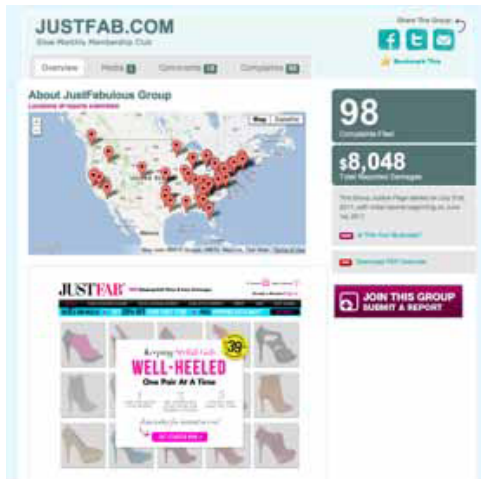
1. Consumer orders a product via TV infomercial or online.
2. The consumer will either receive another shipment of the product without consent or find an unauthorized credit card charge without receiving a product, usually occurring 30 days after the initial order.
3. Internet companies often use online coupons or discounts to obtain a consumer's credit card number and other personal information, which can then be misused or sold to identity thieves.
4. Many times, these recurring charges are for smaller amounts such as \$9.99 or \$14.99 in an attempt by the fraudulent party to avoid being detected.
5. Unauthorized credit card charges may occur in a variety of ways, such as:
 - Coupon click fraud
 - Recurring monthly charges
 - Mail and internet order fraud
 - Skimming (the use of an electronic device to record the account number, cardholder's name, and other information from the magnetic strip on the back of a credit card).
 - Account takeover

Scambook case study on next page ►

Scambook case study: JustFab.com

JustFab.com also known as Just Fabulous is a shopping site selling shoes and handbags for \$39.95, which includes free shipping and free returns.

After registering on the website, consumers find recurring monthly credit card charges of \$39.95. When consumers inquire about cancellation and refunds of the monthly charges, JustFab.com offers only store credit. JustFab.com outlines in their Terms of Service, the logistics of their VIP membership program. However, they do not inform consumers of the recurring \$39.95 monthly charge.



Scambook users have reported 98 complaints and \$8,048 in total reported damages from JustFab.com



Similar companies to JustFab.com include:

- Lean Slim Ultra / Lean Slim Cleanse – 362 complaints/\$110,835 reported
- Advmetabill / ExtMangoBill – 836 complaints/\$10,707,677 reported
- Premier Membership Clubs- 2,4135 complaints/\$569,954 reported

Smishing

Trending Scams for 2012

Smishing is the newest scam and will be a rising star in the scam industry this year. Formed from the terms 'SMS' and phishing, smishing pushes consumers to either call a toll-free number or visit a bogus website.

How it works

1. Consumers receive text messages with a link to a web site offering a gift card for a popular retailer worth a lot of money.
2. Once the consumer visits the website, he or she is required to input personal contact information, such as name, phone number, address and email address.
3. The privacy policy on the site will typically indicate that this information will be sold to other businesses for their own purposes, which means you will receive calls from telemarketers and junk mail.
4. Once this information is entered the consumers may be asked to take part in a series of surveys. Once the surveys are complete the consumer is guided through a series web pages where they have to "participate" in a certain amount of "sponsor offers."

[Scambook case study on next page ►](#)

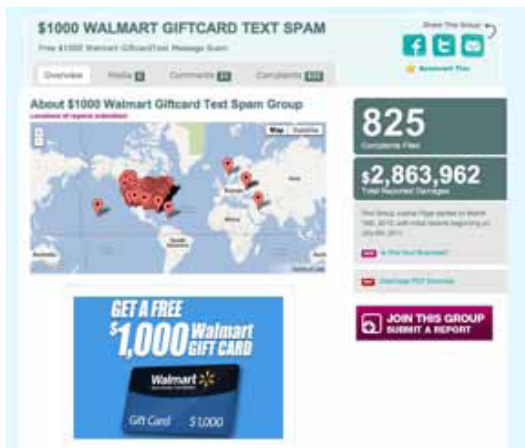
Scambook case study: Walmart Text Spam

Walmart, one of the world's leading retailers and ranked as the 18th largest public corporation in the world according to the Forbes Global 200 list, is a consumer-favorite with their staple slogan, "Save money. Live better."

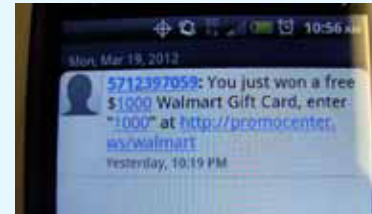
Consumers receive a text message informing them they have won a free \$1,000 Walmart gift card and directing them to a website to redeem.

Originating from the URL evoke.get-goodies.com, the homepage leads you through what seems to be a simple process of registering basic information.

Once consumers visit the website, they are required to take further steps in order to receive the gift card. The process is never ending and results in a taking the consumer to a page where credit card information is imperative to move forward.



Scambook.com received over 2,000 complaints about the \$1000 Walmart gift card smishing scam.



More Walmart gift card sites reported to Scambook:

- Prize-Patrol.net Walmart Text Spam – 217 complaints/\$176,711 reported
- WMartClick.com Walmart Text Spam - 49 complaints/\$17,725 reported
- WalmartGift.Mobi Walmart Text Spam- 180 complaints/\$103,116 reported

Social Media / Networking

Trending Scams for 2012

Social media has grown exponentially in the past few years, opening up a ton of room for scammers to target online users of social media sites such as Facebook, Twitter, LinkedIn, Pinterest, etc.

How it works

1. Social media spammers post comments on people's social media pages, which often include a link or an embedded link, taking users to other websites that may include viruses, fake contests or free gift offers.
2. Spammers will also create fake pages to get people interested in joining or following their page, and then will spam their followers.
3. In addition to spamming, scammers created phony online dating sites to bait people into subscribing to their services.

[Scambook case study on next page ►](#)

Scambook case study: XDating.com

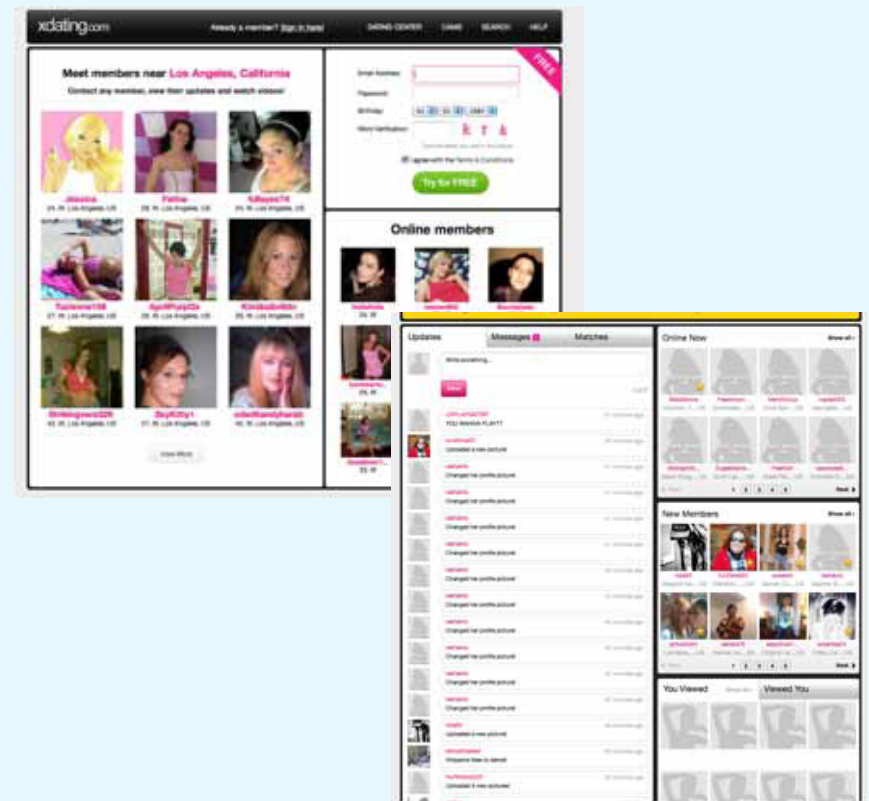
XDating.com is an online dating site connecting members with one another for a monthly membership fee.

Consumers are required to create an account in order to connect with other users. Upon creating an account, users will receive a handful of messages.

What happens is consumers find that after they pay the subscription, they do not receive any more responses from other XDating.com members.



Scambook.com received over 350 complaints and \$24,038 in total reported damages for Xdating.com



Another social networking site reported to Scambook:
- Mate1.com – 17 complaints/\$63,473 reported

Penny Auctions

Trending Scams for 2012

Penny auctions are hosted online and feature different consumer goods such as electronics, home goods and gift cards. The bidding for every item starts at \$0.01 and continues to increase for every bid made from a consumer.

How it works

1. An item is put up for bid at a starting price of \$0.01 for a time limit of a few hours. For example, the site will offer a 55" TV.
2. The price starts at a penny, and the auction is timed for four hours. As time winds down, customers can place a bid, which will add one cent to the auction price, as well as 15 seconds to the time remaining.
3. Once the allotted time elapses, the highest bidder wins, regardless of the price. Usually the final bid is nothing compared to the actual cost of the merchandise sold, allowing penny auctions to easily advertise the amazing deals.
4. With online penny auctions, consumers do not end up receiving the items won from the auction, or they will encounter recurring monthly charges from entering their credit card number for a membership to the site.

[Scambook case study on next page ►](#)

Scambook case study: ZBiddy.com

ZBiddy is an online penny auction where users purchase bids in order to participate in an auction.

ZBiddy is an online penny auction site featuring a variety of products from gift cards, iPads and home appliances. Consumers are able to register for a free trial bidding offer, but find charges for \$99 on their account.

Consumers have reported that ZBiddy does not offer refunds for the unauthorized charge and instead offer consumers gift certificates that never arrive.



Scambook users have reported 565 complaints and \$59,988 in total reported damages from ZBiddy.com



Other penny auctions reported to Scambook include:

- BidRack – 1049 complaints/\$148,451 reported
- DealFun - 853 complaints/\$168,517 reported
- NoMoreRack- 202 complaints/\$116,081 reported

Job Scams

Trending Scams for 2012

Employment rate is climbing back up the charts, but there are still millions of consumers who are still looking for work, which is how job scams quickly became a trend in 2012.

How it works

1. Scammers catch the attention of job seekers through posting job ads, usually for positions to work from home. These job ads typically appear on websites such as Craigslist.
2. They will also solicit job seekers via telephone and email to bait the consumer into wiring money or sending a check to receive a how-to guide to work from home.
3. What the 'employers' will usually tell the job seeker is to pay for the manual, guide, or video and send nothing in return.

[Scambook case study on next page ►](#)

Scambook case study: Secret Shopper

Secret Shopper is a mystery shopper job offer, hiring people as independent contractors to go to stores, make observations, ask employees questions and sometimes make a purchase. After the visit, the shopper fills out a questionnaire about the service received.

Job seekers receive solicitations in the form of surveys via email or phone to be a secret shopper. They are asked to send in a check or wire money to qualify the consumer for the secret shopper position.

SECRET SHOPPER
Mystery Shopper

Overview Media 1 Comments 11 Complaints 45

About Secret Shopper Group
Locations of reports submitted

45
Complaints Filed

\$83,672
Total Reported Damages

This Group Listing Page started on August 17th, 2011, with initial reports beginning on June 18th, 2011.

Download PDF Document

JOIN THIS GROUP
SUBMIT A REPORT

Scambook.com has received 45 complaints and \$83,672 in reported damages for Secret Shopper.

Do you need some extra cash? Then this 1 day Secret Shopper position is for you.

This Secret Shopper position requires that you are between the ages of 21-25

craigslist

US Canada Europe Asia/Pacific/Middle East Oceania Latin America Africa

US

Area	Title	Message
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...
Atlanta	Secret Shopper	Atlanta (per city) ...

More secret shopper solicitations reported to Scambook are:
- Mystery Shopper – 66 complaints/\$139,225 reported
- TLG Shopper Greatfun- 60 complaints/\$8,607 reported

Government

Trending Scams for 2012

There will always be a need for student loans, financial aid and grants. Baiting consumers into applying for grants is another scam quickly on the rise. “Because you pay your income taxes on time, you have been awarded a free \$12,500 government grant! To get your grant, simply give us your checking account information, and we will direct-deposit the grant into your bank account!”

How it works

1. Scammers advertise “free grants” in the classifieds, inviting readers to call a toll-free number for more information.
2. In some cases, scammers will cold call. They lie about where they’re calling from, or they claim legitimacy using an official-sounding name like the “Federal Grants Administration.”
3. They may ask you some basic questions to determine if you “qualify” to receive a grant. FTC attorneys say calls and come-ons for free money invariably are rip-offs.
4. In either case, the claim is the same: your application for a grant is guaranteed approval, and you’ll never have to pay the money back.

[Scambook case study on next page ►](#)

Scambook case study: GrantAssist.com

GrantAssist.com is a source to obtain information about applying for and receiving government grants.

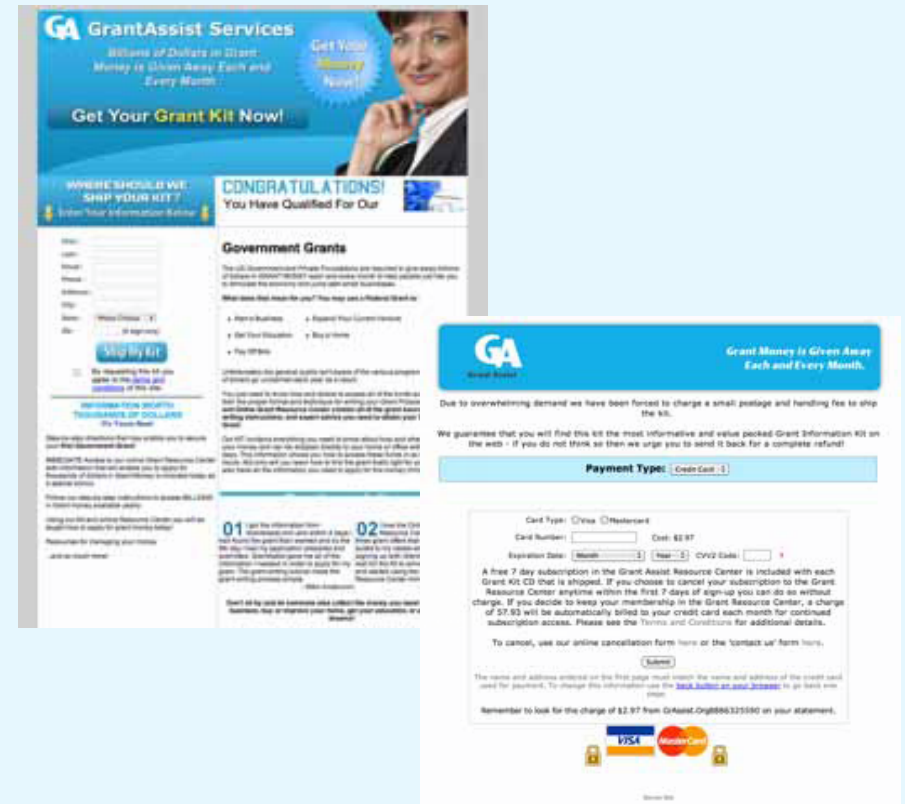
GrantAssist offers to ship you a 'grant kit,' informing you of how to secure a government grant. GrantAssist ensures access to billions of dollars of available grant money if you follow their step-by-step instructions.

Consumers are then directed to enter credit card information as GrantAssist "has been forced to charge a small postage and handling fee to ship the kit due to overwhelming demand."

Once credit card numbers are submitted to GrantAssist, consumers claim to find monthly unauthorized charges to their accounts.



Scambook users have reported over 550 complaints and \$43,061 in total reported damages for GrantAssist.com



Other grant services reported to Scambook include:

- World Grant Service – 10 complaints/\$7,404 reported
- ZBelly.com - 403 complaints/\$43,013 reported

Lottery, Sweepstakes and Contest Scams

Trending Scams for 2012

Consumers are told they have won a sweepstakes and in order to redeem their winnings, they must send in a check to cover certain fees.

How it works

1. Scammers pitch fake business offers, such as loans, charities, different club memberships, credit cards, lottery and sweepstakes. They will often use trigger words such as, 'act now' and 'no risk.'
2. The free offers for gifts, vacations and cash prizes serve as bait. The scammers are often pushy and ask you to send money, give credit card information, or a bank account number to claim your 'free' gift.
3. Lottery, sweepstakes and contest scams take consumers through similar steps as the Walmart text message scam. Consumers are asked to take part in a series of surveys, then guided through a series of webpages where they have to "participate" in a certain amount of "sponsor offers."

[Scambook case study on next page ►](#)

Scambook case study: Publishers Clearing House

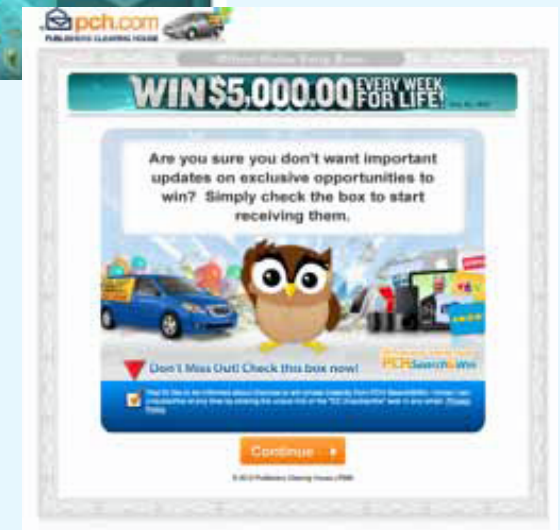
Publishers Clearing House is a direct marketer of various products, such as magazine subscriptions and promotional offers.

Publishers Clearing House is a website providing different ways for consumers to play and win different products such as gift cards, magazines and other promotional offers. Consumers will play the games hosted on the Publishers Clearing House website, but never receive any credit or products they win.

After consumers register, they are taken through a series of different offers, ultimately ending at an offer that requires them to enter credit card information so you can continue to “win \$5,000 every week.”



Scambook users have reported 188 complaints and \$10,881,835 in total reported damages



Another lottery scam reported to Scambook:

- Jamaican Lottery Scam – 4 complaints/\$26,000 reported

Payday Loan Scams

Trending Scams for 2012

Payday loan scams are strongly affecting consumers through enticing offers for instantly approved loans for consumers in need of a payday advance.

How it works

1. Scammers solicit consumers via telephone and/or email. They don't provide consumers any details of the payday loans and usually become defensive when questioned.
2. The "agents" then threaten consumers with legal actions, arrests, and in some cases, physical violence if they refuse to pay. In many cases, the "agents" even resort to harassment of the victim's relatives, friends and employers.
3. Some scammers even instruct consumers to fax a statement declaring the consumer will never dispute the debt and agreeing to pay a certain dollar amount using a prepaid visa card or wiring service.

[Scambook case study on next page ►](#)

Scambook case study: LoanFromPhone.com

LoanFromPhone.com also known as PhoneCashLoan.com offers users instant approval on cash loans.

Consumers are required to enter their phone number on LoanFromPhone.com. Representatives from LoanFromPhone.com then contact the consumer, informing them they have been approved for a loan.

The representatives coerce the consumer into giving their banking information in order to receive their loan. Consumers have claimed they never received a loan and find unauthorized charges of \$99 to their accounts.



Over 100 complaints and \$22,383 in total reported damages to Scambook.com



Additional Payday loan offers reported to Scambook are:

- National Payday – 34 complaints/\$9,928 reported
- FundedPayday.com - 29 complaints/\$468 reported
- Williams Online Credit – 26 complaints/\$3,057 reported

Scambook advice

Scambook keeps you one step ahead of the scammers by giving you some simple and practical advice to avoid getting scammed by some of the most common ploys

Online/Email

#1 Be wary of suspicious emails with urgent requests for personal financial information.

2. Avoid transactions involving Western Union, wiring money, checks, etc., because you will be responsible for all the costs. Use PayPal.
3. When entering your personal information online, always check to make sure the URL ID is secure. Not all scam sites will try to show the “https://” and/or the security lock.
4. Do not click on or respond to online ads or websites offering free gift cards.
5. Always use a credit card instead of a debit card when purchasing online. Credit card companies are more likely to reimburse you in cases of fraud.
6. Be protective of your password. If a page on the Internet asks for your Facebook password, make sure it is a real website and not a phishing attempt.

Telephone Calls

#1 Do not give out your checking account number over the phone unless you know the company and understand why the information is necessary.

2. If you get a voicemail message from your credit card company asking you to call back, only call back using the number listed on the back of your card. Never respond directly to the contact number offered in the message.
3. Avoid salespeople/companies who are pushy and require you to make a decision within the same day.
4. Always ask detailed questions. It's almost guaranteed that the scammer will not know all the answers.

Infomercials

#1 When purchasing infomercial products, pay close attention to the total cost. This includes shipping and handling, not just the advertised "special" price.

2. Determine whether there will be more than one payment required to purchase the product. Phrases like "3 easy payments" can be easily overlooked and may not be clearly noted on the check out page or over the phone.
3. Determine whether there is a free trial or "negative option." A negative option requires the consumer to opt-out of a recurring subscription by contacting the seller. If a consumer fails to do this, he or she will be automatically enrolled in a monthly charge.
4. Be careful in choosing or agreeing to "upsells." Make sure you clearly understand the terms and requirements of any extra product or service being offered.

Charities/Natural Disasters

#1 Find out as much information as possible about the charity – name, address, phone number and contact person.

2. Beware of charities with names similar to other well-known charities. When in doubt, research the organization.
3. Avoid charities that require you to wire money and/or enter your personal information in response to their email pitch.
4. Don't act upon any charity or disaster relief donation requests via email. Most legitimate organizations won't solicit people through email unless you've donated to them in the past.
5. Use trusted news sites or major media organizations to search for news on disasters instead of links that appear on the Internet.

Travel

#1 Look up the details about the hotel you are looking to book and check out its reviews.

2. Complete every detail in your passport. Be sure to sign it and fill out the emergency information page.
3. If you're planning a vacation, arrange for someone to pick up your mail or use the USPS hold mail service to ensure your mail is held safely while you're away.

Taxes

#1 Do proper research to make sure the firm or accountant you choose to work with is credible.

2. Request to receive your return electronically, so that you don't risk scammers stealing the paper check from your mailbox.
3. The IRS won't send emails or call to ask for your personal information. Don't share your personal information with anyone.

To report any suspicions of scams, contact the Federal Trade Commission or your state's attorney general.

About Scambook

Scambook's goal is to bring attention to bad business practices and scams everywhere. We aim to set a higher standard of business and consumer relations and educate our users on current scams and complaints.

The Scambook platform allows consumers to provide firsthand feedback, share evidence and document their experience with businesses. Our system is designed to resolve complaints and conflicts between the consumer and the business. Scambook users are offered refunds once the business and consumer have reached an agreement, providing the business with an opportunity to correct what went wrong during the first encounter. By providing consumers with an outlet to share their experiences, we encourage businesses to refine their customer service standards and provide support when necessary.

With over \$1 billion worth of reported damages and counting, we strive to give consumers a fighting chance against scams and bad business practices.

For more information on Scambook you can:

Read our Blog at www.scambook.com/blog

Connect with us on Facebook

Follow us on Twitter

Contact us directly at press@scambook.com

Works Cited

ⁱ <http://www.ftc.gov/opa/2003/09/idtheft.shtm>

ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} Ibid

^v Wiley Online Library: *Psychology & Marketing*. Ó Langenderfer, J. and Shimp, T. A. (2001)

^{vi} Spam Laws: www.spamlaws.com/fraud-effects.html

^{vii} Spam Laws: www.spamlaws.com/fraud-effects.html

^{viii} 2010 Internet Crime Report, pg.4

^{ix} 2010 Internet Crime Report. Pg. 6

^x IC3 Report: www.ic3.gov/media/annualreport/2010_IC3Report.pdf

^{xi} Internet Crime Complaint Center Annual Reports. <http://www.ic3.gov/media/annualreports.aspx>

^{xii} Dough Roller: *Penny Auctions Are Scams*. Ó www.doughroller.net/personal-finance/penny-auctions-are-scams/ service.