

Avoiding Consumer Fraud

Student Activity: Fraud and Identity Theft

Fraud is a broad term referring to any deceptive practice resulting in a loss to consumers. It can range from a fake business blatantly stealing money to a legitimate business using less than ethical business practices. As a consumer, it is important to be aware of common frauds and how to spot them.



Objective

Describe unfair, deceptive or fraudulent business practices.

Activity

Review the 5 common fraud types listed below. Then, match each fraud to the lemonade stand scenario listed.

Common Fraud Types:

1. **Bait and switch** - A store advertises a great deal to get the customer in the store, but the deal does not actually exist
2. **Pyramid scheme** - A fraudulent business in which the victim pays a fee to join, but then must recruit more people to also join the business in order to receive compensation
3. **Phishing** - When a criminal uses email to pose as a legitimate company with the intent of tricking you into giving up personal information
4. **Fake lottery** - Victims are told they won a large prize but need to pay a small sum of money to collect the prize; the criminal takes the victims' money and there is no prize
5. **Fake charity** - A criminal solicits donations for a charity that does not exist and steals victims' money instead

Scenario	Type of Fraud
A criminal sends emails to people posing as a lemonade stand asking them to log in to their lemonade account to update their personal information.	
A lemonade stand advertises 5-cent lemonade, but when the customers arrive to buy it, they are told they are out of 5-cent lemonade. Instead, they have 10-cent fruit punch, which is still a great deal and they should buy it.	
A criminal poses as a charity promising to provide free lemonade to thirsty children, but then he keeps the donations instead.	
People are given the opportunity to "invest" in a lemonade stand by paying \$100, with the promise of making \$500 later if they find 10 more people to "invest" in the lemonade stand, too.	
Someone receives an email that says they have won free lemonade for a year and all they have to do is pay a small processing fee of \$30 to claim their prize.	

Reflection:

1. Why do people fall for frauds and scams? What can make them seem particularly convincing?
2. Do you know anyone who has been a victim of fraud? What happened?