

Public Workshop: Public/Private Partnerships to Combat
Cross-Border Fraud - Comment, P035302.

Public Comments Submitted By Publishers Clearing House

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I. Background

This comment is submitted by Publishers Clearing House in response to the published request by the Federal Trade Commission that interested persons submit written comments in support of the FTC's public workshop on Public/Private Partnerships to Combat Cross-Border Fraud.

In 2003 Publishers Clearing House began celebrating its 50th year as a direct mail marketer of value based magazine and consumer product offerings. Since 1967, Publishers Clearing House mailings have featured the famous free-by-mail sweepstakes that has become part of Americana. PCH has awarded over \$187 Million in major prizes to consumers in the United States, Canada and the United Kingdom.

Since its inception, the hallmark of the Publishers Clearing House sweepstakes has been that no purchase, fee, cost or payment is ever necessary to enter or win. This message appears repeatedly in our mailings in many forms, is present in our web site disclosures, and is featured for all those who call our automated toll free customer service line.

For some time Publishers Clearing House has received reports from both consumers and consumer protection authorities of illegal and fraudulent telemarketing offers by scam artists that seek some form of payment from consumers to collect a non-existent prize. In many cases the Publishers Clearing House name or sound-alike name is illegally used. Using a variety of bogus representations including "prepayment of taxes," "refundable deposits," and "shipping & handling," scam artists perpetrating these frauds seek to have consumers forward money. Consumers are usually requested to send funds by wire transfer through the services offered by such companies as Western Union and American Express.

II. Rise of Cross-Border Fraud

Since early 2001, Publishers Clearing House has tracked a significant increase in the number of scam reports of fraudulent sweepstakes offerings originating from the Quebec Province and other parts of Canada. In 2002, over 68% of the reports received by Publishers Clearing House regarding scams illegally using our name indicated a cross-border connection with Canada.

Consumers contacting Publishers Clearing House report fraudulent callers using Canadian phone numbers, Canadian addresses and report that monies were requested to be delivered to Canadian wire transfer locations. Many of the recent

reports indicate that the fraudulent telemarketing callers represent that a “winner” in Canada could not be located and that a “transfer and customs fee” must be sent to Canada so that the “prize money” can be cleared for delivery to the American based consumer. Often the name of a bogus Canadian law firm, customs agent, or law enforcement official is used. Call back numbers are frequently provided to the unsuspecting consumer and are answered by recordings designed to appear as official sounding law firms, customs offices, or law enforcement authorities.

The increase of cross-border fraud using the guise of a legitimate sweepstakes is of great concern to Publishers Clearing House. We are aware that it is more difficult for law enforcement authorities to attack cross-border fraud than to effectively target domestic scams. Cross-border fraud operators strike quickly using easily obtained methods (cell phones, pay phones, recorded answering machines, mail, and the internet); attempt to victimize thousands of consumers in a short period of time; and quickly disappear along with any proceeds of their frauds. Cross-border scam artists face a low threat of prosecution as law enforcement has only a limited ability to pursue fraud operators outside their jurisdiction. Restrictions may prevent the sharing of evidence with foreign counterparts. Court-ordered remedies prohibiting fraud operators from engaging in certain conduct generally are ineffective across borders.

Realizing the restrictions on cross-border enforcement, increased efforts are needed by the private and public sector in the areas of consumer education, information sharing and private/public partnerships.

III. Consumer Education, Information Sharing and Private/Public Partnerships

Publishers Clearing House has taken a number of steps in response to the reports of cross-border fraud. We believe those participating in the FTC’s Cross-Border Workshop may find these steps helpful for consideration and that discussions during the workshop will prove beneficial to our own efforts to improve and refine those actions we have already taken.

A. Consumer Education

On the belief that educated consumers are in the best position to prevent fraud, Publishers Clearing House has undertaken a number of consumer education efforts that are designed to reach those who might be targeted by cross-border scam artists. These efforts include:

Toll Free Consumer Education. Every year hundreds of thousands of consumers call the Publishers Clearing House toll free customer service line. These calls provide an invaluable opportunity to provide an educational message to

consumers. Each call received by Publishers Clearing House is answered by a recorded greeting that includes a reminder that the “winning is always free.” For those who would like to hear more, a prompt is provided that offers callers additional educational information and warnings regarding bogus offers that may request payment to claim a prize. These recorded messages have been particularly valuable after business hours when consumers who were prepared to forward money in response to a scam contact were able to hear the warnings. The automated answering system also provides the technical opportunity to quickly update educational messages in response to current reports of fraud.

Mailing Inserts. The large volume of mail delivered to the homes of consumers by Publishers Clearing House also provides a valuable opportunity for consumer education. PCH has used this platform to include a variety of educational messages in outgoing mail. Since 1998, tens of thousands of educational flyers produced in conjunction with the Federal Trade Commission’s Partnership for Consumer Education have been distributed. Each flyer carries the theme that “The Best Things in Life Are Free” and that “You Never Have to Pay to Play.”

Publishers Clearing House Website. The immediacy afforded by internet communication, has allowed Publishers Clearing House to quickly post consumer warnings and educational messages in response to current issues. In October 2001, for instance, reports were received that scam artists operating from the Quebec area were calling consumers saying that proceeds from magazine orders placed through “Publishers Sweepstakes” would be donated to World Trade Center disaster relief. Publishers Clearing House was able to quickly post a warning to consumers indicating that this offer was bogus and that “Publishers Sweepstakes” had no connection with the real Publishers Clearing House.

Media/Community Outreach. Publishers Clearing House regularly attempts to educate consumers through radio, television and newspaper interviews and by appearance at community and consumer gatherings. We have used such forums to provide consumers with information on how to protect themselves from fraudulent scams posing as legitimate sweepstakes. In late January, for instance, the CBS Evening News aired a story regarding a cross-border telemarketing scam in Minnesota that was illegally using the Publishers Clearing House name. The story provided Publishers Clearing House representatives the opportunity to remind viewers on air of the important consumer message that payment is never required to collect a legitimate sweepstakes prize.

B. Information Sharing

Consumers who contact Publishers Clearing House with reports of scams illegally using our name are requested to provide a full report of the incident to specially trained customer service representatives. Such information is recorded on a scam report database created and maintained by Publishers Clearing House. At the conclusion of each call consumers are directed by PCH

representatives to call the National Fraud Information Center to provide full details of the incident.

The information compiled on the Publishers Clearing House scam report database is reviewed to spot developing trends and is shared with law enforcement and consumer protection authorities. Publishers Clearing House continues to seek additional avenues to share this information so that full details of recent incidents are in the hands of those in law enforcement. While we direct all callers who contact us with such information to further report the details of the incident, we know that some consumers may choose not to do so. As a result, Publishers Clearing House may have compiled information on details of a scam that may not otherwise reach law enforcement.

C. Public/Private Partnerships

In an effort to better educate consumers and fight those who may perpetrate frauds using the guise of a legitimate sweepstakes, Publishers Clearing House has found that public/private partnerships can be a very effective tool. Two examples are the FTC's Partnership for Consumer Education and the National Consumers League's Alliance Against Fraud in Telemarketing.

Federal Trade Commission's Partnership for Consumer Education. In 1997 Publishers Clearing House joined the Federal Trade Commission's Partnership for Consumer Education, a cooperative effort among federal agencies, private industries and consumer organizations to provide effective consumer education campaigns against fraud.

As part of the partnership effort, Publishers Clearing House designed an educational consumer flyer for insertion in mailings that reminded consumers that you never have to buy anything or pay a fee to enter a legitimate sweepstakes or to receive a prize. This flyer has now been distributed to tens of thousands of consumers in the mail and at community and consumer gatherings throughout the country.

Alliance Against Fraud in Telemarketing. Publishers Clearing House is a member of The Alliance Against Fraud in Telemarketing and Electronic Commerce. The group was formed in 1989 by the National Consumers League, America's oldest nonprofit consumer organization. Members of the Alliance are drawn from government, law enforcement, labor, consumer advocacy, and business.

The Alliance holds quarterly meetings to learn how scams work, discuss public policy issues, exchange information, and plan consumer education activities. The network of Alliance members is particularly helpful for the exchange of information and ideas. If a participating member notices an emerging trend or concern the Alliance has the ability to immediately forward an email notification.

Such notice alerts all members of the presence of the emerging scam allowing members to take appropriate steps for prevention and education.

IV. Conclusion

Public/Private partnerships and cooperation can be beneficial to government, law enforcement, consumer advocacy groups, private industry, and consumers. Effective partnerships do not come easy for either side and require open dialogue between all partners, detailed planning and a shared commitment to goals that have been clearly defined.

The complexities of cross-border fraud and the difficulties inherent in cross-border law enforcement make this problem ripe for creative cooperation between the private and public sector. From our own experience, such partnerships can be most effective with efforts that combine targeted consumer education and relevant information sharing.