Combating Frauds Affecting Utah Consumers and Businesses

Moderator: Lois Greisman
Associate Director, Division of Marketing Practices, Federal Trade Commission

Panelists:
- Michael Pickett
  Supervisory Special Agent, Federal Bureau of Investigation
- Robert Wing
  Assistant Attorney General, Utah Attorney General’s Office
- Jacob Strain
  Assistant United States Attorney, United States Attorney’s Office, District of Utah
- Daniel O'Bannon
  Director, Utah Division of Consumer Protection
CSN Reports from Utah Consumers

Top Products and Services
YTD 2018

Percentages are based on 10,161 reports received from Utah consumers from January 1 through August 31, 2018.

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impostor: Government</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Third Party Debt Collection</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Credit Bureaus</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Prizes\Sweepstakes\Lotteries</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Shop at Home\Catalog Sales</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Tech Support Scams</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Mobile: Text Messages</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Telemarketing, Other</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Impostor: Business</td>
<td></td>
<td>4%</td>
</tr>
<tr>
<td>Mobile: Accessories, Devices, and Services</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Total number of reports received from Utah consumers: CY-2017 = 13,974; January 1 through August 31, 2018 = 10,161.
Combating Frauds Affecting Utah Consumers and Businesses

Moderator: Lois Greisman
Associate Director, Division of Marketing Practices, Federal Trade Commission

Panelists:
- Michael Pickett
  Supervisory Special Agent, Federal Bureau of Investigation
- Robert Wing
  Assistant Attorney General, Utah Attorney General’s Office
- Jacob Strain
  Assistant United States Attorney, United States Attorney’s Office, District of Utah
- Daniel O’Bannon
  Director, Utah Division of Consumer Protection
Combating Frauds Affecting Utah Consumers and Businesses

Moderator: Lois Greisman
Associate Director, Division of Marketing Practices, Federal Trade Commission

Panelists: Michael Pickett
Supervisory Special Agent, Federal Bureau of Investigation

Robert Wing
Assistant Attorney General, Utah Attorney General’s Office

Jacob Strain
Assistant United States Attorney, United States Attorney’s Office, District of Utah

Daniel O'Bannon
Director, Utah Division of Consumer Protection
ADM Ventures, Inc, v. The Division of Consumer Protection, Order, Third Judicial District Court, Salt Lake County, Case No. 150905316, January 26, 2018, Judge Richard D. McKelvie

“Utah Code Ann §13-15-2(1)(a)(4) requires proof that ADM represented that they would ‘provide a sales program or marketing program that will enable the purchase[r] to derive income from the assisted marketing plan that exceeds the price paid for the marketing plan.’ As the Division points out, the statute does not require a guarantee. It is sufficient if the representation was that such income would be possible, or ‘enabled.’”
Advanced Learning Systems, Inc., et al. v. Utah Division of Consumer Protection, Ruling and Order, Fourth Judicial District Court, Utah County, Case No. 150100129, March 1, 2018, Judge Robert C. Lunnen

“ALS solicited customers over the telephone, telling them that the phone call was a recruiting and qualification process in which ALS was seeking a select group of candidates from among numerous potential online business owners. ALS told customers it was creating a success team in order to build and enhance a positive image of ALS. After this initial call, ALS had a series of additional telephone conversations with prospective purchasers. ALS characterized these calls as interviews to determine if the prospective purchasers qualified to be accepted into ALS’s program....

“ALS engaged in this misleading recruiting and qualification process with each of the customers at issue.”
“ALS told consumers they could reduce risk by purchasing the program with credit cards, and that the program would generate enough income to pay off those charges....

“ALS’s representation that purchasing the program with a credit card would reduce risk is literally false, regardless of whether the program generated income. Because credit cards generally carry higher interest rates than other forms of borrowing or raising capital, credit cards are actually a higher risk way to finance a purchase.”
“If the substance of a prior oral representation could be important to a reasonable person in deciding whether to purchase a business opportunity, a disclaimer does not prevent a criminal (or in this case administrative) action by the government. U.S. v. Weaver, 2016 WL 3906494 (E.D.N.Y., June 10, 2016). ‘[A] disclaimer is ineffective to cure a literally false statement.’ JR Tobacco of Am., Inc. v. Davidoff of Geneva (CT), Inc., 957 F. Supp. 426, 437 (S.D.N.Y. 1997). Whether or not a victim in fact relied upon a defendant’s false representations is irrelevant in criminal fraud (and, similarly, administrative) cases. U.S. v. Ghilarducci, 480 F.3d 542, 546 (7th Cir. 2007).”
“If nothing else, the promise that the purchasers would be able to pay back the principal on their credit cards (representing the price paid for the marketing plan), plus the accrued interest, would satisfy the requirements of BODA. But, implicit in the promise that the credit cards could be repaid quickly was the promise that the purchasers would thereafter own a business that generated profit. Even conditional representations about earning potential are misleading if unsupported. See Febre, Id, at *2. And, ALS explicitly promised at least two of the purchasers that they would make money beyond their investment.”
Combating Frauds Affecting Utah Consumers and Businesses

Moderator: Lois Greisman
Associate Director, Division of Marketing Practices, Federal Trade Commission

Panelists: Michael Pickett
Supervisory Special Agent, Federal Bureau of Investigation

Robert Wing
Assistant Attorney General, Utah Attorney General’s Office

Jacob Strain
Assistant United States Attorney, United States Attorney’s Office, District of Utah

Daniel O'Bannon
Director, Utah Division of Consumer Protection
Combating Frauds Affecting Utah Consumers and Businesses

Moderator: Lois Greisman
Associate Director, Division of Marketing Practices, Federal Trade Commission

Panelists:
- Michael Pickett
  Supervisory Special Agent, Federal Bureau of Investigation

- Robert Wing
  Assistant Attorney General, Utah Attorney General's Office

- Jacob Strain
  Assistant United States Attorney, United States Attorney's Office, District of Utah

- Daniel O'Bannon
  Director, Utah Division of Consumer Protection
# Top 10 Consumer Complaints

<table>
<thead>
<tr>
<th>Type</th>
<th>FY18 Rank</th>
<th>FY17 Rank</th>
<th>FY16 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Offer/Sales</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Home Improvement/Repair</td>
<td>2</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Charitable Solicitations</td>
<td>4</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Coaching Services</td>
<td>5</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Refunds</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Direct Solicitations</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto Repair</td>
<td>8</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Alarm Systems</td>
<td>9</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Warranty</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telemarketing</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Repairs and Services (Not Auto Repair)</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Opportunities</td>
<td></td>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>
Combating Frauds Affecting Utah Consumers and Businesses

**Moderator:** Lois Greisman  
Associate Director, Division of Marketing Practices, Federal Trade Commission

**Panelists:**  
Michael Pickett  
Supervisory Special Agent, Federal Bureau of Investigation

Robert Wing  
Assistant Attorney General, Utah Attorney General’s Office

Jacob Strain  
Assistant United States Attorney, United States Attorney’s Office, District of Utah

Daniel O'Bannon  
Director, Utah Division of Consumer Protection
Streamlining Government Regulations

Moderator: Mark Steinagel
Director, Utah Division of Occupational and Professional Licensing

Panelists: Senator Todd Weiler
Utah State Senate

Representative James Dunnigan
Utah State House of Representatives

Tom Dahdouh
Regional Director, Western Region, Federal Trade Commission

Lisa Knepper
Director of Strategic Research, Institute for Justice
Streamlining Government Regulations

Moderator:  
Mark Steinagel  
Director, Utah Division of Occupational and Professional Licensing

Panelists:  
Senator Todd Weller  
Utah State Senate

Representative James Dunnigan  
Utah State House of Representatives

Tom Dahdouh  
Regional Director, Western Region, Federal Trade Commission

Lisa Knepper  
Director of Strategic Research, Institute for Justice
Streamlining Government Regulations

Moderator: Mark Steinagel
Director, Utah Division of Occupational and Professional Licensing

Panelists: Senator Todd Weiler
Utah State Senate

Representative James Dunnigan
Utah State House of Representatives

Tom Dahdouh
Regional Director, Western Region, Federal Trade Commission

Lisa Knepper
Director of Strategic Research, Institute for Justice
Streamlining Government Regulation Through the FTC’s Lens

Tom Dahdouh*

These views do not represent the views of the FTC, any Commissioner or anyone other than the speaker.
Streamlining Government Regulations

The big picture

- State government regulation can unwittingly – and sometimes, unfortunately, wittingly – stifle competition and/or become a barrier to entry, impeding innovation, degrading quality and raising prices to consumers.
- Vigorous antitrust enforcement is the best mechanism to ensure free markets, free of private or state-created restraints.
The Supreme Court requires that state actions that displace competition are only immune from antitrust challenge when they:

- Represent a **clearly articulated** state policy to displace competition, and
- In certain instances, those actions are **actively supervised** by the state government.

**North Carolina Board of Dentistry** answered the question of when active supervision is required. Board had barred non-dentists from performing teeth whitening.

- **Held:** A state licensing board dominated by competitors must show active state supervision before it can restrict competition.
Streamlining Government Regulations

FTC has long history of enforcement & advocacy in this area

• Does a general grant by the state of authority to enter into contracts give a hospital the power to gobble up its competitors and create a monopoly?
  • In FTC’s suit against Phoebe Putney Health Systems, Supreme Court found that “clear articulation” requirement mandated more than a general grant of contracting authority.

• Can a state professional board bar its licensed professionals from advertising truthfully about discounting?
  • In FTC’s suit against Mass. Board of Optometry, FTC held that it could not, particularly when the state had a policy that licensing boards should foster competition.
Streamlining Government Regulations

FTC has long history of enforcement & advocacy in this area (cont’d)

• Can a state licensing board bar non-professionals from engaging in certain practices when state law permits them to do so?

• In South Carolina Board of Dentists, the FTC ruled that a board of dentists could not bar dental hygenists from providing preventive care in schools.
Streamlining Government Regulations

Finding the right balance

• This is a decision for state authorities. Generally, government regulation is important, but must be carefully circumscribed to advance public health/safety and prevent deceptive/unfair practices so as not to hurt competition and consumers.

• Some questions to ask (based on FTC advocacy/enforcement):
  • Does the licensing requirement have no good rationale?
  • Is it overbroad?
  • Does it appear to be aimed at squelching competition among incumbents?
  • Does it appear to be aimed at restricting new entry by innovators/disrupters?
  • Are there ways to achieve the benefits without impeding portability or otherwise impeding new entry into a profession?
Streamlining Government Regulations

Moderator: Mark Steinagel
Director, Utah Division of Occupational and Professional Licensing

Panelists: Senator Todd Weller
Utah State Senate

Representative James Dunnigan
Utah State House of Representatives

Tom Dahdouh
Regional Director, Western Region, Federal Trade Commission

Lisa Knepper
Director of Strategic Research, Institute for Justice
Keeping Utah Safe
Consumer Education/Consumer Outreach

Moderator:  
**Kerry O’Brien**  
Assistant Regional Director, Western Region - San Francisco, Federal Trade Commission

Panelists:  
**Mike Headrick**  
Anchor/Reporter, KSL TV

**Adam Watson**  
Chief Investigator, Utah Division of Consumer Protection

**Tom Brady**  
Director, Utah Division of Securities

**Alan Ormsby**  
State Director, Utah, AARP
FTC Resources

Protect your business
Get cybersecurity tips
Avoid scams

FTC.gov/SmallBusiness

...Pass it ON

Military.Consumer.gov
FTC Resources

- IdentityTheft.gov
- Consumer.gov
- Consumer.ftc.gov
- Business.ftc.gov
- BulkOrder.ftc.gov
FTC Resources
ftc.gov/stay-connected

PRESS RELEASES
**Press Release Updates**
FTC press releases will keep you up-to-date about what the agency is doing to protect consumers and ensure fair business competition in the marketplace.

Enter email
subscribe

NEWSLETTERS
**Penn Corner**
Penn Corner is a monthly email that highlights the work the FTC is doing to protect consumers through enforcement and education.

Enter email
subscribe

**International Monthly**
The International Monthly features news about FTC actions that are of the greatest international significance, highlighting our work in competition, consumer protection, and data privacy.

Enter email
subscribe

BLOG UPDATES
**Competition Matters Blog**
Competition Matters is the FTC's official agency blog and will feature timely news updates about the agency's competition work.

Enter email
subscribe

**Consumer Alerts**
Get the latest consumer tips and advice from the nation's consumer protection agency.

Enter email
subscribe

**Business Center Blog Updates**
The Business Center blog features tips to help businesses understand and comply with the FTC's consumer protection rules.

Enter email
subscribe

**Tech@FTC Blog Updates**
Tech@FTC features timely blog posts written by the FTC's Chief Technologist for the technology community.

Enter email
subscribe
Keeping Utah Safe
Consumer Education/Consumer Outreach

Moderator:  Kerry O’Brien
Assistant Regional Director, Western Region - San Francisco, Federal Trade Commission

Panelists:
Mike Headrick
Anchor/Reporter, KSL TV

Adam Watson
Chief Investigator, Utah Division of Consumer Protection

Tom Brady
Director, Utah Division of Securities

Alan Ormsby
State Director, Utah, AARP
Risky Rentals
Lady rents RV’s to customers, but historically refuses to give deposits back.

Deposits are $500 per rental.

Customers say RV’s have issues with cleanliness and safety.

Dozens of lawsuits and complaints against business.
Risky Rentals

- Viewer Complaint
- Court record search for name/business
- Dozen+ court cases RV owner lost
- Names of alleged victims in court docs
- Stories were all the same: Dirty, Unsafe, Lost deposit
- BBB complaints/ Bankruptcy/ No license
Keeping Utah Safe
Consumer Education/Consumer Outreach

Moderator: Kerry O’Brien
Assistant Regional Director, Western Region - San Francisco, Federal Trade Commission

Panelists:
Mike Headrick
Anchor/Reporter, KSL TV

Adam Watson
Chief Investigator, Utah Division of Consumer Protection

Tom Brady
Director, Utah Division of Securities

Alan Ormsby
State Director, Utah, AARP
SCAMS ARE PROLIFERATING

WHAT CAN YOU DO?
CONSUMER EDUCATION IS KEY

Look for the warning signs/red flags:

☑ High-pressure
☑ Threats
☑ Requires payment through nontraditional methods:
  • iTunes gift cards
  • eBay gift cards
  • Pre-paid cards
  • Wire transfer (often outside of the country)
  • Mail cash
CAN YOU SPOT THE IMPOSTER?
TECH SCAM - MICROSOFT SCAM

Which one is real?
TECH SCAM – MICROSOFT SCAM

If you are a victim of this scam, where do you report this to?

- Utah Division of Consumer Protection
- Utah Department of Public Safety Cyber Crimes, if it involves:
  - Intrusion
  - Malware
  - Denial of Service
  - Spear Phishing
  - Data ex-filtration or manipulation
- FBI Internet Crime Complaint Center (IC3)
UTILITY BILL SCAM

- Phone call or email stating you owe money or the power/gas will be shut off immediately.
- Caller ID has the utility company’s name and number.
- Call back number does not match the utility company’s number.
- Payment via gift cards.
UTILITY BILL SCAM

- **Any red flags?**
  - Payment by gift card.
  - Caller ID spoofed.

- **What do you do?**
  - Look at your utility bill. Do you owe anything? Does the call back number match the number on the utility bill?
  - Call the utility company.
TIMESHARE SCAM

- You own a timeshare.
- Telemarketing call.
- They tell you a buyer is lined up and willing to pay 2-3 three times the value of the timeshare.
- They tell you it doesn’t cost you anything, but ask you to put money in escrow for taxes and other fees. They claim you will get the money back at closing.
- They ask you to wire the money out of the country to a foreign bank.
- As long as you keep paying, they keep calling and telling you there are new fees you have to pay.
- Recent development: take over registered business names (corporate identity theft) and then use that to bolster their credibility (“look at our business name online” or “look how long we’ve been in business”).
TIMESHARE SCAM

- What are the red flags?
  - An unsolicited telemarketing call.
  - A buyer is willing to pay 2-3 times the value of the timeshare.
  - Wire money out of the country to a foreign bank.
  - Closing date repeatedly pushed back and they keep asking for more money.

- If you are scammed, you can report it to the FTC, FBI, or DCP.
LISTEN FOR THE RED FLAGS

- Threats:
  - “you will be taken under custody by the local cops”
  - “before taking any legal action against you”
- Poor grammar/syntax:
  - “there are four serious allegations pressed on your name at this moment”
  - “you will be taken under custody by the local cops”
  - “we would request you to get back to us so we can discuss about this case”

LISTEN FOR THE RED FLAGS

- Noisy call center
- Poor grammar/syntax
- The “IRS officer” didn’t know how much the tax payer paid in taxes last year, she had to ask
- Threats:
  - Says there is a lawsuit
  - Criminal charges at courthouse
  - $35,000 to fight IRS
- The “supervisor” asked how much the taxpayer could pay and his debit card limit
- Wanted payment through three Target gift cards for $2,000 each
IRS SCAM

What do you do if you receive this call?

- Google the call back number.
- Call the IRS yourself.
- What is your gut feeling?

If you fall victim to this scam, where do you report it?

treasury.gov/tigta
ONLINE CLASSIFIED AD SCAM

- You’re selling something online. Potential buyer sends text/email.
- Potential buyer is out of state but will buy the item sight unseen.
- Buyer will send payment and have movers come pick it up.
- Overnights a check for much more than the sales price.
- Asks you to deposit the money and send back the difference by gift card.
- You do, and two weeks later the check bounces and your bank comes after you for the money you wired away overseas.
ONLINE CLASSIFIED AD SCAM

- What are the red flags?
  - Communication is only through text/email and the buyer is out of town.
  - Grammar or sentence structure is not quite right.
  - Overpayment and you are asked to refund the difference by gift card.

- What do you do?
  - Report it to the administrator of the website so they can take the ad down.
  - Report it to DCP.
Random text message alleging unclaimed funds.

A man allegedly in the United Kingdom needed to move £25M.

Conversations moved to email. The email IP addresses came back to the United Kingdom.

To obtain the money, deposit $2,000 in a US bank account to pay an “activation fee” and provide full name, nationality, address, telephone number, and a scanned copy of government issued ID.
NIGERIAN SCAM

- Bank account led to ATM footage of the scammer and an address in Georgia.
- Referred to the Georgia Attorney General’s Office.
- Suspect is a Nigerian national.
- Suspect has been arrested and charged with six counts of Identity Theft in two counties.
SUMMARY:

WHAT DO YOU DO?

- Be aware. What is your gut telling you about the situation?
- Slow down, ask questions.
- Pay attention to the red flags:
  - High pressure
  - Threats
  - Payment through nontraditional methods
- HANG UP or STOP RESPONDING!!!
- If you are scammed, report it to the authorities.
CONTACTS

- dcp.utah.gov – Utah Division of Consumer Protection
- ftc.gov – Federal Trade Commission (FTC)
- fbi.gov – Federal Bureau of Investigation (FBI)
- ic3.gov – Internet Crime Complaint Center (FBI)
- sbi.utah.gov – Utah Dept. of Public Safety, Cyber Crimes
- treasury.gov/tigta – IRS Scam
Keeping Utah Safe
Consumer Education/Consumer Outreach

Moderator:  
Kerry O’Brien  
Assistant Regional Director, Western Region - San Francisco, Federal Trade Commission

Panelists:  
Mike Headrick  
Anchor/Reporter, KSL TV

Adam Watson  
Chief Investigator, Utah Division of Consumer Protection

Tom Brady  
Director, Utah Division of Securities

Alan Ormsby  
State Director, Utah, AARP
KEEPING UTAH SAFE

Effective Investor Education

TOM BRADY
Director, Utah Division of Securities
www.securities.utah.gov
801-530-6600
FUNCTION OF THE DIVISION

• Regulate:
  • The security product being sold
  • The individual selling it
  • The manner in which it is sold
• Provide public with information
HARSH REALITY

"We can either pay you pennies on the dollar, or nickel and dime you to death. It’s up to you."
USE THE MEDIA

They can effectively deliver your message

• Press Releases
• Social Media
• Public Service Announcements
I’m your friend. I’m your neighbor.

Check before you invest.

I’m a Con Man.

Securities.Utah.gov
KNOW YOUR AUDIENCE

FINRA found typical victim to be:

• Predominantly male;
• Financially knowledgeable
• College educated; and
• Self-reliant when it comes to making decisions
PARTNERSHIP

• Limited Resources
• Limited Reach
• Limited Expertise
PARTNERSHIP

• Sister Agencies
• Federal Agencies
• Associations / Non-profits
• Quasi Governments
Effective Outreach

- 2017 – Over 7,100 audience members
- 2018 – On pace for over 8,000
THANK YOU

Effective Investor Education

TOM BRADY
Director, Utah Division of Securities
www.securities.utah.gov
801-530-6600
Keeping Utah Safe
Consumer Education/Consumer Outreach

Moderator:  
Kerry O'Brien  
Assistant Regional Director, Western Region - San Francisco, Federal Trade Commission

Panelists:  
Mike Headrick  
Anchor/Reporter, KSL TV

Adam Watson  
Chief Investigator, Utah Division of Consumer Protection

Tom Brady  
Director, Utah Division of Securities

Alan Ormsby  
State Director, Utah, AARP
Thank you!