



NETWORK NEWS

NETWORK NEWS IS A PUBLICATION OF CONSUMER SENTINEL, LAW ENFORCEMENT'S SOURCE FOR CONSUMER COMPLAINTS

WIRE TRANSFERS.

MoneyGram International, Inc., the second-largest money transfer service in the U.S., will pay \$18 million in consumer redress and implement a comprehensive fraud-monitoring program to settle FTC charges that its agents helped fraudulent telemarketers trick people into wiring more than \$84 million. According to the FTC, MoneyGram knew that its system was being used to defraud people but did very little about it. Indeed, the FTC alleged that MoneyGram knew that 131 of its agents accounted for more than 95 percent of the fraud complaints it received in 2008 about money transfers to Canada; a similar number of agents was responsible for more than 96 percent of all fraud complaints to the company in 2006.

MoneyGram, based in Minneapolis, operates through a worldwide network of approximately 180,000 agent locations in 190 countries and territories. The FTC's complaint charged that in recent years, scammers have used this network increasingly to prey on U.S. consumers. Con artists prefer to use money transfer services because they can pick up transferred money immediately, the payments often are untraceable, and victims have no chargeback rights or other recourse.

The con artists used counterfeit checks — primarily for scams related to lotteries, prizes, guaranteed loans or mystery shopping jobs — to induce people to wire money back. People paid the “fee,” “taxes,” or “insurance” using MoneyGram, but received nothing. According to the FTC, MoneyGram ignored warnings from law enforcement officials and even its own employees that its network was being used to conduct widespread fraud, and claimed that proposals to deal with the problem were too costly and not the company's responsibility.

In addition to help from the U.S. Postal Inspection Service, Canadian partners provided invaluable assistance in the investigation: Toronto Strategic Partnership, Project Colt, Project Emptor, the Durham Regional Police Service, Ontario, Canada, and the Canadian Anti-Fraud Call Centre (PhoneBusters). Read more: www.ftc.gov/opa/2009/10/moneygram.shtm. ■■■

NEW MEMBERS.

In September and October, Sentinel added thirteen new law enforcement organizations from nine states and Canada, including six police departments, two state Departments of Financial Institutions, and the Royal Canadian Mounted Police. ■■■

People who think they may be entitled to redress should call the FTC at 202-326-3755. ■

Based on more than 20,600 fraud complaints MoneyGram received, U.S. consumers lost more than \$44 million to cross-border money-transfer frauds between 2004 and 2008. When combined with losses reported by U.S. consumers on money transfers within the United States, that number swells to \$84 million. ■

STAT-O-SPHERE

Over a four-month period in 2007, **79 percent** of all MoneyGram transfers of \$1,000 or more from the U.S. to Canada were fraud-induced.

– From the FTC's complaint in MoneyGram

ACROSS THE POND?

A California company has agreed to stop its deceptive tactics pending resolution of FTC charges in federal court. According to the FTC, the defendants, Balls of Kryptonite — doing business as Best Priced Brands and Bite Size Deals, and its owner, Jaivin Karnani — deceptively sold electronics to hundreds of British consumers via www.bestpricedbrands.co.uk and www.bitesizedeals.co.uk, tricking people into believing that they were buying from a company in the United Kingdom and were protected by manufacturer warranties there. When consumers got the electronic goods, they discovered they'd been charged import duties and had invalid warranties. Draconian cancellation and refund fees would apply if they tried to send the goods back.

This is the FTC's first case against a U.S. company only conducting business abroad. The U.S. SAFE WEB Act of 2006 gave the FTC the authority to sue U.S. companies deceiving foreign consumers, and was part of a strategy to prevent the United States from becoming a haven for fraudsters.

The U.K. Office of Fair Trading, one of the FTC's principal international law enforcement partners, assisted in the FTC investigation. Read more:

www.ftc.gov/opa/2009/08/bestpriced.shtm. ■■■

Many people in the U.K. who lost money to Balls of Kryptonite filed complaints with the FTC on www.econsumer.gov, a website established by consumer protection agencies from 25 countries. [Econsumer.gov](http://www.econsumer.gov) collects complaints and makes them available to international consumer protection agencies through the FTC's Consumer Sentinel Network.

COURT: GIVE UP YOUR HOUSE

At the request of the FTC, the operator of a business opportunity scam has been held in contempt for the second time by a federal court and ordered to turn over the title to his home or face jail time. The court found that Richard C. Neiswonger violated a previous court order, and entered a \$3.2 million judgment against him for deceiving buyers with false promises that they could make a six-figure income by selling his services to people trying to hide their assets from potential lawsuits or creditors. Press release:

www.ftc.gov/opa/2009/09/neiswonger.shtm. ■■■

COMMUNITY BEAT: WIRE BEWARE.

Scam artists use a number of elaborate schemes to get peoples' cash — and many involve money transfers through companies like Western Union and MoneyGram. If you see scams like these in your community, let people know that money transfers may be useful to send funds to someone they know and trust — but they're completely inappropriate when they're dealing with a stranger.

It's important for people to know that many money transfer scams involve dramatic or convincing stories that play on their optimistic nature, altruism or thriftiness. Share these tips on how people can avoid telemarketing and money transfer fraud.

Don't wire money to:

- someone you don't know, in the U.S. or in a foreign country;
- someone claiming to be a relative in the midst of a crisis and who wants to keep the request for money a secret;
- someone who says a money transfer is the only form of payment that's acceptable; or
- someone who asks you to deposit a check and send some of the money back.

Read more: www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt034.shtm. ■■■

JOB SCAMS

A federal court — pending a preliminary injunction hearing — has stopped a phony job placement operation that allegedly stole money from job seekers by promising them full-time work and benefits that never materialized. According to the FTC, Career Hotline, Inc., and its principal, Susan Bright, misled job seekers by guaranteeing that they would land positions paying at least \$25,000 a year if they paid a placement fee and provided work history information. In reality, people who paid the fee and submitted their information did not get the promised jobs or refunds. Press release:

www.ftc.gov/opa/2009/08/hotline.shtm. ■■■

STOCK UP!

Order free FTC materials at ftc.gov/bulkorder.