

# ALERTS

## TRADING STANDARDS

### 11/01/2024

## Fraud Advice

### Pyramid or Ponzi Schemes

Pyramid scheme fraud involves an unsustainable business which rewards people for enrolling others into a business that offers a non-existent or worthless product. A fraudster advertises a multi-level investment scheme that offers extraordinary profits for little or no risk. You're required to pay a fee to enter the investment scheme. You're then required to recruit friends or family members to enter the scheme. If you do this successfully, you're paid out of their receipts. They are then told to recruit others to keep the chain going. Your money is not actually invested in any product. Instead, it's simply passed up the chain of investors. Because pyramid schemes are unauthorised and make no profits, you're very unlikely to recover any lost investment. While the fraudster at the top will collect most of the profits, those who entered the scheme later end up losing out. Legitimate trading schemes rely on valuable goods and services, while illegal pyramid schemes focus simply on recruiting more and more investors. Using hard-sell techniques, fraudsters try to pressure you into making rushed decisions, giving you no time to consider the nature of the investment. Fraudsters aim to make their business seem legitimate. This means they will often use technical jargon, impressive job titles and mock websites to look credible. If you have any suspicions about a scheme's authenticity, you should investigate the company's status and contact details.

### How to Protect Yourself

- If you're considering any type of investment, always remember: if it seems too good to be true, it probably is.

### Other Consumer Non Investment Fraud

Sometimes businesses use deceptive business practices that can cause their victims to suffer financial losses. The victims believe they are participating in a legal and valid business transaction when they are being defrauded. Fraud against consumers is often related to false promises or inaccurate claims made to consumers, as well as practices that directly cheat consumers out of their money.

### How to protect yourself

- Research the company before purchasing goods or services.
- Use Companies House to find out how long they have been trading.

- Ensure you use trusted, reviewed companies.
- Avoid using direct bank transfers when purchasing items online, instead use a credit card.

## **Advance Fee Fraud**

Advance Fee Fraud is an umbrella term to describe a particular fraud type where the criminal convinces a victim to make upfront payments for goods, services and/or financial gains. But the goods/services don't exist.

Many different types of Advance Fee Fraud using various techniques and scams are used by criminals. However, the numerous different tactics used by criminals means it's worth describing the basic technique behind the fraud; the criminal will offer something to you, but in order to progress, you'll need to pay something up front. Below is a list of types of Advance Fee Fraud.

**This list is by no means exhaustive!**

**Clairvoyant or Psychic Fraud** – The criminal predicts something significant in your future, but they need money to provide a full report.

**Cheque Overpayment Fraud** – The criminal overpays for something with an invalid cheque and asks for change.

**Fraud Recovery Fraud** – Once you've been a victim of fraud, the criminal contacts you, claiming that they can recover your losses, for a fee.

**Inheritance Fraud** – The criminal tells you that you're in line to receive a huge inheritance, but you'll need to pay a fee to release the funds.

**Loan Fraud** – The criminal asks you to pay an upfront fee for a loan.

**Lottery Fraud** – You're told you've won a prize in a lottery, but you'll need to pay the criminal an admin fee.

**Racing Tip Fraud** – The criminal offers racing tips that are "guaranteed" to pay off, for a small fee.

**Rental Fraud** – The criminal asks for an upfront fee to rent a property, which may not be theirs, or even may not exist.

**West African Letter Fraud (aka 419 Fraud)** – The criminal asks for help moving a large sum of money from one country to another, promising to cut you in, but asks for a payment upfront first.

**Work from home Fraud** – The criminal offers you to make easy money working from home, but you need to pay a fee in advance, for business leads, or a website.

**Vehicle Matching Fraud** – The criminal contacts you just after you've placed an advert trying to sell something (usually a car). They ask for a "refundable" fee to put you in touch with a non-existent immediate buyer.

## **How to protect yourself**

- Be extremely wary about giving money to anyone upfront, especially a stranger, for any reason.
- If they claim to be an official, double check their identity, but don't do so using any contact details they give you.
- Don't be pressurised into making a decision in that moment. Always take time to think, don't forget to Take 5.

**REMEMBER** – Criminals will try any lie to get your money

**CAUTION** – Don't give money upfront if you have even the slightest suspicion

**THINK** – Why should I give this person money? Why have they targeted me?

**Remember:**

Your bank, the police, or tax office will never ask you to attend your bank, withdraw, transfer or pay money over the phone or send couriers to collect your card or cash. Nor would they ask you to buy goods or vouchers.

This is a scam.

1. Hang up (Never give details or money following a cold call)
2. Take 5 (Seek a second opinion, tell someone what has happened)
3. Verify (if concerned, contact the company via a pre-confirmed method)

**STOP**

Taking a moment to stop and think before parting with your money or information could keep you safe.

**CHALLENGE**

Could it be fake? It's ok to reject, refuse or ignore any requests. Only criminals will try to rush or panic you.

**PROTECT**

Contact your bank immediately if you think you've fallen for a scam and report it to Action Fraud

**Scammers want your name, date of birth & current or previous address to commit identity theft. With it they can:**

- Open bank accounts
- Obtain credit cards/loans & benefits.
- Order goods / mobile phone contracts
- Take over existing accounts.
- Obtain a passport & driving license.

**WHERE TO REPORT**

**Protect others by reporting incidents like this.**

**Report suspicious texts** you have received but not acted upon, by forwarding the original message to 7726, which spells SPAM on your keypad.

**Report suspicious emails** you have received but not acted upon, by forwarding the original message to [report@phishing.gov.uk](mailto:report@phishing.gov.uk)

**If you, or anyone you know, have been affected by this fraud or any other scam, report it to Action Fraud by calling 0300 123 2040 or visiting [www.actionfraud.police.uk](http://www.actionfraud.police.uk)**

**[tradingstandards@royalgreenwich.gov.uk](mailto:tradingstandards@royalgreenwich.gov.uk)**