

**Prepared Statement of
The Federal Trade Commission**

**Before the
United States Senate
Special Committee on Aging**

on

Combatting Technical Support Scams

**Washington, DC
October 21, 2015**

Chairman Collins, Ranking Member McCaskill, and members of the Committee, I am Lois Greisman, Associate Director of the Division of Marketing Practices, Bureau of Consumer Protection at the Federal Trade Commission (“Commission” or “FTC”).¹ I appreciate the opportunity to appear before you today to discuss the Commission’s initiatives to fight tech support scams.

“There is a problem with your computer. I will help you fix it.” This is a typical opening line from a script scammers use to deceive consumers into purchasing unnecessary, worthless, or even harmful services. These tech support scams then charge hundreds of dollars to “fix” non-existent problems, leading consumers to believe that the tech support worked when, in fact, their computers never had a problem. Based on the FTC’s consumer complaint data from January 1 through August 31, 2015, these nefarious scams appear to have a disproportionate impact on older consumers²: of the more than 18,000 tech support complainants to the FTC who reported their age,³ 76% are over 50; 56% are over 60 years old.

The FTC is working hard to combat this problem. After explaining tech support scams in greater detail, this testimony describes the Commission’s efforts to combat these scams on three fronts: (1) our aggressive law enforcement; (2) our work with international partners; and (3) our robust consumer and business outreach.

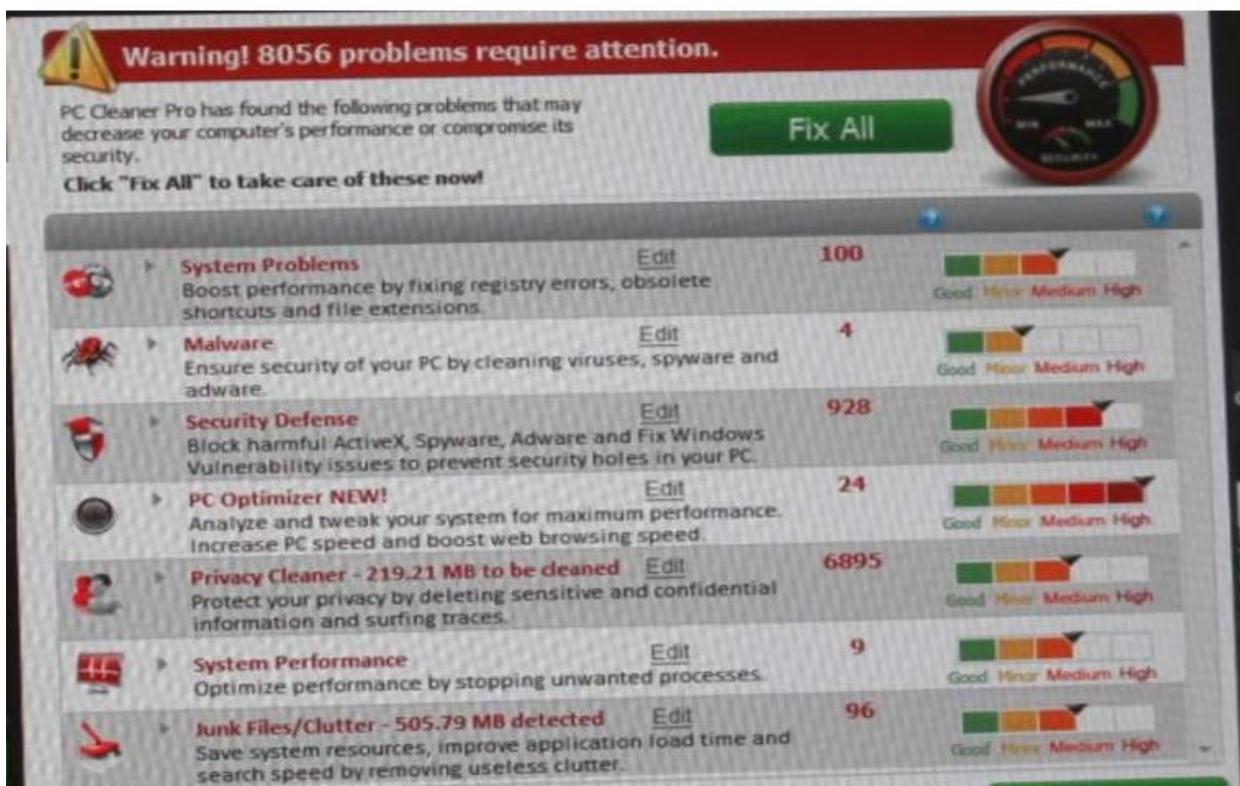
¹ The views expressed in this statement represent the views of the Commission. My oral presentation and responses to questions are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

² References in this testimony to “seniors” or “older” individuals means the population 65 years and over, unless noted otherwise.

³ The FTC’s Consumer Sentinel is a portal for consumers to report complaints. Providing personal information such as age is not required.

I. Tech Support Scams

Tech support scams use various methods to convince consumers they have a problem with their computers. Some scammers call consumers and falsely claim they are calling on behalf of a well-known company like Microsoft, Facebook, McAfee, or Symantec, and that they have detected a problem on consumers' computers. Others use deceptive computer pop-up messages that claim consumers' computers have a problem, or offer free system "scans" that mark innocuous computer files as "errors," and then direct consumers to call a specified phone number to fix the purported problem. The following screenshot shows the results of such a system scan, which claimed an uninfected FTC computer had "8056 problems require[ing] attention":

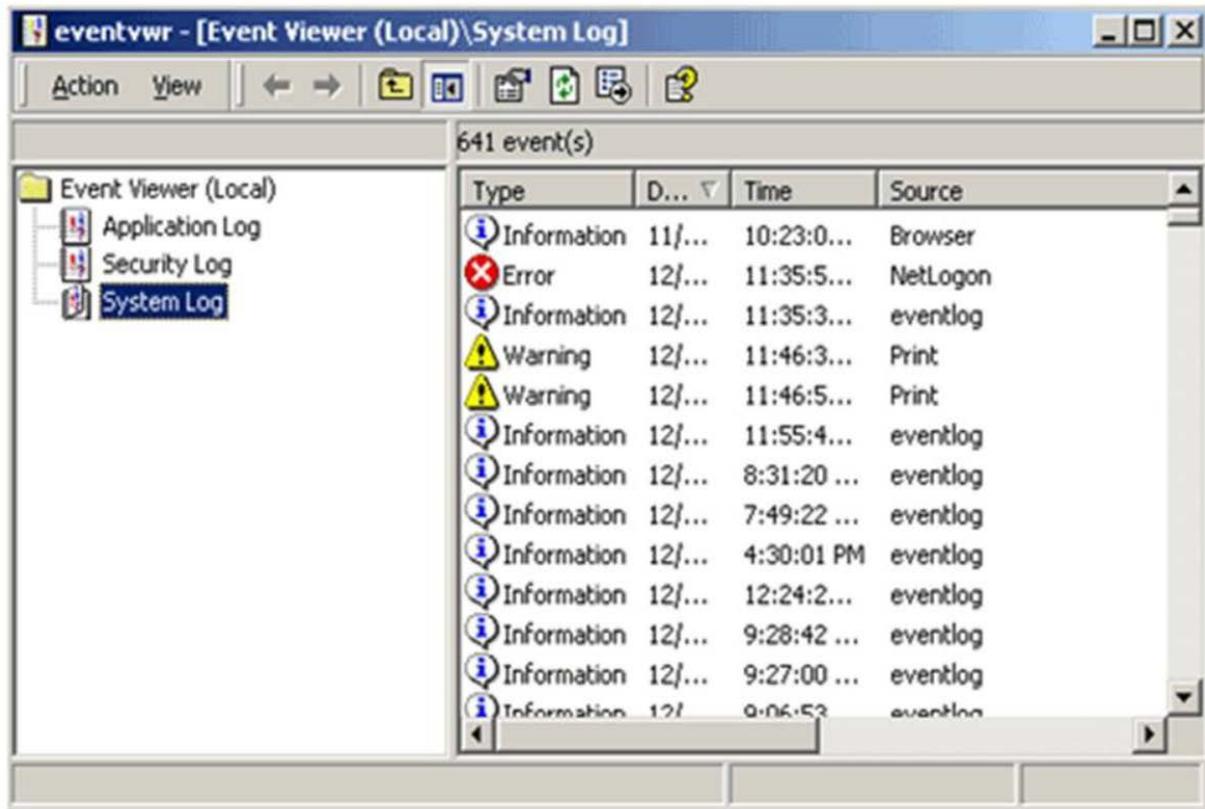


Still other scammers place advertisements with search engines that appear when consumers search for their computer company's tech support telephone number.

Once scammers have consumers on the phone, telemarketers try to convince consumers that their computers have been infected with malicious software or suffer from significant “errors.” The scam artists further claim that unless these consumers agree to pay for “technical support” to fix the problem, their computers will crash, and they will lose all of their data. By convincing consumers that their computers have problems, scammers induce consumers to buy services and software they do not need.

These tech support scam artists go to great lengths to add authenticity and urgency to these calls. The telemarketer often connects to the consumer’s computer through an online platform such as LogMeIn.com. Once connected, the telemarketer typically opens a utility program, such as “Event Viewer,” on the consumer’s computer and falsely claims that “errors” and “warnings” shown on Event Viewer demonstrate that the computer is infected or in need of repair, as shown in the following screenshot:

Sample Event Viewer Log



The telemarketer intentionally does not tell the consumer that the Event Viewer program usually displays a large number of warnings and errors even for a completely normal Windows computer system. Such warnings and errors are typically due to routine activities and may be present even if the machine is in perfect operating order, yet the scammer claims they are a sign of significant system damage. For example, a tech support scammer navigated an undercover FTC investigator's computer to a screen similar to the one pictured above and then made the following false claims to the investigator:

You have downloaded these unwanted malicious programs without your knowledge, ma'am. Whenever you go online, whenever you browse the Internet,

this [sic] errors and warnings that it's getting downloaded without your knowledge and it is destroying your computer day-by-day.⁴

After extensive conversation and repeated warnings to the consumer that she is at grave risk of losing all her data, the telemarketer eventually offers to repair the problem. In the undercover call mentioned above, the scammer charged \$199 for unnecessary “repairs.”

It is easy to understand how consumers, especially those with limited computer skills, would believe this tech support scam and purchase the scammers’ “repair” services.

Consumer complaints filed with the FTC illustrate the scope of the tech support scam problem. In response to mounting evidence that tech support scams were victimizing American consumers, the FTC created a new complaint category in January 2015 called “tech support scams.” As of August 2015, we received 23,709 complaints filed under the “tech support scams” category, with reported consumer loss of more than \$5 million.⁵ These figures, however, undoubtedly understate the problem. The FTC knows from law enforcement experience that many consumers never file complaints. Here, the lack of reporting is exacerbated by the fact that many consumers do not even realize they have been victimized. As our cases have shown, many consumers’ computers may run smoothly after they pay for the scammers’ unnecessary services (because there was likely nothing wrong with the computers in the first place), and consumers may not realize that they did not need the services they purchased.

⁴ *FTC v. PCCare247 Inc.*, No. 12-civ-7189 (Docket Entry 11, Exh. 27).

⁵ As noted above, more than 18,000 of these complainants provided age information.

II. Law Enforcement

The FTC has responded to the burgeoning problem of tech support scams with aggressive law enforcement.⁶ In October 2012, the FTC launched a major international crackdown, halting six tech support scams primarily based in India that targeted consumers in the United States and other English-speaking countries.⁷ The FTC coordinated this crackdown with the assistance of authorities in Australia, Canada, Ireland, New Zealand, and the United Kingdom.

The FTC obtained final judgments and orders against all of the defendants in these cases. Among other things, the orders prohibited all of the defendants from advertising, marketing, or selling any computer-related tech support services and from making misrepresentations. The Court also imposed more than \$6 million in monetary judgments.⁸

⁶ The FTC pursues deceptive tech support scams using its authority under Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45 and, where appropriate, the Telemarketing Sales Rule, 16 C.F.R. Part 310.

⁷ See Press Release, FTC Halts Massive Tech Support Scams (October 3, 2012), available at www.ftc.gov/news-events/press-releases/2012/10/ftc-halts-massive-tech-support-scams; see also *FTC v. Pecon Software Ltd.*, No. 12-civ-7186 (S.D.N.Y. Sept. 25, 2012), available at www.ftc.gov/enforcement/cases-proceedings/1123118/pecon-software-ltd-et-al; *FTC v. PCCare247 Inc.*, No. 12-civ-7189, available at www.ftc.gov/enforcement/cases-proceedings/122-3243-x120057/pccare247-inc-et-al; *FTC v. Lakshmi Infosoul Services Pvt. Ltd.*, No. 12-civ-7191, available at www.ftc.gov/enforcement/cases-proceedings/1223245/lakshmi-infosoul-services-pvt-ltd; *FTC v. Mikael Marczak, et al.*, No. 12-civ-7192, available at www.ftc.gov/enforcement/cases-proceedings/1223246/virtual-pc-solutions-mikael-marczak-aka-michael-marczak-et-al; *FTC v. Finmaestros LLC et al.*, No. 12-civ-7195, available at www.ftc.gov/enforcement/cases-proceedings/1223247/finmaestros-llc-et-al.

⁸ See *FTC v. Mikael Marczak, et al.*, No. 12-civ-7192, available at www.ftc.gov/sites/default/files/documents/cases/2013/05/130517marczakstip.pdf; *FTC v. PCCare247 Inc.*, No. 12-civ-7189, available at www.ftc.gov/sites/default/files/documents/cases/2013/05/130517pccarestip.pdf; *FTC v. PCCare247 Inc.*, No. 12-civ-7189, available at <https://www.ftc.gov/news-events/press-releases/2013/11/tech-support-scheme-participant-settles-ftc-charges>; *FTC v. Pecon Software Ltd.*, No. 12-civ-7186, available at www.ftc.gov/system/files/documents/cases/140724peconorder.pdf; *FTC v. Mikael Marczak, et al.*, No. 12-civ-7192, available at www.ftc.gov/system/files/documents/cases/140724marczakorder.pdf; *FTC v. Finmaestros LLC et al.*, No. 12-civ-7195, available at www.ftc.gov/system/files/documents/cases/140724finmaestrosorder.pdf; *FTC v. Lakshmi Infosoul Services Pvt. Ltd.*, No. 12-civ-7191, available at

Last year, the FTC filed three additional cases against tech support scams. The FTC alleges that these scams have harmed thousands of consumers in the United States, resulting in more than \$100 million dollars in injury.⁹ Defendants in one of these cases, based in New York but again involving call centers in India, recently agreed to relinquish most of their assets. The owners are also prohibited from engaging in deceptive telemarketing practices and their websites have been shut down.¹⁰

The two most recently filed cases remain in litigation. In those cases, the FTC is seeking injunctive relief to stop the alleged deceptive practices and provide redress for consumers.¹¹ In each of those cases, the call center is in Florida. The agency continues to actively seek law enforcement targets and has additional investigations underway.

www.ftc.gov/system/files/documents/cases/140724lakshmiorder.pdf; *FTC v. PCCare247 Inc.*, No. 12-civ-7189, available at www.ftc.gov/system/files/documents/cases/140724pccare247order.pdf.

⁹ *FTC v. Inbound Call Experts, LLC*, No. 14-81395-CIV-81395 (S.D. Fla. November 14, 2014), available at www.ftc.gov/system/files/documents/cases/141119vastboosttro.pdf; *FTC v. Boost Software, Inc.* No. 14-CIV-81397 (S.D. Fla. November 12, 2014), available at www.ftc.gov/system/files/documents/cases/141119icetro.pdf; *FTC v. Pairsys, Inc.*, No. 1:14-civ-1192 (N.D.N.Y. September 30, 2014), available at www.ftc.gov/system/files/documents/cases/141024pairsyscmpt.pdf.

¹⁰ *FTC v. Pairsys, Inc.*, No. 1:14-civ-1192 (N.D.N.Y. July 21, 2015), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3099/pairsys-inc>.

¹¹ See Press Release, FTC Obtains Court Orders Temporarily Shutting Down Massive Tech Support Scams, November 19, 2014, available at www.ftc.gov/news-events/press-releases/2014/11/ftc-obtains-court-orders-temporarily-shutting-down-massive-tech; see also *FTC v. Inbound Call Experts, LLC*, No. 14-81395-CIV-81395 (S.D. Fla. November 14, 2014), available at www.ftc.gov/system/files/documents/cases/141119vastboosttro.pdf; *FTC v. Boost Software, Inc.*; No. 14-CIV-81397 (S.D. Fla. November 12, 2014), available at www.ftc.gov/system/files/documents/cases/141119icetro.pdf.

III. FTC Outreach

A. Foreign Law Enforcement

As noted above, our law enforcement experience indicates that many tech support scams originate from call centers located in India. Unfortunately, enforcing judgments against defendants located outside the United States presents challenges. As a result, the FTC has been actively working with government officials, law enforcement, private companies, and trade associations in India to combat this problem at the source.

In July 2014, the FTC sponsored a roundtable in New Delhi to develop a long-term strategy for combatting various types of telemarketing fraud originating in India, including tech support scams. The roundtable brought together Indian and foreign law enforcement officials, as well as representatives from India's legitimate call center industry, technology companies, and consumer groups. The Canadian Radio-television and Telecommunications Commission and the United Kingdom's National Crime Agency also participated. The meeting ultimately led to formation of a council of industry leaders and government officials dedicated to combatting Indian telemarketing fraud and development of an action plan to address the problem.

One year later, in September 2015, the FTC held a follow-up conference in New Delhi that continued last year's work and focused on assisting Indian law enforcement to prosecute known telemarketing scammers operating in India. That conference focused on using banking data to identify scammers, improving processes for sharing information with Indian law enforcement about perpetrators of telemarketing scams, and developing methods to assist Indian law enforcement investigations. The FTC also has had discussions with India's telecommunications regulator – the Telecom Regulatory Authority of India – to explore options

for preventing Indian telemarketing fraudsters from gaining access to the necessary infrastructure to place calls to American consumers.

Through the two conferences and numerous follow-up discussions, the FTC has developed relationships with public and private sector partners in India to help fight tech support scams at their source. The agency also has laid the foundation to encourage and assist Indian law enforcement in taking action against Indian telemarketing fraudsters.

In addition, the FTC has strong working relationships with law enforcement partners in other countries that have been targeted by this scam, including Canada, the United Kingdom, Ireland, Australia and New Zealand. FTC staff has worked with them on investigations and litigation, and we are together engaged in proactively combatting tech support scams that affect millions of consumers worldwide. We also work closely with our foreign partners all over the globe through the London Action Plan, an international public-private cybersecurity enforcement network. Combatting tech support scams through international cooperation remains a top priority.

B. Consumer Education and Industry Outreach

The FTC has an active campaign to increase consumers' awareness of tech support scams. The agency is spreading the word to consumers about tech support scams through information posted on the FTC's website (www.consumer.ftc.gov), including blog posts and videos.¹² Consumers have viewed the FTC's articles and blog posts about tech support scams

¹² Some examples of FTC consumer outreach concerning tech support scams may be found at:

- www.onguardonline.gov/articles/0346-tech-support-scams www.onguardonline.gov
- www.consumer.ftc.gov/articles/0346-tech-support-scams
- www.consumer.ftc.gov/blog/getting-your-money-back-after-tech-support-scam

more than half a million times in the last year, and consumers have submitted hundreds of blog comments about these scams. Moreover, the agency is in the process of creating a new video on tech support scams.

In addition to its outreach specifically concerning tech support scams, the FTC created Pass It On last year, an innovative education effort aimed at active, older adults. Pass It On encourages seniors who learn about various scams to pass the information on to family and friends who might need it.¹³ The Commission also entered into an innovative program with the AARP Foundation in 2012. As part of the program, the FTC refers for individual peer counseling consumers over age 60 who have called the FTC's Consumer Response Center to complain about fraud, including impostor fraud such as tech support scams.¹⁴ The counseling provides older Americans with important support to help overcome the non-monetary impacts of being targeted by fraudsters. In the last six months, the FTC has referred over 1,000 consumers to AARP. In 2014, the AARP Foundation peer counselors successfully communicated with more than 1,400 people referred by the FTC, providing one-on-one advice and guidance to consumers to help them avoid future fraud.¹⁵

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- www.ftc.gov/news-events/blogs/business-blog/2012/10/boiling-point-about-tech-support-boiler-rooms
 - www.consumer.ftc.gov/blog/tech-support-scams-part-2
 - www.consumer.ftc.gov/blog/ftc-combats-tech-support-scams

A recording and transcript of part of a scam call are available at: www.ftc.gov/news-events/audio-video/video/tech-support-scam-undercover-investigation.

¹³ www.ftc.gov/PassItOn.

¹⁴ The FTC only refers consumers who have consented to being contacted by the AARP.

¹⁵ The consumers contacted by the Foundation counselors reported having lost nearly \$19.5 million.

The Commission also regularly communicates and cooperates with legitimate companies in the computer industry and receives investigative assistance from industry partners. In one collaborative initiative, for example, the FTC held a workshop on how “Fraud Affects Every Community.” The workshop brought together consumer advocates, state and federal regulators, fraud prevention experts, industry members, and academics to explore frauds – including tech support scams – that affect vulnerable groups, including older adults.¹⁶

IV. Conclusion

The FTC will continue its multifaceted approach of: (1) bringing law enforcement actions against scam operators who take advantage of consumers’ fears and vulnerability to sell worthless services and products; (2) working with our international law enforcement partners; and (3) educating consumers and working with legitimate industry to combat this problem.

Thank you for the opportunity to share some of the FTC’s work in the battle against tech support scammers. We look forward to working with the Committee on this important issue.

¹⁶ Press Release, Commission Announces Workshop to Explore How Fraud Affects Different Communities (Sept. 9, 2014), available at <https://www.ftc.gov/news-events/press-releases/2014/09/commission-announces-workshop-explore-how-fraud-affects-different>.