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Bureau of Consumer Protection

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Putting Prize Promotions Into Perspective

“Congratulations! You’ve just won \$5,000!”

The words were music to the Dallas woman’s ears, especially coming during the holidays, when she was feeling financially pinched. The caller told her she’d receive her check within two or three weeks, just when the holiday credit card bills would be coming in.

All the caller needed to finalize the deal was the woman’s checking account number, which would allow him to deduct a \$289 tax on her winnings from her account. He assured her that the charge wouldn’t be deducted until her \$5,000 check had been deposited to her account.

Two days later, an electronic check for \$289 was presented to her bank, and she has yet to receive her \$5,000 “prize.”

The same caller contacted the woman the next month to announce that she’d won a \$5,000 prize. When the caller realized that he’d mistakenly made a repeat call, she says, he quickly hung up.

Everyone loves to be a winner. A recent poll by Opinion Research Corporation showed that more than half of all American adults entered sweepstakes within the past year. Most of the contests were run by reputable marketers and non-profit organizations to promote their products and services. Some lucky winners received millions of dollars or valuable prizes.

But many sweepstakes are scams, and an alarming number of people lose money to them. The same fraudsters who “took” the Dallas woman also claimed victims from Spring Valley, N.Y., to Bryson City, N.C., to Syracuse, Utah. Some of the victims admitted to being uncomfortable about sharing their bank account information with the caller, but the silver-tongued sales pitch and the thrill of being a winner allayed their concerns – at least momentarily.

Every day, consumers across the United States lose thousands of dollars to unscrupulous prize promoters. Last year alone, the Federal Trade Commission received more than 10,000 complaints from consumers about gifts, sweepstakes and prize promotions. Many of the consumers received telephone calls or postcards telling them that they’d won a big prize – only to find out that to claim it, they had to buy something or pay as much as \$10,000 in fees or other charges.

What's the difference between legitimate sweepstakes and fraudulent ones?

According to Tom Carter, an attorney with the FTC, the federal consumer protection agency, prizes in legitimate sweepstakes are awarded solely by chance, and contestants don't have to pay a fee or buy something to enter or boost their chances of winning.

"But in fraudulent schemes, contestants almost always have to dip into their pockets to enter the sweepstakes or collect the so-called prize," he says.

Often the "fabulous prizes" touted in these contests aren't worth collecting. A "diamond pendant" might be the size of a pinhead. A "luxury vacation for two" might be an overnight in a seedy motel. An "all terrain vehicle" might be nothing more than a toy car.

Yet scam artists often use the promise of these and other "valuable" prizes to entice consumers to buy overpriced products or services, to contribute to bogus charities, or to attend sales pitches for land or vacation timeshares. People who fall for their ploys may end up paying far more than their "prizes" are worth – if they receive them at all.

Carter says consumers who sign up for contest drawings in public places, through the mail or online also may get *more* than they bargained for. That is, more advertising solicitations, more telemarketing calls, more unsolicited commercial email, and possibly, more prize promotion offers.

Carter cautions consumers to read the fine print on contest drawing entry forms before filling them out and to steer clear of any that don't guarantee their privacy. "Consumers should look for a statement clarifying that the promoter won't sell or share the person's name with third parties," he counsels.

But the bottom line, he adds, is not to pay to enter a contest or collect a prize. "Remember that if you have to pay for your 'prize,' it's not a prize," Carter says. "It's a purchase."

Here are some of Carter's telltale signs of fraudulent prize promotions and sweepstakes:

- ◆ a notification telling you you've won a "big" prize -- mailed to you at bulk rate.
- ◆ a requirement that you disclose your bank account information so the promoter can either deposit your winnings directly into your account or charge your account for taxes or fees on your prize.
- ◆ a requirement that you call a toll-free number for details. It's likely that you will be transferred you to a "900" pay-per-call number.
- ◆ a requirement that you buy something, attend a sales meeting or pay a fee to enter or claim your prize.

For more information about prize promotions, visit the FTC website at www.ftc.gov. For a free copy of *Prize Offers: You Don't Have to Pay to Play*, call the FTC's toll-free helpline at 1-877-FTC-HELP (382-4357).