

Research on impact of mass marketed scams

A summary of research into the impact of scams on UK consumers

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OFT883

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PART I : OVERVIEW

1 INTRODUCTION

1.1 Cheap methods of mass communication, such as direct mail, telephone, email and the Internet bring great economic benefits, but in the wrong hands they are also tools to perpetrate fraud and deception on a global scale. Mass marketed consumer fraud is a feature of the new globalised economy. It is a huge problem: international in its scope, its reach and its organisation.

'Nothing is new about the problems of scams by confidence tricksters except for the scale of the problem and the ease by which international criminals and their customers can communicate'.¹

1.2 In 2004 the Office of Fair Trading turned its focus to mass marketed scams in response to the vast number of complaints it was receiving. Our investigations revealed not only the potentially huge economic cost to consumers and honest businesses but the human cost, particularly to the vulnerable.

1.3 The following extract from a letter is typical of the stories we heard of people who had been robbed of their entire life savings after being repeatedly targeted by scammers.

'I am writing with regard to my 82 year old mother ... she was receiving up to 70 letters per day. I realised last year that she had gone through her entire life savings and was running up considerable debts in the belief that she had won a lot of money. She had given out her personal details including her credit card number to a large number of companies and her credit card was hit repeatedly for small amounts of money which mounted up to £7000 of debt in a very short space of time'

¹ Ian Angell, an academic and author of the *New Barbarian Manifesto (How to survive the Information Age)*

The correspondent arranged for her mother's post to be redirected to her address but went on to say that:

'this week our worst fears were realised when I found out that several of the companies had been contacting her by phone and persuading her to give them a neighbour's address to send correspondence to and to give them her new bank details in return for yet more overpriced goods in return for non-existent winning cheques'. She ends up stating 'I am in despair of this constant menace and the more mentally confused she becomes the easier it is for these companies to persuade her into placing orders'.

- 1.4 This kind of anecdotal evidence suggested the high prevalence of mass-marketed scams and their significant personal impact on vulnerable people. Despite the difficulties of establishing the true size of the problem, in 2005 we estimated the direct cost of scams to UK consumers was at least £1 billion a year.
- 1.5 In response to the scale of the problem, we made it a priority to tackle mass marketed scams and help reduce the number of people who fall victim to them. In order to get a better idea of the scale and nature of mass marketed scams we commissioned Carol Goldstone Associates, together with GfK NOP, to undertake a groundbreaking programme of research to improve our knowledge of the prevalence and impact of scams on the UK public. This major piece of work included initial interviews with more than 11,200 people and 1,900 detailed follow-up interviews with people who reported that they had been a victim of a scam, or knew someone who had been a victim, or had been a target of a scam.

1.6 The research focused on the following 15 types of mass marketed 'scam' that we had identified:

1. prize draw/sweepstake scams
2. foreign lottery scams
3. work at home and business opportunity scams
4. premium rate telephone prize scams
5. miracle health and slimming cure scams
6. African advance fee frauds/foreign money making scams
7. clairvoyant/psychic mailing scams
8. property investor scams
9. pyramid selling and chain letter scams
10. bogus holiday club scams
11. Internet dialer scams
12. career opportunity (model/author/inventor) scams
13. high risk investment scams
14. Internet matrix scheme scams
15. loan scams

1.7 The research findings will help to better inform our future work in this area, in particular in terms of the focus of enforcement action and the targeting of consumer education and awareness campaigns.

2 EXECUTIVE SUMMARY

Financial cost of scams

- 2.1 On the basis of the research, **we estimate that UK consumers lose about £3.5 billion to scams each year**. This includes estimated annual losses of £1.17 billion to holiday club scams, £490 million to high risk investment scams, £420 million to pyramid and get-rich-quick schemes and £260 million to foreign lottery scams. To put this into perspective, the total annual direct financial loss to the economy of £3.5 billion equates to **about £70 per annum for each adult living in the UK**.
- 2.2 The mean amount lost per scam is **£850**, with a median of £47. Since the median represents the point at which as many people lost more as lost less, this emphasises the very skewed distribution of losses, the mean being boosted by the relatively small number of people who lost large amounts of money to scams.

Incidence of scams

- 2.3 **Almost half the UK adult population** (48 per cent) – some 23.5 million people – is likely to have been **targeted by a scam**. Some eight per cent of the adult population – 3.9 million people – would admit to having been a victim of a scam at some time. This is likely to under-estimate the overall occurrence of scams because people who were victims of a scam often fell for more than one scam, and people may either not recognise that they have been scammed, or be too embarrassed to admit to it.
- 2.4 Based on the research findings, we estimate that 6.5 per cent of the UK adult population – **3.2 million people** – **fall victim to scams every year**. Of these, we estimate that more than one million people fall victim to premium rate telephone prize scams (although this is likely to have fallen with the introduction of a tougher Code of Practice by ICSTIS, the premium rate services regulator), 480,000 to pyramid and chain letter scams, 400,000 to bogus holiday club scams, and 380,000 to prize draw scams.

- 2.5 Our findings suggest that on average, **a victim has a 30 per cent chance of falling for another scam within the following 12 months**, often because their details are added to a so-called 'suckers list' and they are further targeted by scams. This can lead to chronic victimisation amongst vulnerable consumers and the resultant overall loss of many thousands of pounds to scams.

Demographics of scam victims and targets

- 2.6 Our research dispels the myth that only the vulnerable, elderly or naive are taken in by scams. Anyone can be taken in because scams are customised to fit the profile of the people being targeted. There really is a scam for everyone.
- 2.7 Although older consumers are more likely to be targeted by a scam (over 55s accounting for almost half of people claiming to have been targeted), there is no evidence to suggest that older people are more likely to be victims. Victims were most common amongst the 35-44 year age bracket. However, the mean amount lost per scam is higher for older victims.
- 2.8 Men and women are equally likely to be victims of scams although the incidence does vary by specific scam. Women were worst affected by miracle health scams (71 per cent of victims), clairvoyant mailing scams (70 per cent of victims) and career opportunity scams (63 per cent of victims). Men were much more affected by high risk investment scams (72 per cent of victims), property investor scams (68 per cent of victims), African advance fee scams (65 per cent of victims) and Internet dialer scams (63 per cent of victims).
- 2.9 The social class of targets and victims was spread fairly evenly although the incidence varies by specific scam. The DE social groups were particularly affected by loan scams, foreign lottery scams, career opportunity scams and clairvoyant mailing scams. Those in the AB categories were particularly affected by African advance fee scams, property investor and high risk investment scams.

- 2.10 Those who fell victim to a scam were more likely to be in employment (63 per cent) than those who were not working (37 per cent). This was expected given their higher disposable incomes.
- 2.11 The mass-marketed nature of scams meant that **all UK regions are affected**. In our sample London and the Midlands provided the largest numbers of targets and victims, but this will have been due to the high concentration of population in these areas. There is no reason to believe that Londoners or Midlanders are more susceptible to scams than anyone else, although there is some evidence that property investor scams and high risk investment scams were more prevalent in London than elsewhere.

Reporting of scams

- 2.12 **Fewer than five per cent of people report scams to the authorities.** The low level of reporting makes the collation of robust information about the harm created by a specific scam difficult to determine and therefore creates difficulties in developing an effective strategic response. In addition enforcement agencies should not determine enforcement targets purely on complaint data.

Behavioural impact

- 2.13 Scams have significant behavioural impacts on victims by undermining trust and confidence in legitimate business activities. **Just over half of victims (56 per cent) claimed to have changed their purchasing and payment behaviour**, for example they were more likely to throw away all unsolicited mail, and some were less likely to shop on the Internet or use credit cards.

3 DEFINITION OF A MASS MARKETED SCAM

3.1 There is no single commonly accepted or legal definition of a 'scam'. With no basic definition, there is room for interpretation as to what constitutes a scam, making objective measurement of their impact and prevalence more difficult.

3.2 For the purposes of the research we used the following general definition of a scam:

A misleading or deceptive business practice where you receive an unsolicited or uninvited contact (for example by email, letter, phone or ad) and false promises are made to con you out of money.

3.3 This definition, which implies an act of persuasion based on misrepresentations, was devised in light of our focus on **mass marketed** scams and the types of scam we regularly receive complaints about. Within this over-arching definition respondents were presented with 15 prevalent mass marketed scams, which are listed at sub-paragraph 1.6 above. These scams range from those where the trader used misleading or deceptive business practices to outright fraud. Some types of fraud such as 'phishing' (which are more properly dealt with by the police) were excluded.

3.4 Respondents' personal definitions of scams were much broader than our general definition and generally equated to fraud. Focus group comments included:

'Where you've been cheated out of something or been violated in some way. The image of somebody doing something to someone else to achieve a gain for them but at someone else's expense'.

'Anything dodgy. Anything that's not the truth. False advertising.'

'Fraudsters basically. People trying to get money out of you. A crime problem. Someone that wanted to obtain money from a person fraudulently but it appears that it's a legal, above board way of paying money'

4 RESEARCH METHODOLOGY

- 4.1 The research was made up of four parts, including an exploratory qualitative phase and then quantification of the findings. The four parts were as follows:

Qualitative

Focus group discussions

- 4.2 The purpose of this stage was to talk to members of the public who had been targeted by scammers about their awareness and experience of scams. We wanted to better understand what they thought a 'scam' was and what words they would use to describe it. The findings were used to revise and improve the questions placed on the subsequent omnibus surveys.

In-depth interviews

- 4.3 The in-depth interviews probed issues not covered in any detail in the focus group discussions. More importantly however, it was to ensure understanding of all the issues impacting on scams so that these could be translated into an appropriate quantitative questionnaire. The aim was to overcome any understanding, relevance, definition or participatory problems.

Quantitative

Omnibus surveys

- 4.4 Face-to-face and telephone omnibus surveys were conducted with 11,214 people to build a better understanding of the incidence and awareness of scams affecting UK consumers. This involved placing four questions on a series of eight omnibus surveys. The omnibus samples were designed to be fully representative of the Great Britain population aged 15 and over. The surveys provided a targeted and up to date

sample base for the concurrent depth interviews and follow-on computer aided telephone interview survey.

Computer aided telephone interviews (CATI)

- 4.5 This phase of the survey followed on from the qualitative depth interviews and aimed to quantify and summarise experiences uncovered at the preceding phase which provided an overview of the incidence of scams and the primary issues affecting scam targets and victims.
- 4.6 1,900 Computer Aided Telephone Interviews (CATI) were completed, consisting of 701 victims of scams, 645 targets of scams and 554 family, friends and/or colleagues of scam victims.
- 4.7 Full details of the methodology and sample used are at Annexe A².

² An electronic copy of the Carol Gladstone Associated survey report, on which most of this summary is based, can be obtained from the OFT.

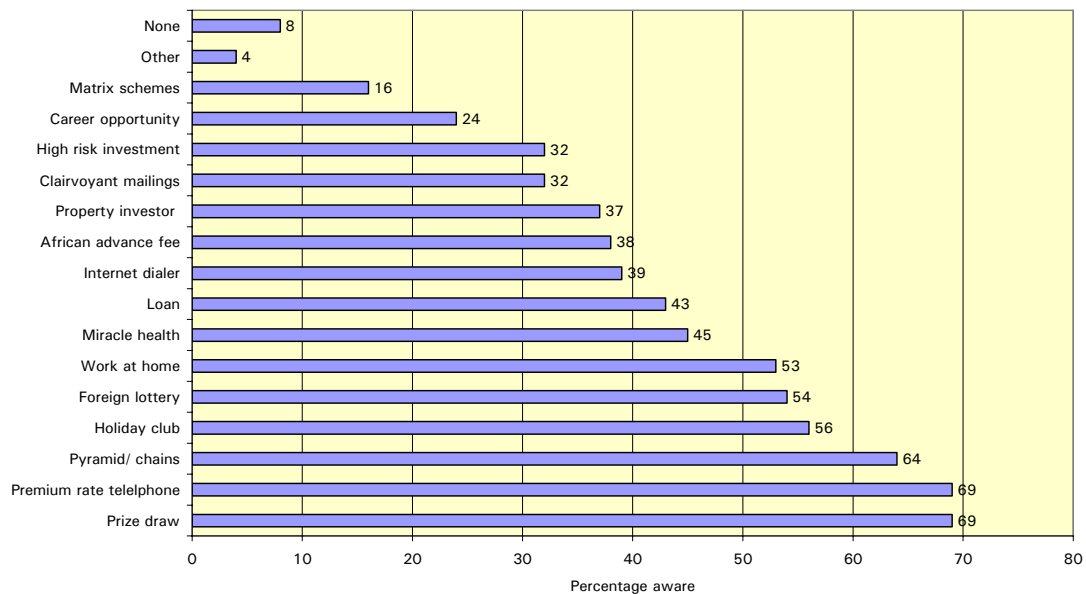
PART II : MAIN FINDINGS

5 AWARENESS OF SCAMS

5.1 The research looked at scams of which people were aware. Prompted awareness was highest for premium rate telephone prize scams, prize draw scams and pyramid selling scams, all of which achieved over 60 per cent awareness. These were followed by holiday club scams, foreign lottery scams and work at home scams, which all had over 50 per cent awareness. Awareness of generic types of scam is likely to be the result of media warnings, or having been targeted by a scam, or knowing someone who had been targeted or had been a victim of a scam. It is important to recognise that being aware of a generic type of scam does not, in itself, mean that the respondent has the skills to recognise or resist a specific scam if targeted.

Table 5.1: Awareness of scams per cent

Base: All respondents 11,214



6 INCIDENCE OF SCAMS

- 6.1 The research also sought to determine what proportion of the adult population had been targeted by, and fallen victim to, scams.

Scam targets

- 6.2 Almost half of the 11,200 adults surveyed (**48 per cent**) had been targeted by a scam at some stage in the past. This is unsurprising given the mass-marketed nature of the scams and the way in which the perpetrators operate. Large numbers of unsolicited mailings, e-mails or telephone calls can be disseminated to individuals whose details are obtained from a purchased mailing list or via automated calling systems or harvested email addresses. Most recipients will recognise the approach as a scam and ignore it but a small percentage will send off money and make the scam profitable. The victims may then have their personal details added to a 'suckers' list which is sold amongst fraudulent marketers.

Scam victims

- 6.3 **Eight per cent** of the adults surveyed admitted to being victims of a scam at some stage in the past. The proportion of people who knew family members (12 per cent), friends (12 per cent) or colleagues (11 per cent) who had been victims were all very similar. In any survey of this type there is likely to be under reporting by victims, primarily because of reluctance, particularly amongst serial victims, to acknowledge that they have been scammed. In some instances this will be due to embarrassment and in others because the victim is in denial. This is likely to be particularly true for older scam victims.
- 6.4 Most of the experiences reported had occurred within the past year. However, there is likely to be a memory decay effect present, and it would be unjustifiable to draw the conclusion that scams are on the increase from these findings.

6.5 Based on the research findings, we estimate that **6.5 per cent** of the UK adult population, around **3.2 million people**, fall victim to scams every year. In terms of specific scams, we estimate that over one million adults fall victim to premium rate telephone prize scams each year [although this is likely to have fallen with the introduction of a tougher Code of Practice by ICSTIS, the premium rate regulator], 480,000 to pyramid and chain letter scams, 400,000 to bogus holiday club scams, 400,000 to pyramid and chain letter scams, 400,000 to bogus holiday club scams, and 380,000 to prize draw scams.

Table 6.1: Estimated number of UK scam victims per annum

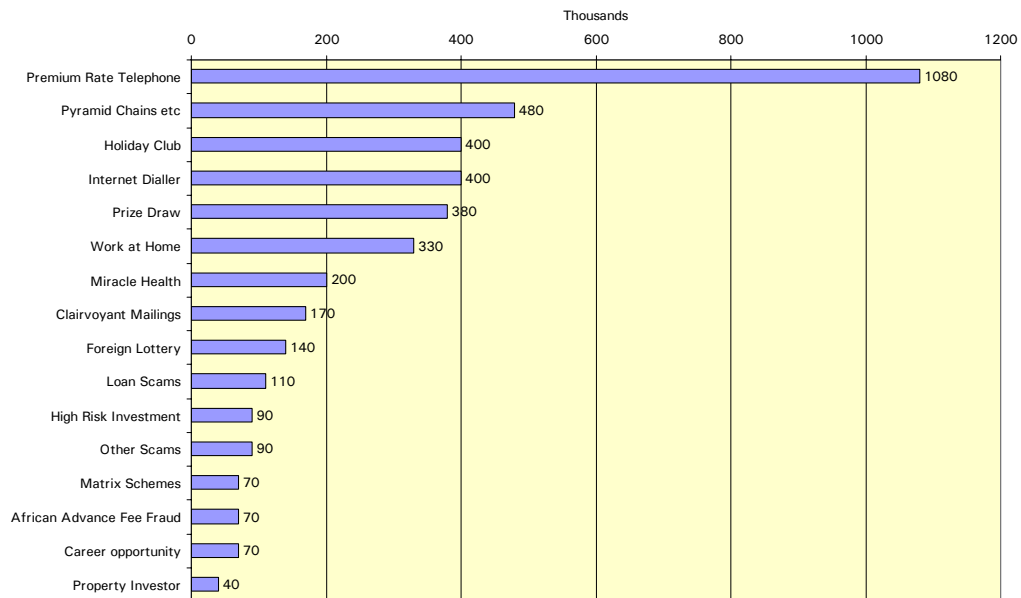
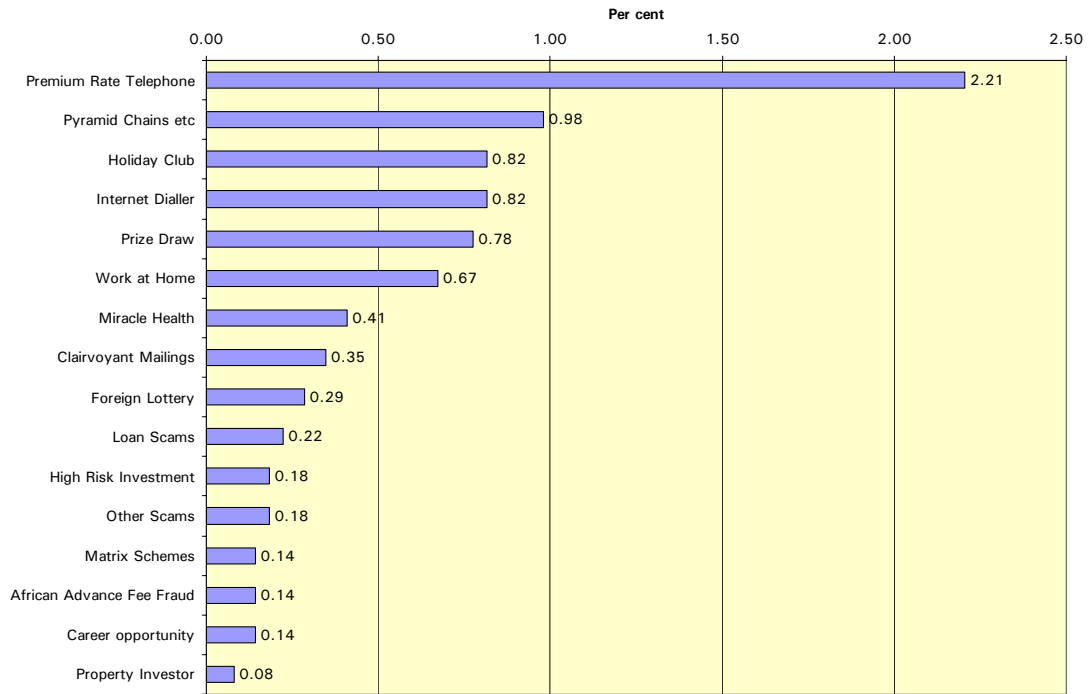


Table 6.2: Estimated percentage of UK adults falling victim to scams per annum



7 REASONS FOR FALLING FOR SCAMS

7.1 The research findings reflect the ways in which scammers skilfully exploit a number of social psychological techniques to identify and exploit the vulnerabilities of victims.

'they have many ways to 'case the joint' and identify the victim's vulnerability ... his or her 'emotional Achilles' Heel', and then employ the precise tactics that will work best'³

7.2 Victims were asked why they had fallen for the scam, and family members were also asked why they thought the victim they knew had fallen for the scam. Although this was generally a combination of factors, including both the ways in which the scam was pitched and the personality traits of the victims, a number of primary reasons were given.

7.3 Often, the scam was perceived by the victim to be **legitimate**. Thirty two per cent of victims stated that the professional or official appearance of the scam material or the fact that it appeared to come from a credible source (for example, inserts in a trusted magazine or newspaper) was a major factor in creating the air of legitimacy. The ability to look legitimate was a particular feature of foreign lottery scams which were often made to look like they came from an official organisation. This type of scam approach exploits the accepted norm in society that we should trust and respect those in a position of authority. Such authority is easy to fake.

7.4 Thirty per cent of victims stated that they were caught **off guard** causing them to respond before they had time to think things through. It was also, to some extent, caused by their excitement at the time and the prospect of winning a prize or getting what looked like a good offer (13 per cent). A common tactic used by many scammers is to set artificial deadlines to create a sense of urgency, which places a target under

³ Anthony Pratkanis and Doug Shadel, *Weapons of Fraud*

pressure to respond quickly. They also create the impression that if a response is not made soon the opportunity will be lost forever.

- 7.5 Some victims thought that it was possibly a scam but regarded it as **worth the risk** (15 per cent), commonly because the amount invested was considered sufficiently small. As one focus group member said:

'I suppose you'd think long and hard before you'd part with £200 to £400, whereas sometimes a fiver or a tenner, you'd think oh it's worth a chance.'

- 7.6 The **persuasive** (four per cent) or **individualised** (three per cent) approach used by some scams made the victim feel special and personally selected. This type of approach is common to nearly all mass marketed scams in which the appearance is given that the victim has uniquely been selected for a prize, a win or an exciting offer. This impression is created by the repeated mention of the victim's name within a mailing, and frequently by the use of what seems to be hand-written notes from someone in authority, creating the impression that the recipient has been specially chosen.
- 7.7 Scammers also exploited a **genuine need** for what was on offer such as work, money or assisted weight loss (seven per cent of victims). This was particularly a factor with home-working scams and loan scams.
- 7.8 There was also recognition that some of the victims were **vulnerable** to being scammed because of their vanity, gullibility, greed, old age, youth or ill health.

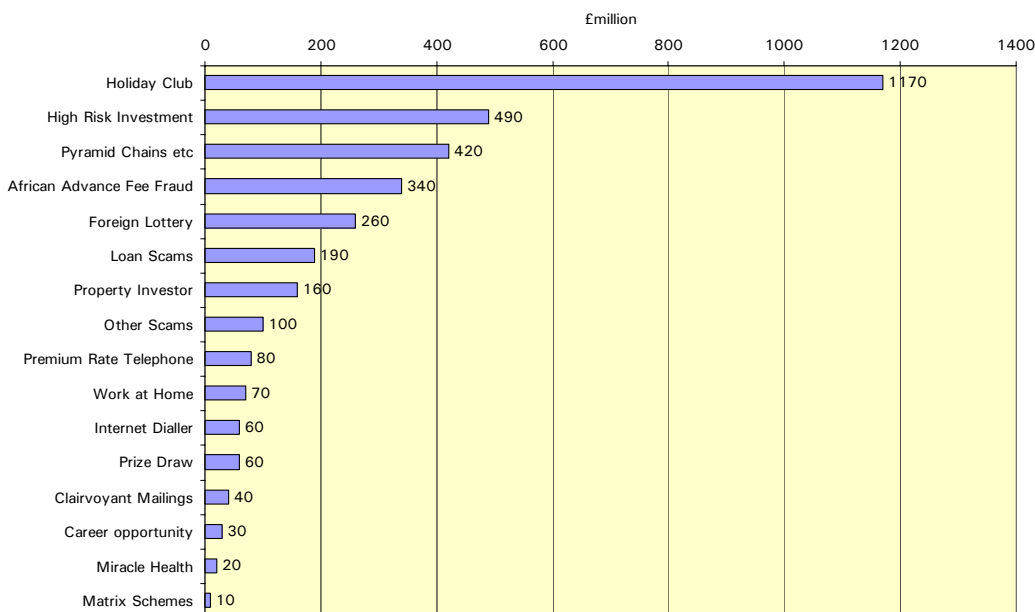
Table 7.1: Reason fell for scam – by sample type

	Total	Victim	Family
	per cent	per cent	per cent
Unexpected/off guard/unaware	29	30	28
Legitimate/professional appearance	27	32	22
Win/free/easy	16	13	18
Worth risk	13	15	11
In need/desperation	9	7	10
Vulnerability	4	2	6
Persuaded/pressurised	3	4	3
Individualised approach	2	3	2
Lack of security	2	2	2
Others	2	3	2
Don't know	7	4	9
No answer	1	1	1
Base: Total mentions	2,136	1,027	1,109

8 FINANCIAL IMPACTS

8.1 On the basis of the research findings, it is estimated that UK consumers lose in the region of **£3.5 billion** to scams each year. This includes estimated annual losses of £1.17 billion to bogus holiday club scams, £490 million to high risk investment scams, £420 million to pyramid and chain letter scams and £260 million to foreign lottery scams.

Table 8.1: Estimated annual cost of scams by type

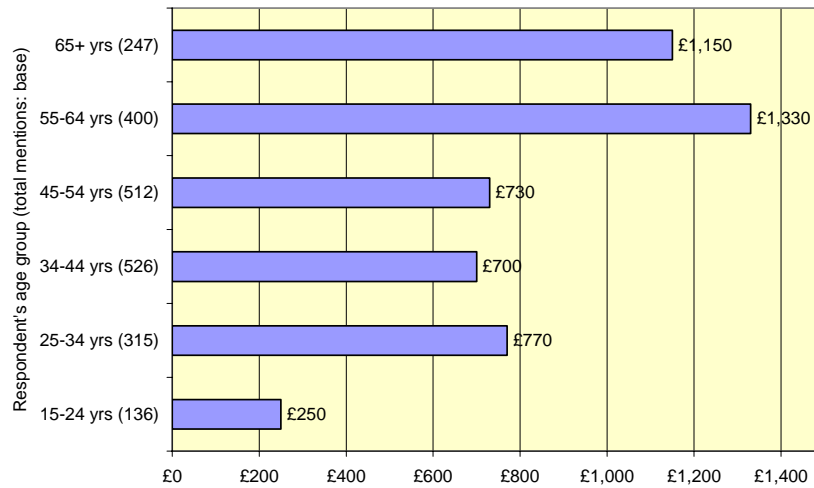


8.2 The reported mean amount lost per scam was **£850** (with a median of £47). Although many mass-marketed scams typically ask for relatively small sums of money (hence they are often referred to as 'high volume, low value' crimes), others ask for significant sums. As a result the mean loss per scam was boosted by the relatively small number of people who lost large amounts of money. The highest mean losses were £5,660 for investment scams, £5,000 for African advance fee scams, £4,240 for property investor scams, £3,030 for bogus holiday club scams, and £1,900 for foreign lottery scams. The mean loss may also be higher because the victim has lost money more than once to the same scam or a slight variation on it (for example, by calling the same premium rate

number on a number of occasions to find out what 'major' prize they have won or sending off money to a number of very similar sweepstake promotions).

8.3 The mean amount lost per scam was higher for older consumers (for those aged 55 and over it was £1,261) than for younger age groups (£684). Anecdotal evidence suggests that this could be the result of elderly victims being on 'suckers lists' and being repeatedly targeted by scammers.

Table 8.2: Mean amount lost by age group



9 BEHAVIOURAL IMPACTS

- 9.1 The real cost of scams is far greater than the pure financial losses suffered by victims. Scams cause significant broader harm to the UK economy and to society in general.

Emotional impact

- 9.2 Victims are often vulnerable people who may be in financial distress or are elderly or socially-isolated. The personal impact on them and on their families is often devastating in terms of future peace of mind and health. Victims can be left with damaged self-esteem and a reduced sense of self-worth. Victims suffer stress, anxiety and depression. Lives can be ruined.

'Lillian, 79, died of a stroke after blowing £36,000 in the prize draw that dropped on her doormat every day. When grieving relatives went to her home they found 10,000 letters offering untold riches stashed away.' *Daily Mail*, September 2006

'An 89 year old widow who blew £35,000 on junk mail scams has been moved into a care home – to protect her from con artists. Dr Mary Edwards sent cash to around 100 firms worldwide. They offered all sorts of goods and prizes from lotteries to health care. The addiction finally led her son to put the ex-Oxford University lecturer into sheltered accommodation' *The Sun*, October 2006.

Impact on consumer confidence

- 9.3 Economic crime also undermines consumer trust and confidence in UK businesses. Legitimate businesses are, in effect, penalised by those who act fraudulently. In particular, this can undermine trust in the direct marketing industry as a whole.
- 9.4 More than half of scam victims admitted to having changed their purchasing and payment behaviour, generally becoming more cautious or suspicious of any contact as it could potentially be another scam. The

effect on those who had only been targeted was much less pronounced, fewer than a quarter claiming to have changed their behaviour. Around 15 per cent of all respondents stated that they had reduced their shopping on the web. A small number of victims also claimed that they were also less likely to use credit cards in future, were more likely to throw away all unsolicited mail, and less likely to respond to cold callers and unsolicited offers.

'I would never bother with unsolicited mail coming through. It does, straight away I'm afraid, go in the recycling box', focus group member.

'Most of those these days go in the bin straight away...' focus group member.

10 DEMOGRAPHICS OF SCAM TARGETS AND VICTIMS

10.1 The research findings illustrate the myth that only vulnerable, elderly or uneducated people are taken in by scams. Anyone can be taken in because scams are customised to fit the profile of the people being targeted. There really is a 'scam for everyone'.

Gender

10.2 The overall breakdown between male and female victims was very even. Some scams did however, vary in incidence by gender. Women were worst affected by miracle health scams (71 per cent of victims), clairvoyant mailing scams (70 per cent of victims) and career opportunity (such as become a model) scams (63 per cent of victims). Men were much more affected by high risk investment scams (72 per cent of victims), property investor scams (68 per cent of victims), African advance fee scams (65 per cent of victims) and Internet dialer scams (63 per cent of victims). These findings are consistent with what would be expected given the nature of the scam and particular target audience that it is likely to appeal to.

Table 10.1: Victim gender – by scam

	Male	Female	<i>Base: All</i>
	per cent	per cent	
Prize draw	48	52	375
Foreign lottery	53	47	188
Work at home	51	49	177
Premium rate telephone	53	47	595
Miracle health	29	71	136
African advance fee	65	35	131
Clairvoyant mailings	30	70	104
Property investor	68	32	56
Pyramid/ chains	53	47	263
Holiday club	50	50	323
Internet dialer	63	37	151
Career opportunity	37	63	27
High risk investment	72	27	55
Matrix schemes	59	41	39
Loan	44	56	71
Other	49	51	41

10.3 The average amount lost by men per scam was £1,100 whereas for women it was £600. This is because men are more likely to fall for those scams where the individual losses are higher such as advance fee fraud and investment, and property investment scams.

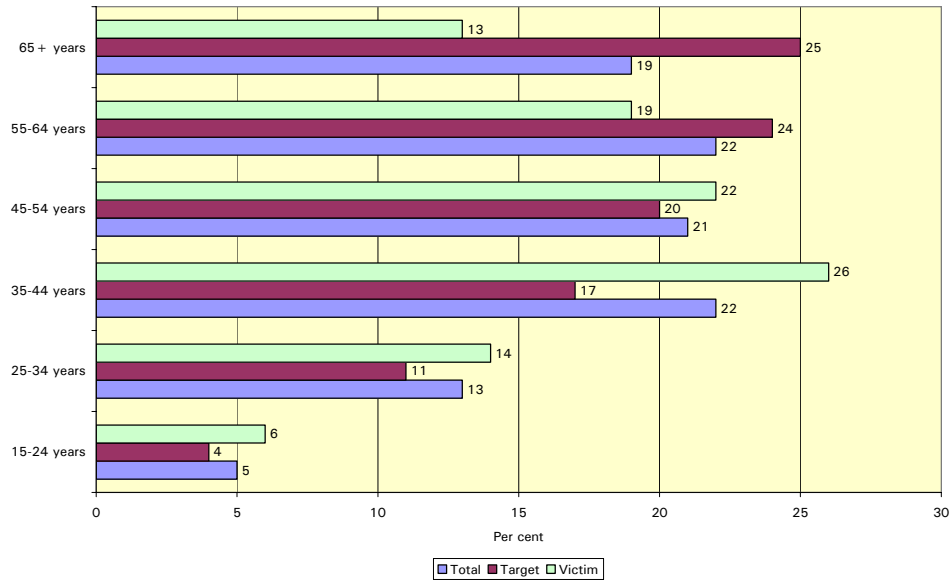
Age profile

10.4 Older consumers were more likely to be targeted by a scam, with 25 per cent of those targeted being over the age of 65, and 24 per cent between 55-64 years old. The average age of a target was 53 years.

10.5 There was, however, a spread of scam victims across the age ranges. The highest percentage of victims were aged between 35-44 years (26 per cent), whereas only 13 per cent of victims were over 65 years old. The average age of a scam victim was 47. Contrary to expectations, younger, more affluent consumers were more likely than older people to be victims of scams. This could, in part, however, be a reflection of the greater reluctance of older scam victims to admit to being scammed.

10.6 However, older victims (those aged 55 and over) were likely to lose nearly twice as much per scam (the mean amount lost per scam was £1,261) compared to younger age groups.

Table 10.2: Age – by sample type (per cent)



10.7 There were slight variations in the prevalence of specific scams by certain age groups.

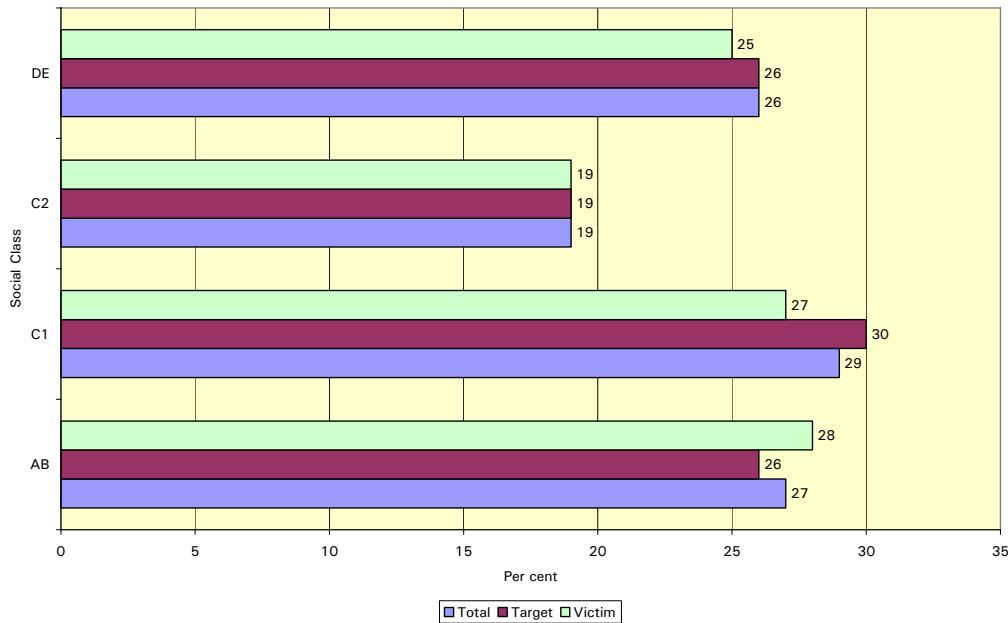
Table 10.3: Target and victim age – by scam

	15- per	20- per	25- per	35- per	45- per	55- per	65- per	75+ per	Mean	Base: All
Prize draw	1	3	13	19	22	21	16	6	51	375
Foreign lottery	1	1	11	17	18	23	21	9	54	188
Work at home	2	3	17	26	20	20	8	3	46	177
Premium rate telephone	3	3	13	21	23	21	12	5	49	595
Miracle health	3	3	13	22	24	18	15	4	49	136
African adv fee	2	2	14	18	23	28	8	6	50	131
Clairvoyant mailings	1	0	20	13	19	24	13	11	52	104
Property investor	2	2	9	25	23	30	2	7	50	56
Pyramid/ chains	2	2	11	23	22	24	14	3	50	263
Holiday club	1	1	6	20	21	30	17	3	53	323
Internet dialer	4	6	14	30	26	14	6	1	43	151
Career opportunity	4	4	19	19	22	22	4	7	47	27
High risk investment	2	4	6	7	16	29	20	16	58	55
Matrix schemes	5	0	13	21	23	28	8	3	48	39
Loan	1	4	7	17	16	35	18	1	52	71
Other	2	2	12	17	22	32	10	2	50	41

Social class

10.8 Targets and victims were spread fairly evenly across the social classes with the exception of C2's (Skilled Working Class). There was no strong trend that lower social classes were more likely to be targets or victims than higher social classes.⁴

Table 10.4: Social class – by sample type (per cent)



10.9 Targets and victims of loans scams, foreign lottery scams, career opportunity scams and clairvoyant mailing scams were most likely to belong to the DE social groups. Those affected by African advance fee scams, property investment and high risk investment scams were more likely to fall into the AB or C1 categories.

⁴ Social Class A: Upper Middle Class; B: Middle Class; C1: Lower Middle Class; C2: Skilled Working Class; D: Working Class; E: those at the lowest levels of subsistence

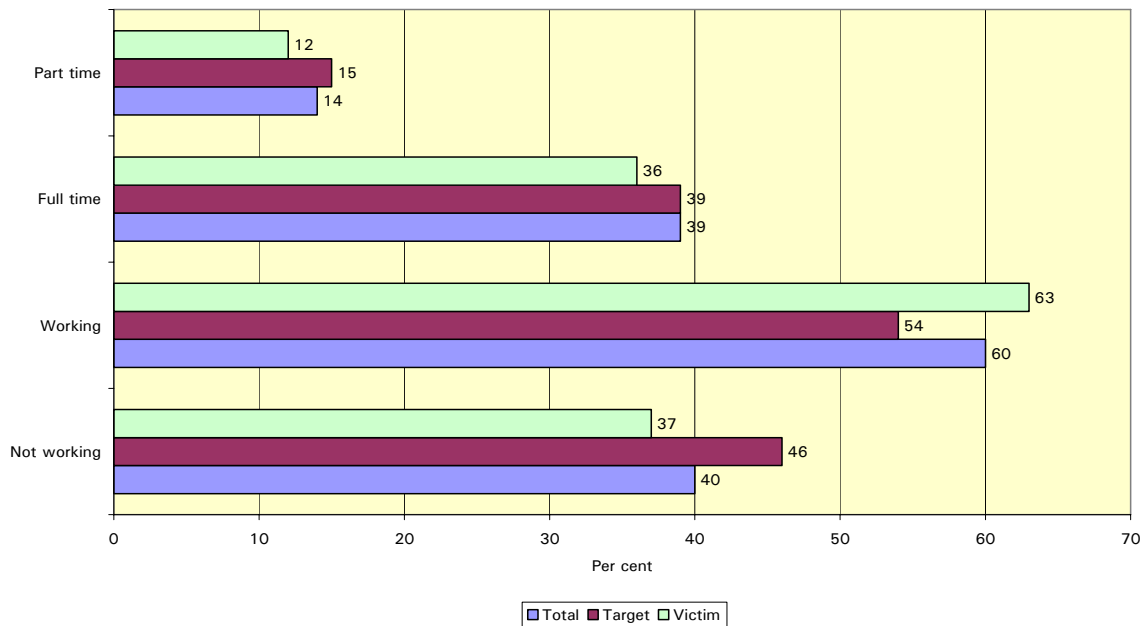
Table 10.5: Social class of targets and victims – by scam

	AB	C1	C2	DE	<i>Base: All respondents</i>
	per cent	per cent	per cent	per cent	
Prize draw	27	31	17	25	375
Foreign lottery	27	24	18	31	188
Work at home	26	25	23	27	177
Premium rate telephone	29	28	19	25	595
Miracle health	21	28	23	28	136
African adv fee	35	41	11	14	131
Clairvoyant mailings	17	23	24	36	104
Property investor	34	25	18	23	56
Pyramid/ chains	28	29	21	22	263
Holiday club	28	31	19	23	323
Internet dialer	30	37	18	15	151
Career opportunity	19	30	15	37	27
High risk investment	33	35	13	20	55
Matrix schemes	31	21	28	21	39
Loan	25	24	11	39	71
Other	42	37	10	12	41

Working status

10.10 Those targeted by a scam were more likely to be working than not working (54 per cent compared to 46 per cent). This is probably due to the higher disposable incomes of those in employment. Sixty three per cent of victims were in employment compared to only 37 per cent who were unemployed.

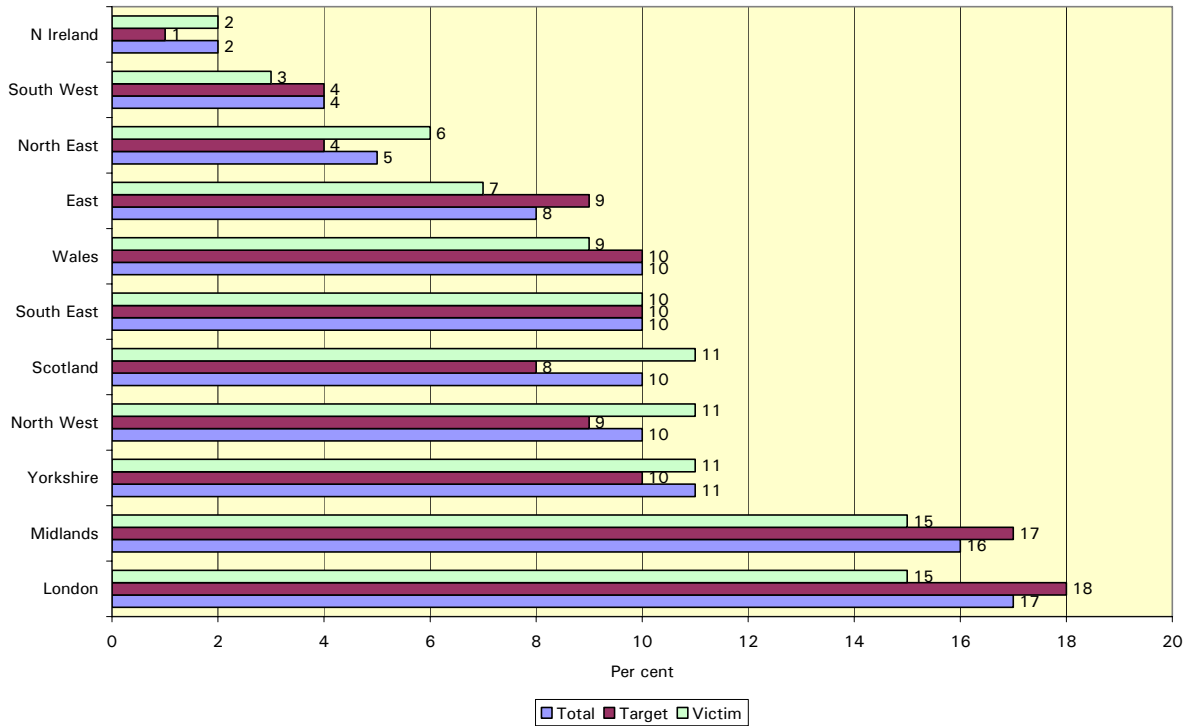
Table 10.6: Work status – by sample type per cent



Geographical breakdown

10.11 Certain regions displayed a higher incidence of scams. Targets and victims were highest in London (18 per cent of targets and 15 per cent of victims respectively) and the Midlands (17 per cent of targets and 15 per cent of victims respectively).

Table 10.7: Region – by sample type per cent



10.12 Although there were many variances of scam by region, the most pronounced were the high proportion of property investment scams (25 per cent) and high risk investment scams (26 per cent) affecting London. In general, scams targeted the whole of the UK reflecting their mass-marketed nature.

Table 10.8: Target and victim region – by scam

	Midlands (Central)	London (Carlton)	Yorks (Yorkshire)	Wales (Harlech)	South E (Meridian)	Scotland (Scotland)	North W (Granada)	East (Anglia)	North E (Tyne Tees)	South W (West Country)	N. Ireland (N. Ireland)	<i>Base: All respon dents</i>
	per cent	per cent	per cent	Per cent	Per cent	per cent	per cent	per cent	per cent	per cent	per cent	
Prize draw	16	15	12	10	10	9	9	8	5	5	3	375
Foreign lottery	19	18	13	9	10	6	9	7	4	4	1	188
Work at home	15	18	11	10	10	10	10	4	7	6	0	177
Premium rate telephone	11	17	11	8	11	11	11	8	5	5	3	595
Miracle health	22	11	9	13	8	8	8	10	5	4	2	136
African advance fee	12	21	12	6	8	12	9	8	3	6	2	131
Clairvoyant mailings	15	14	11	9	6	14	13	13	3	4	1	104
Property investor	18	25	2	11	11	5	14	11	2	2	0	56
Pyramid/chains	18	17	8	11	13	5	12	7	3	4	1	263
Holiday club	19	15	13	10	13	9	10	5	2	4	*	323
Internet dialer	19	15	13	7	5	8	10	8	7	5	3	151
Career opportunity	11	7	15	4	11	26	15	4	4	4	0	27
High risk investment	20	26	13	6	7	7	6	4	6	6	2	55
Matrix schemes	15	15	13	10	13	8	8	8	3	3	5	39
Loan	13	18	9	10	16	9	13	10	4	0	0	71
Other	10	20	7	24	10	10	10	5	0	2	2	41

11 REPORTING OF SCAMS

- 11.1 A high percentage of respondents had not reported the scam or mentioned it to anyone. This might be expected amongst targets (61 per cent) who had not suffered any financial loss. But there was also a **high number of victims (38 per cent) who did not report or talk about their experience**. Amongst those who did report the scam or talk about it, this was predominantly to friends and family and, to a lesser degree, to colleagues. **Less than five per cent of victims had reported the scam to the authorities** (OFT, police, or local authority Trading Standards Services).
- 11.2 This has a number of implications for enforcement agencies. In the absence of complaints it is very difficult to estimate accurately the size of the financial detriment caused by scams, to identify which scams are causing the greatest losses and to develop victim profiles. Such information is essential in developing an effective enforcement and education strategy. Under-reporting also has implications for how enforcers select cases to pursue. Traditionally, casework has been prioritised on the basis that the volume of complaints received is a good indicator of the size of the potential consumer detriment. This research suggests that over-reliance on a complaints-driven process may result in some of the worst scams not being investigated.

Table 11.1: Reported scam – by sample type

	Total	Victim	Family	Target
	per cent	per cent	per cent	per cent
No	40	38	11	61
No-one	40	38	11	61
Yes (includes others)	57	62	81	37
Friend/s	35	37	56	19
Family	31	38	40	22
Colleague/s	10	11	15	6
Other person	2	2	3	1
Police	2	2	5	1
OFT (Office of Fair Trading)	1	2	1	0
CAB (Citizen's Advice Bureaux)	1	1	1	0
Trading Standards Service	1	1	1	0
Consumer Direct helpline	0	1	0	0
DTI (Department of Trade and Industry)	0	0	1	0
Others	6	10	6	3
Telecom provider	2	4	2	0
Don't know	3	1	8	2
No answer	0	0	0	0
Base: Total mentions	3841	1027	1109	1705

Reasons for not reporting scams

- 11.3 Of those respondents who did not report scams, nearly a third of victims and 40 per cent of targets claimed that it was not worth taking any action. Sixteen per cent of victims considered it unimportant and probably not of interest to the authorities. This reflects the fact that individual losses to high-volume, low value scams are typically relatively small and hence many victims do not think it worth reporting them. Scammers often rely on this to evade action by law enforcement agencies.
- 11.4 Twenty-one per cent of victims who did not report the scam admitted being too embarrassed to take action. Very often a victim cannot admit to themselves that they have been the victim of a scam and do not tell anyone, even family or friends.

'It's quite humiliating. I didn't tell a lot of people, I must admit ... It was embarrassing, people look at you and say, oh you've got sucked in by something like that.', focus group member.

'To be honest I didn't want all the hassle of finding out about why my money was taken like that, I never ever bothered to phone up anybody. I just thought right, well I was conned but it won't happen again.' focus group member.

Reasons for reporting scams

- 11.5 Respondents who had reported the scam or shared it with others said they had done so predominantly to help ensure that it didn't happen to anyone else (57 per cent). Linked to this was the desire to share this information (11 per cent) with others. Respondents felt wronged and therefore wanted some form of action or recourse (16 per cent). This was particularly true if they considered the amount lost of high or sufficient value to interest and involve the authorities or if the actions were perceived as illegal (nine per cent).

11.6 The scams most likely to be reported or shared included Internet dialer scams (79 per cent), holiday club scams (62 per cent) and pyramid scheme scams (61 per cent). The scams least likely to be reported or shared included prize draw scams (47 per cent), miracle health scams (44 per cent), foreign lottery scams (42 per cent) and property investment scams (36 per cent).

Table 11.2: Reported scam – by scam

	No	Yes		Of which reported to:					
	Not reported to anyone	Yes (includes others)		Friend/s	Family	Colleague/s	Other person	Police	OFT (Office of Fair Trading)
	per cent	per cent		per cent	per cent	per cent	per cent	per cent	per cent
Prize draw	52	47		26	29	7	1	2	0
Foreign lottery	56	42		22	23	7	1	3	1
Work at home	44	52		33	30	7	2	1	2
Premium rate telephone	38	59		36	36	11	1	1	1
Miracle health	54	44		31	22	6	1	1	1
African advance fee	38	58		23	22	15	1	9	-
Clairvoyant mailings	43	56		35	34	7	1	1	-
Property investor	60	36		16	16	1	-	4	-
Pyramid/ chains	35	61		43	34	12	1	0	0
Holiday club	34	62		40	35	9	3	2	1
Internet dialer	17	79		46	38	18	4	3	2
Career opportunity	37	56		48	22	6	4	-	-
High risk investment	38	55		34	25	7	4	9	5
Matrix schemes	31	64		43	30	7	1	1	-
Loan	47	50		31	31	7	1	6	-
Other	21	72		39	39	16	2	16	2
Continued	CAB (Citizen's Advice Bureaux)	Trading Standards Service	Consumer Direct helpline	DTI (Department of Trade and Industry)	Others	BT	Don't know	No answer	<i>Base: Total mentions</i>
	per cent	per cent	per cent	per cent	per cent	per cent	per cent	per cent	
Prize draw	0	0	-	0	2	0	1	-	478
Foreign lottery	1	2	-	0	1	0	3	-	224
Work at home	1	2	-	-	3	-	5	-	261
Premium rate telephone	0	1	1	0	6	2	2	-	799
Miracle health	1	-	-	-	1	-	2	-	180
African advance fee	1	1	-	-	10	-	4	-	162
Clairvoyant mailings	1	-	1	1	1	-	1	-	142
Property investor	-	-	-	-	5	-	4	-	73
Pyramid/ chains	-	1	-	-	2	-	4	0	451
Holiday club	1	2	0	1	5	-	4	-	449
Internet dialer	0	1	1	-	30	17	4	1	252
Career opportunity	-	-	-	-	-	-	7	-	54
High risk investment	-	1	1	1	1	-	8	-	85
Matrix schemes	-	-	-	-	-	-	4	-	67
Loan	3	-	-	1	3	-	4	-	107
Other	4	-	-	2	21	2	7	2	57

12 CHRONIC SCAM VICTIMS

- 12.1 The research found that 52 per cent of victims had been targeted again by a scam and that, on average, a victim had a **30 per cent chance** of falling for another scam within the following 12 months. This supports anecdotal evidence that a proportion of scam victims are particularly vulnerable and likely to fall for scam after scam. We refer to this type of victim as a chronic scam victim.
- 12.2 If an individual falls for a scam their name is likely to be added to a so-called 'suckers' list, a mailing list of victims which is sold amongst other scammers to allow them to better profile their audience. The victim is then repeatedly targeted by scams, often by mail and telephone, and can end up losing significant amounts of money. Typically this type of victim is elderly, socially isolated and/or in declining mental health. It is only when family or friends realise that the individual is being victimised that they are able to alert the authorities and take measures to prevent further victimisation. In other instances the victim simply runs out of money.

'The sheer volume of communications sent to one address beggars belief. The elderly gentleman was an ex-school head teacher and clearly of the tradition that such letters should be answered. He spent over £4,000 in one month sending cheques which were demanded by scam letters', MP's letter on behalf of constituent

- 12.3 Very often a chronic scam victim will not recognise that they have in fact been a victim of scams, even when confronted with overwhelming evidence by authorities such as the police or local authority Trading Standards Services. This phenomenon is sometimes referred to as the 'rationalisation trap'⁵, whereby the person cannot admit to themselves that they are the victim of a scam without making the psychologically

⁵ Anthony Pratkanis and Doug Shadel, *Weapons of Fraud*

painful admission that they have lost most of their money. The victim will rationalise the failure to receive the promised lottery win or prize and will participate in further scams to convince themselves that the original scam was legitimate.

'My elderly mother was receiving approximately 10 letters per day telling her that she had won a large sum of money, all she had to do was send a cheque for £10 - £25 and she would receive her winnings. She would sit down with her cheque book and write one cheque after another. This went on for a period of three years and she would not listen to reason when we kept telling her that these were a scam and she started hiding the letters – only bringing them out when she was alone. Eventually she was diagnosed with dementia. She went through her savings into overdraft and we had to step in', letter from daughter of an elderly victim who suffered from dementia.

- 12.4 It is very difficult to identify individuals in this particular group within market research as they will not admit to being a scam victim. Effective targeting of this group using consumer education is also very difficult and we must consider innovative new methods to reach them.

PART III: OVERVIEW OF INDIVIDUAL SCAMS

13 PRIZE DRAW AND SWEEPSTAKE SCAMS

What are they?

Consumers receive an official looking letter or e-mail notifying them that they have already won a large cash prize, government payout or other major award. To claim the win the recipient must often send a fee of between £5 and £30, variously described as a 'processing', or 'administrative' fee. Or it is implied that an order must be placed from an accompanying mail order catalogue in order to claim the prize. Often in faint small letters on the reverse of the notification, the 'Terms and Conditions' or the 'Official Rules' will explain that the recipient is only being offered the opportunity to enter a prize draw or sweepstakes with a very small chance of winning the major cash payout. Some promoters send a cheque for a nominal sum, but not the promised large win. Others send cheap prizes or nothing at all.

Size of the problem

- Prize draw/sweepstake scams cost the UK public an estimated **£60 million** a year.
- An estimated **380,000** adults fall victim to these scams every year.
- The mean loss per victim is **£160** (the median loss was £33).

Other key research findings

- 69 per cent of people were aware of this scam.
- 54 per cent of people had been in contact with this scam, whether they had been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- 43 per cent of victims were men and 57 per cent were women.
- About two-thirds (66 per cent) of victims were aged between 35 and 64 years.
- 16 per cent of victims were 65 years or older.

People who fell for this scam said that:

- They had been excited about the win (16 per cent).
- They responded because of the promise of getting something for free (10 per cent).
- The scam seemed legitimate (15 per cent) and looked professional (13 per cent).
- It caught them at a weak moment (10 per cent), and seemed worth a go (12 per cent).

Victims subsequently recognised it was a scam because:

- Their prize or winnings had not arrived (29 per cent), or had not been what they had been promised (16 per cent).
- It wasn't worth the money spent (four per cent).
- Some had been contacted again with the request for more money (six per cent), making them suspicious.
- Many were also warned by other people (20 per cent).

Very few respondents with experience of this scam reported it to the police (two per cent) or any other official body. Just under half of respondents had shared their experience of this scam with others - this was mostly with family (29 per cent) or friends (26 per cent).

14 FOREIGN LOTTERY SCAMS

What are they?

Consumers receive a letter, telephone call or e-mail telling them that they have won a major cash prize in an overseas lottery. They will often be told to telephone a sales agent who will ask the victim to send money to cover administration, customs and taxes. The winnings do not exist and are never received.

Size of the problem

- Foreign lottery scams cost the UK public an estimated **£260 million** a year.
- An estimated **140,000** adults fall victim to these scams every year.
- The mean loss per victim is **£1,900** (the median loss was £42).

Other key research findings

- 54 per cent of people were aware of this scam.
- 31 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- 53 per cent of victims were men and 47 per cent were women.
- 58 per cent of victims were aged between 35 and 64.*
- Nearly a quarter (24 per cent) of victims were 65 or older.*

* = based on small number of observations

People who fell for this scam said that:

- It looked professional (24 per cent) and seemed legitimate (19 per cent).
- It was considered worth a punt (12 per cent).
- They had been driven by their excitement of this unexpected windfall (11 per cent).

Victims subsequently recognised it was a scam because:

- Their winnings had failed to arrive (30 per cent) or it was not what had been promised (18 per cent).
- They had subsequently received warnings about the existence of this scam (26 per cent).
- No further contact had been received (seven per cent).
- They had received a request for more money (four per cent).

Three per cent of respondents with experience of this scam had **reported** it to the Police and a further two per cent had reported it to the local authority Trading Standards Service. One per cent had reported it to either the Office of Fair Trading or Citizens Advice Bureaux. 42 per cent had mentioned this scam to others and mostly to family (23 per cent) or friends (22 per cent).

15 WORK AT HOME AND BUSINESS OPPORTUNITY SCAMS

What are they?

A work or business opportunity is advertised in a local newspaper, magazines, shop windows, on lamp posts, on the web or in a letter which claims to offer a quick way to make a lot of money from home without having any qualifications, skills or expertise.

The catch is that before starting any work the victim has to pay money up front. This is in the form of a registration fee or to buy goods. After this money has been paid the victim either finds that there is either no work to do or that they will not be paid for any work done.

Some common examples

Addressing or stuffing envelopes: a registration fee is payable to join in return for simple advice on how to place similar advertisements to attract other people into the scam.

Home assembly kits: a fee is payable to receive a kit for making things from baby boots and aprons to toys. However, the kit is usually inadequate for making the goods required. The scammer either promises to pay for the goods but then rejects them because they say the work is sub-standard or suddenly tells the victim that he has to sell the goods and when he tries to do so he finds that there is no market for the goods.

Home working directories: Promises of a variety of different home work opportunities in return for a fee of £10 to £25 are made, but the victim only receives a directory of other companies who have their own registration fees and a list of shopping catalogues.

Size of the problem

- Work at home and business opportunity scams cost the UK public an estimated **£70 million** a year.
- An estimated **330,000** adults fall victim to these scams every year.

- The average loss per victim is **£240** (the median loss was £43).

Other key research findings

- 53 per cent of people were aware of this scam.
- 31 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- Men (47 per cent) and women (53 per cent) were almost equally likely to have been victims of this scam.
- 61 per cent of victims were aged between 35 and 64.
- Only 10 per cent of victims were 65 or older, whereas a comparatively high 29 per cent were 34 or younger.

People who fell for this scam said that:

- They had been in need of money (31 per cent).
- It had appeared legitimate (19 per cent) and sufficiently professional (16 per cent).
- It was seen as a good idea at the time (16 per cent).

Victims subsequently recognised it was a scam because:

- It had not turned out to be what they felt they had been promised (29 per cent).
- Payment had not arrived (24 per cent) and the money-making system did not appear to work (10 per cent).
- No further contact had been received from the scammer (12 per cent) or they had not been able to get hold of the scammer (12 per cent).
- Some had been contacted asking for more money (eight per cent).

- They had subsequently seen warnings (eight per cent) of this type of practice.

Two per cent of respondents with experience of this scam had **reported** it to the Office of Fair Trading and the local authority Trading Standards Service. One per cent had reported it to the Police and Citizens Advice Bureaux. Just over half of respondents had discussed this scam with others, mostly with friends (33 per cent) or family (30 per cent).

16 PREMIUM RATE TELEPHONE PRIZE SCAMS

What are they?

Consumers receive a letter, SMS text or automated telephone message telling them that they have won a major prize and urging them to ring or text an 090 premium rate number to find out what they can claim. The impression is given that the recipient has won a large cash prize, holiday, or other valuable award. Calls to the premium rate number cost up to £1.50 a minute and the caller is kept on the line listening to a recorded message for several minutes. Nearly everyone who responds ends up with a cheap 'giveaway' item such as discount vouchers worth less than the cost of the call and may also be charged a delivery fee to receive their 'prize'.

Size of the problem

- Premium rate telephone prize scams cost the UK public an estimated **£80 million** a year.
- An estimated **1.08 million** adults fall victim to these scams every year.
- The mean loss per victim is **£80** (the median loss was £14). This is higher than would be expected as the maximum cost per call on a premium rate line is £10.50, although very often there are other significant costs associated with claiming some of the prizes. It is possible, however, that some victims called the numbers repeatedly in the hope of finding out that they had won the promised major prize, or were victims on more than one occasion.

Other key research findings

- 69 per cent of people were aware of this scam.
- 60 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- Men (53 per cent) were slightly more likely to have been victims of this scam than women (47 per cent).
- 68 per cent of victims were aged between 35 and 64.
- 10 per cent of victims were 65 or older.

People who fell for this scam said that:

- They had been driven by their excitement over the win (16 per cent).
- It had seemed legitimate (14 per cent), and
- Worth a go (10 per cent).

Victims subsequently recognised it was a scam because:

- They received their telephone bill (37 per cent).
- The winnings didn't arrive (11 per cent), or were not what had been promised (11 per cent).
- Received warnings (10 per cent).

Two per cent of respondents with experience of this scam had **reported** it to BT, and one per cent to each of the Police, Office of Fair Trading, the local authority Trading Standards Service and the Consumer Direct Helpline. Just under three-fifths had shared their experiences of this scam, 36 per cent with family and friends respectively, and 11 per cent with colleagues.

17 MIRACLE HEALTH AND SLIMMING CURE SCAMS

What are they?

Consumers receive a mailing or email promising a health 'miracle'. These pills, lotions, creams and other products will supposedly cure baldness, arthritis, rheumatism, heart disease, multiple sclerosis, Parkinson's disease, cancer, obesity, impotency and other ailments. Or they may promise easy weight loss without the need to diet or exercise. But it is unlikely that they have been properly tested or proven medically effective. Some might even be dangerous.

The advertising often includes fake testimonials from 'satisfied customers', unsubstantiated claims about product effectiveness, false claims that the product has been clinically proven in trials, and a worthless 'money back' guarantee.

Size of the problem

- Miracle health and slimming cures scams cost the UK public an estimated **£20 million** a year.
- An estimated **200,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£90** (the median loss was £46).

Other key research findings

- 45 per cent of people were aware of this scam.
- 23 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- Women (78 per cent of victims) were much more likely to have fallen victim to this scam than men.
- 70 per cent of victims were aged between 35 and 64.
- 14 per cent of victims were 65 or older.

People who fell for this scam said that:

- It was because it looked professional (20 per cent), seemed legitimate (17 per cent) and looked official (10 per cent).
- It seemed worth a go (18 per cent) and appeared to be a good idea at the time (17 per cent).
- It had occurred at a moment of weakness (12 per cent).
- They had responded because of their desire to lose weight (12 per cent).

Victims subsequently recognised it was a scam because:

- The product did not work (53 per cent).
- It was not what was promised (22 per cent).
- It had simply not arrived (12 per cent).

Only one per cent of respondents with experience of this scam had **reported** it to the Police, Office of Fair Trading or Citizens Advice Bureaux. 44 per cent had shared this scam experience with others. 31 per cent had mentioned it to friends and 22 per cent to family.

18 AFRICAN ADVANCE FEE FRAUDS/FOREIGN MONEY MAKING SCAMS

What are they?

Consumers receive a letter, fax or email from someone who says they need help in transferring money overseas, usually US\$20-30 million. Typically, the writer claims to be a senior government official, an accountant with a state owned corporation, or perhaps a relative of a deposed or dead politician.

The writer will tell the recipient he needs to transfer his cash to a bank in their country, and that if the recipient lets him use his or her bank account they can keep a big slice for themselves, usually 25 or 30 per cent.

If the recipient replies and gives banking and personal details, they will be sent fake bank statements and similar documents, all intended to prove that the money exists and is heading their way. The scammers will use the information given them to empty the victim's bank account or might convince them to send cash up front by money transfer.

Size of the problem

- African advance fee fraud/foreign money making scams cost the UK public an estimated **£340 million** a year.
- An estimated **70,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£5,000** (the median loss was £2,858), the second highest across all the scams examined.

Other key research findings

- 38 per cent of people were aware of this scam.
- 24 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim/target profile

- Men (64 per cent) had been affected substantially more than women (36 per cent) by this scam.*
- 69 per cent of victims or targets were aged between 35 and 64 years.*
- 14 per cent of victims or targets were 65 or older.*

* = figures relate to victims or respondents who had been targeted: figures for victims alone are unreliable because of the small number of direct observations.

People who fell for this scam said that:

- It seemed like a good idea at the time (16 per cent).
- It looked professional (11 per cent), legitimate (eight per cent) and official (eight per cent).
- They hadn't really thought it through (eight per cent) before responding.
- Response had been driven by their need for money (eight per cent) or greed (five per cent).

Victims recognised it was a scam because:

- They had since been warned by others (24 per cent).
- It had not been what they were promised (16 per cent) or their money had not arrived (14 per cent).
- No further contact had been received (14 per cent).
- Some had checked their accounts (eight per cent) or received requests for more money (five per cent), whereas others claimed that they still did not believe that it was a scam (three per cent).

A reasonably large percentage of respondents with experience of this scam had **reported** it to Police (nine per cent) compared to other scams. A further one per cent had reported it to the Citizens Advice Bureaux and the local authority Trading Standards Service. 23 per cent had shared it with friends, 22 per cent with family and a comparatively high percentage had also mentioned it to colleagues (15 per cent).

19 CLAIRVOYANT AND PSYCHIC MAILING SCAMS

What are they?

Consumers receive a letter from a so-called psychic or clairvoyant promising to make predictions that will change the course of their life forever such as bringing good fortune - for a small fee. Sometimes these mailings are aggressive in tone, saying something bad will happen to the recipient or their relatives if they do not send money to purchase a lucky talisman, crystal, amulet or a set of numbers. Although they are sent out in their millions, the mailings are personalised to make it look as if the recipient has been specifically chosen and is personally known to the sender.

Size of the problem

- Clairvoyant/psychic mailing scams cost the UK public an estimated **£40 million** a year.
- An estimated **170,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£240** (the median loss was £36).

Other key research findings

- 32 per cent of people were aware of this scam.
- 20 per cent of people had been in contact with this scam, whether targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- 70 per cent of the victims of this scam were women.*
- A relatively low 52 per cent of victims were aged between 35 and 64.*
- A relatively high 31 per cent of victims were 34 or younger.*
- 17 per cent of victims were aged 65 or over.*

* based on small number of observations

People who fell for this scam said that:

- It had been considered worth a gamble (19 per cent).
- Participation was blamed on a moment of weakness (15 per cent) and seeming like a good idea at the time (nine per cent).
- They had been tempted by its professional (13 per cent) and legitimate appearance (10 per cent).

Victims subsequently recognised it was a scam because:

- They failed to receive what they believe they had been promised (28 per cent).
- The product/ service had not arrived (14 per cent) or when it did it hadn't worked (seven per cent).
- Warnings had been received (13 per cent).
- Noticed discrepancies when checking their accounts (eight per cent).
- They received repeated requests for money (seven per cent).

Only one per cent of respondents with experience of this scam had reported it to each of the following: police, Citizens Advice Bureaux, Consumer Direct helpline and the department of trade and industry. 56 per cent of people had mentioned this scam to others. A high percentage of this had been to friends (35 per cent) and family (34 per cent).

20 PROPERTY INVESTOR SCAMS

What are they?

Consumers see an advert or glossy brochure inviting them to attend a free presentation about making money from property investment. At the presentation they are persuaded to hand over money to sign up to a seminar or course promising to teach them how to make money dealing in property. They will be invited to sign up to a scheme offering access to the company's methods for building a portfolio of properties. Schemes may offer the opportunity to buy properties which have yet to be built at a discount. Victims lose their substantial joining fees and end up with no property.

A variation is a buy-to-let scam where companies offer to source, renovate and manage properties, claiming good returns from rental income. In practice, the properties are near-derelict and the tenants non-existent.

Size of the problem

- Property investor scams cost the UK public an estimated **£160 million** a year.
- An estimated **40,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£4,240**, making it the third highest overall (the median loss was £251).

Other key research findings

- 37 per cent of people were aware of this scam.
- 17 per cent of people had been in contact with this scam, whether targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim/target profile

- Men (65 per cent) had been affected much more by this scam than women (35 per cent). *
- A high 76 per cent of victims or targets were aged between 35 and 64 years. *
- 13 per cent of victims or targets were 65 or older. *
- 25 per cent of victims or targets lived in the London region. *

* = figures relate to victims or respondents who had been targeted: figures for victims alone are unreliable because of the small number of direct observations.

People who fell for this scam said that:

- It had seemed a legitimate (24 per cent), professional (19 per cent) and official (10 per cent).
- The risk involved appeared to be small (14 per cent).
- They had been caught off guard (10 per cent), and
- Didn't really know why or how this could have happened (14 per cent).

They recognised it was a scam because:

- They had not been delivered what had been promised (29 per cent).
- Their gains had not arrived (19 per cent) or the money making system was not working as expected (five per cent).
- No further contact had been received (10 per cent).
- There had been further requests for money (10 per cent).
- It was acknowledged as possibly just being too good to be true (five per cent).

This was one of the scams least likely to have been shared. Just over one third of respondents with experience of this scam declared sharing it, with only 16 per cent telling friends and 16 per cent telling family. Four per cent had reported it to the police.

21 PYRAMID SELLING AND CHAIN LETTER SCAMS

What are they?

Pyramid schemes are advertised through mailings, newspapers, the Internet, or recruitment meetings, or consumers might hear about them through a relative or friend. They are asked to pay to become a member and are promised large commission earnings if they recruit others to the scheme. If enough new members join, the pyramid will grow, possibly enabling some members to make money. But, in order for every member to make money, there would need to be an endless supply of newcomers.

Pyramid schemes may try to appear legitimate by claiming that members will receive benefits such as discounted travel services, or will make money by selling goods or services, but the real purpose of the scheme is to encourage them to recruit new members.

Size of the problem

- Pyramid selling and chain letter scams cost the UK public an estimated **£420 million** a year.
- An estimated **480,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£930**, (the median loss was £172).

Other key research findings

- 64 per cent of people were aware of this scam.
- 48 per cent of people had been in contact with this scam, whether targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- 56 per cent of victims were men.

- Nearly three-quarters of victims (74 per cent) were aged between 35 and 64.
- Only seven per cent of victims were 65 or older.

People who fell for this scam said that:

- Participation had been encouraged because it seemed legitimate (16 per cent).
- It was a good idea at the time (13 per cent) and seemed worth a go (12 per cent).
- They had been in need of whatever had been promised (10 per cent).
- Friends had influenced them to join (six per cent).

They recognised it was a scam because:

- Their rewards failed to arrive (24 per cent), or were not what was promised (21 per cent), and so they felt that the money making system was not working (13 per cent).
- Some warnings had been received (15 per cent).
- No further contact was received (six per cent) or they were not able to get hold of the scammer (five per cent).

Only one per cent of respondents with experience of this scam had **reported** it to the local authority Trading Standards Services and no other authority. A fairly high proportion had mentioned this scam to someone else: 43 per cent had told friends, 34 per cent had told family and 12 per cent had told colleagues.

22 BOGUS HOLIDAY CLUB SCAMS

What are they?

Consumers are approached on the street whilst on holiday and given a scratch card which reveals that they have won a 'free' prize or they are phoned at home or receive a letter at home telling them that they have won a 'free' holiday. All they need to do is go to a presentation to collect their prize and learn more about a new holiday venture.

They will be made to feel as if they are joining an exclusive holiday club which will offer exciting and great value holidays all over the world in top class accommodation. They will be pressured into signing up on the spot. In reality dates or destinations are not guaranteed and holidays are often not available when and where wanted. Victims later find out that the 'free' holiday isn't free, as they must pay for extras, such as flights and other add-ons and go somewhere they don't want to go at a time that doesn't suit.

Size of the problem

- Bogus holiday club scams cost the UK public an estimated **£1.17 billion** a year.
- An estimated **400,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£3,030**, (the median loss was £601).

Other key research findings

- 56 per cent of people were aware of this scam.
- 50 per cent of people had been in contact with this scam, having been either targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- 57 per cent of victims were men.

- A high 78 per cent of victims were aged between 35 and 64.
- 17 per cent of victims were 65 or older.

People who fell for this scam said that:

- Predominant influencing factors were its perceived legitimacy (19 per cent), professionalism (17 per cent) and official appearance (10 per cent).
- It had seemed a good idea at the time (13 per cent).
- They were in need of a holiday at the time (10 per cent).
- They had felt pressurised into taking part (five per cent).

They subsequently recognised it was a scam because:

- They felt they had not achieved what they had been promised (28 per cent) or because the benefits had not materialised (10 per cent).
- Some had seen warnings (11 per cent).
- More money had been demanded (10 per cent).

Two per cent of respondents with experience of this scam had **reported** it to the Police as well as to the local authority Trading Standards Service and one per cent had reported it to each of the Office of Fair Trading, Citizens Advice Bureaux and Department of Trade and Industry. This was another scam that was very likely to be shared with others, and 40 per cent of this had been to Family and 35 per cent to friends.

23 INTERNET DIALER SCAMS

What are they?

Consumers open a spam e-mail, click on a pop-up box or visit a pay-per-view website and unwittingly download dial-up software which changes their computer settings. The rogue dialer connects them to the Internet via an expensive telephone line. They think that they are still connected via their usual Internet connection but in fact they are racking up bills on lines charging more than the standard rate per minute.

Size of the problem

- Internet dialer scams cost the UK public an estimated **£60 million** a year (This is likely to have fallen, however, with the introduction of tougher sanctions by ICSTIS and Ofcom).
- An estimated **400,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£170**, (the median loss was £61).

Other key research findings

- 39 per cent of people were aware of this scam.
- 21 per cent of people had been in contact with this scam, whether targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim profile

- 61 per cent of victims were men.
- 71 per cent of victims were aged between 35 and 64.
- A relatively high 22 per cent of victims were 34 or younger.
- Only eight per cent of victims were 65 years or older.

People who fell for this scam said that:

- They had been caught off guard (27 per cent).
- They had been unaware of its existence (14 per cent).
- It had just attached itself to the computer dialer and took over the Internet connection (11 per cent).
- It was due to their lack of Internet security (five per cent).

They subsequently recognised it was a scam because:

- They had since received their bill (68 per cent).

17 per cent of respondents with experience of this scam had **reported** it to BT and three per cent had reported it to the Police. Only two per cent had reported it to the Office of Fair Trading as well as their Internet Service Provider, Ofcom (formerly Oftel), and ICSTIS (the premium rate services regulator) whereas one per cent had reported it to both the local authority Trading Standards Service and Consumer Direct Helpline. Overall, this was the most shared and reported scam of all. 79 per cent claimed to have done so, of which 46 per cent was to friends, 38 per cent to family and 18 per cent to colleagues.

24 CAREER OPPORTUNITY SCAMS

What are they?

Bogus vanity publishers

Consumers see an advert offering to turn manuscripts into successful published books. The publisher will express enthusiasm for their manuscript and its commercial potential, outlining a plan for getting the published version into bookshops. However, they will also explain that for the plan to be put into effect, they will need to pay a fee towards the initial costs of publishing and marketing. The fee may amount to hundreds, even thousands, of pounds. The publisher will say that the fee will soon be recovered when the royalties from book sales start rolling in. The reality is likely to be publication of a relatively small number of copies of the manuscript and the publisher making no real effort at marketing the published book.

Bogus invention promotion companies

Consumers see an advert offering free information on how to patent and market inventions. After giving their invention a preliminary review, they will be told that the company needs to do a market evaluation of the idea for a fee that can be several hundred pounds. The 'research' is bogus, and the 'positive' reports are mass produced in an effort to sell clients additional invention promotion and marketing services.

Bogus model and casting agencies

Consumers see an advert in a newspaper encouraging them to attend meetings and casting seminars. They may be convinced into parting with money up front. They are promised that the casting agency will take a portfolio of photographs (which are often overpriced and very poor quality) and find them at least one top agency which will offer them a contract. They are told that they could get work in films, brochures and catalogues and promised that if they do not receive the offer of a contract from an agency within a set period of time the money paid will be refunded. No work materialises and victims don't get their money back.

Size of the problem

- Career Opportunity scams cost the UK public an estimated **£30 million** a year.
- An estimated **70,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£530**, (the median loss was £155).

Other key research findings

- 24 per cent of people were aware of this scam.
- Eight per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim/target profile

- Significantly more women (65 per cent) than men (35 per cent) had been affected by this scam.*
- 65 per cent of victims or targets were aged between 35 and 64 years.*
- 11 per cent of victims or targets were 65 or older, but a high of 26 per cent had been amongst those aged 34 or younger.*

* = figures relate to victims and those respondents who had been targeted: figures for victims alone are unreliable because of the very small number of direct observations.

People who fell for this scam said that:

- It was because of the professional (20 per cent) and legitimate (14 per cent) appearance of the organization.
- It had seemed like a good idea at the time (17 per cent) or they had been caught in a moment of weakness (nine per cent).
- They had been excited about the offer (11 per cent) and had considered it worth a try (14 per cent).
- They had been in need of money (nine per cent) or work (three per cent).

They subsequently recognised it was a scam because:

- Contact dried up after initial money had been paid (31per cent) and they had been unable to get hold of the scammer (nine per cent).
- They did not get what they were promised (31per cent) or their gains never materialised (17 per cent).
- Few had received warnings (nine per cent).
- Some had experienced demands for more money (nine per cent) or bank details (three per cent).

This scam had not been reported to any authorities. 56 per cent of respondents with experience of this scam had shared it, but mostly with friends (48 per cent) and to a lesser degree with family (22 per cent).

25 HIGH RISK INVESTMENT SCAMS

What are they?

Consumers are contacted by letter, telephone or e-mail and offered the opportunity to invest money into things like shares, fine wine, gemstones, art or other 'rare' high value items. The promise is that these will rocket in value. But what is offered is often over-priced, very high risk and difficult to sell on.

Size of the problem

- High risk investment scams cost the UK public an estimated **£490 million** a year.
- An estimated **90,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£5,660**, the highest for all the scams mentioned (the median loss was £2,751).

Other key research findings

- 32 per cent of people were aware of this scam.
- 14 per cent of people had been in contact with this scam, whether targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim/target profile

- Significantly more men (71 per cent) than women (29 per cent) had been affected by this scam.*
- A relatively low 56 per cent of victims or targets were aged between 35 and 64.*

- A high 34 per cent of victims or targets were 65 or older.*
- 26 per cent of victims or targets lived in the London region.*

* = figures relate to victims or respondents who had been targeted: figures for victims alone are unreliable because of the small number of direct observations.

People who fell for this scam said that:

- It was due to the organisation's apparent legitimacy (15 per cent) and professional appearance (13 per cent).
- It seemed like a good idea at the time (11 per cent) or was worth a go (nine per cent).
- They had been driven by their need for money (nine per cent).
- They had felt pressurised (six per cent) to participate.

They subsequently recognised it was a scam because:

- They had not received what was promised (15 per cent).
- The promised gains had not materialised (nine per cent), it had not been worth the money spent (six per cent), or did not work (six per cent).
- Warnings had been received by a few (15 per cent).
- Of their inability to get hold of the scammer (13 per cent) or because no further contact had been received (nine per cent).

A reasonably high percentage of respondents with experience of this scam claimed to have **reported** it to the Police (nine per cent) and Office of Fair Trading (five per cent). A further one per cent stated reporting it to the local authority Trading Standards Service, Consumer Direct Helpline and Department of Trade and Industry. 55 per cent had shared or reported this scam 34 per cent to friends and 25 per cent to family.

26 INTERNET MATRIX SCHEME SCAMS

What are they?

Consumers see a website - or are directed to one via an advert placed on an Internet auction site - that promises the chance of getting a valuable 'free gift', such as a mobile phone, ipod, or palm pilot, by spending £20 on a low-value product such as a mobile phone signal booster, or a CD ROM containing ring-tones and games. If the consumer buys the product they become a member and join a waiting list to receive their chosen 'free gift'.

The person at the top of the list will be sent their 'free gift' only after a prescribed number of new recruits have signed up – the prescribed number varies according to the choice of 'free gift' but can be as great as 100. Once the 'free gift' has been sent, the other remaining members each move up one place on the waiting list. The person who has moved to the top then has to wait until the prescribed number of new recruits has signed up again in order to receive their 'free gift'. Although it is not compulsory for members to sign up new recruits, they are encouraged to do so in order to move up the waiting list faster.

The nature of these schemes means that the number of members who are waiting for their 'free gift' will always far exceed the number of 'free gifts' actually awarded. The vast majority of those who pay their £20 will never receive the 'free gift' because of the ever-increasing and ultimately unsustainable number of additional recruits required to join.

Size of the problem

- Internet matrix scheme scams cost the UK public an estimated **£10 million** a year.
- An estimated **70,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£110** (the median loss was £54).

Other key research findings

- Only 16 per cent of people were aware of this scam.
- 10 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim/target profile

- More men (61 per cent) than women (39 per cent) had been affected by this scam.*
- A high 70 per cent of victims or targets were aged between 35 and 64.*
- 11 per cent of victims or targets were 65 or older.*

* = figures relate to victims or those respondents who had been targeted: figures for victims alone are unreliable because of the small number of direct observations.

People who fell for this scam said that:

- They had been driven by their excitement of getting something for free (15 per cent) or receiving gadgets of some sort (13 per cent).
- It had seemed like a good idea at the time (13 per cent) and was considered worth a go (10 per cent).
- It had appeared legitimate (13 per cent) and genuine (three per cent).

They subsequently recognised it was a scam because:

- Of non arrival (31 per cent) of the gadget, it not turning out to be what had been promised (26 per cent) or it not being worth the money spent (five per cent).
- Of receiving warnings from other sources (15 per cent).
- Of their inability to get hold of the scammer (eight per cent) or because no further contact had been received (five per cent).

None of the respondents with experience of this scam had reported it to any authorities. It was however, the second most shared scam and out of the 64 per cent, who had told others, 43 per cent had been to friends and 30 per cent had been to family.

27 LOAN SCAMS

What are they?

Consumers see an advert in the classified sections of free or local newspapers offering fast loans regardless of credit history. Targets are asked to call a freephone number. They are told that their loan has been agreed but that before they can have the money they will need to pay a fee to cover insurance of the loan. They are asked to pay this advance fee by money transfer. Once this advance fee is paid the victim never hears from the company again and the loan is never received.

Size of the problem

- Loan fee scams cost the UK public an estimated **£190 million** a year.
- An estimated **110,000 adults** fall victim to these scams every year.
- The mean loss per victim is **£1,810** (the median loss was £376).

Other key research findings

- 43 per cent of people were aware of this scam.
- 17 per cent of people had been in contact with this scam, whether having been targeted, fallen victim themselves, or knew of a victim amongst their family or friends.

Victim/target profile

- Slightly more women (53 per cent) than men (47 per cent) had been affected by this scam.*
- 66 per cent of victims or targets were aged between 35 and 64.*
- 18 per cent of victims or targets were 65 or older.*

* = figures relate to victims or those respondents who had been targeted: figures for victims alone are unreliable because of the small number of direct observations.

People who fell for this scam said that:

- The main reason for responding was because they had been in need of money (44 per cent).
- The offer had looked professional (19 per cent) and legitimate (14 per cent).
- It had seemed like a good idea at the time (12 per cent) and the risk had appeared small (five per cent).

They subsequently recognised it was a scam because:

- They had not received what had been promised (18 per cent), they had lost money upfront (four per cent) or the loan promised had not materialised (nine per cent).
- Some had received warnings (14 per cent).
- Of not being able to get hold of the scammer (14 per cent) or receiving no further contact (nine per cent) from them.
- Requests had been received for more money (seven per cent).

Six per cent of respondents with experience of this scam had **reported** it to the Police, three per cent to the Citizens Advice Bureaux, two per cent to their bank and one per cent to the Department of Trade and Industry. Half of respondents had shared or reported this scam. Equal numbers had done so to friends (31 per cent) and family (31 per cent).

ANNEXE

A RESEARCH METHODOLOGY AND SAMPLE

Qualitative

Groups

- A.1 Two focus group discussions were conducted. 10 members of the public were invited to attend each group. A total turnout of 20 was achieved. This was made up of a mix of males and females, and in line with recruitment criteria, those who had been targeted by a scam. Respondents were recruited randomly, off the street. The group discussions were conducted on 1 December 2005. All were tape recorded and transcribed for further analysis.

Depths

- A.2 Sixteen in-depth interviews were conducted. These were split to include a range of age breaks, affluence levels and location. Interviews were further split to include a mix of eight respondents who had been victims of a scam, four who knew of a family member, friend or colleague who had been the victim of a scam and four respondents who had been the target of a scam. Sample for these interviews was sourced from the first omnibus which had been conducted mid December 2005. Recruitment was done by phone and appointments were set up and interviews conducted from late December through to mid January 2006. These interviews were all tape recorded and transcribed.

Quantitative

Omnis

- A.3 A total of eight Omnibus surveys were conducted. Omnibus samples are designed to be fully representative of the population of Great Britain aged 15 and over. Three omnis were done through GfK NOP's Random Location Survey which approaches 2,000 consumers face to face, and five omnis were done through their Telebus, which approaches 1,000 consumers by telephone. All eight were conducted over a period of two

months (December 05 to January 06) and a total of 11,214 consumers were interviewed. Respondents were asked about their (prompted) awareness from a list of 15 scams. They were then asked whether they had ever been the victim of a scam, knew a family member/friend/colleague/other person who had been a victim or whether they had merely been targeted by scams. All those who stated yes (58 per cent) to at least one of these questions were then asked for their permission to be contacted again to talk in more detail about their scams experience. 62 percent agreed to do so.

CATI

- A.4 Prior to the start of the research (and before any information was available about incidence levels), it was planned to complete 2,000 Computer Aided Telephone Interviews (CATI), split to include 1,000 Victims, 500 Targets and 500 Family, friends and/or colleagues of victims. However, due to the low incidence of Victims (in other words around 10 per cent or less) and the limited sample available for this group, the sample breakdown achieved was slightly less (in other words 1,900) and broken down as follows:

Final sample type	Numbers	per cent
Victim	701	37
Family/Friend/ Colleague	554	29
Target	645	34
Total	1,900	100

- A.5 The preceding omnis generated sufficient sample for Family and Target interviews but not for anticipated Victim interviews. Therefore, towards

the end of the fieldwork period, and when the omnibus sample had been exhausted, a batch of 6,000 random sample was purchased and added in order to boost the number of completed Victim interviews. The questionnaire was slightly revised to accommodate this new sample type and to screen for eligibility. The following numbers originated from the three sample types:

Original sample type	Numbers	per cent
Telephone omnibus	933	49
Face to face omnibus	802	42
Random sample	163	9
Total	1,900	100

A.6 The CATI questionnaire went through an extensive piloting exercise and was revised a number of times before starting the main fieldwork stage. All fieldwork was carried out by GfK NOP's telephone unit in Wimbledon during the months of February to April 2006. The final interview length was kept to an average of 15 minutes.

A.7 Respondents originating from the omnibus sample were taken through all the scams they had previously mentioned being aware of (x out of 15) and asked about their experiences of each, in other words whether they had personally lost money to this scam, whether they knew a family, friend or colleague who had lost money to this scam or whether they had been targeted by this scam and not lost any money. Order of exposure to the listed scams was randomised. Respondents were then classified according to their answers as either a Victim, a Family or a Target respectively, and then routed through the questionnaire accordingly. If classified as a Victim of one or more scams they were

only asked about their experiences as a Victim, regardless of any mentions of Family or Target experiences. If classified as Family they were only asked about Family experiences, and if classified as Targets they were only asked about experiences as a Target. The same approach was adopted for respondents originating from the Random sample, although they were asked an additional upfront question on awareness of the same list of 16 scams before proceeding onto experiences.