

# Issue Brief

## Consumer Fraud and Money Remitters

### Synopsis

- *Sophisticated fraudsters socially engineer their victims into believing their cons. They conduct their scams remotely and sometimes use unwitting remittance companies to culminate their fraud.*
- *Many scams begin with unsolicited e-mails. Fraudsters lure victims into paying a fee through a money transfer service and pick up the funds using a fake ID.*
- *Fraudsters engaged in fake check scams rely on check clearing lag times and federal regulations that mandate funds availability to commit fraud.*
- *Fraudsters use remittance companies because of their speed and availability. Advanced printing technology allows fraudsters to create fake IDs easily.*
- *Fraudsters use social norm concepts such as excitement, authority and scarcity to convince their victims. Fraud is consummated long before a victim actually sends money. Convincing victims not to send money is difficult.*
- *Western Union takes extensive measures to help prevent consumer fraud.*

### Overview

There are many names for people who cheat other people—fraudsters, con artists, scammers or, simply, cheats. Whatever they're called, they've been around since the beginning of time defrauding honest people of their money using little more than kind words, (empty) promises and a smile.

But over the past decade, as technology has evolved and consumers have become more tech-savvy, fraudsters have become infinitely more sophisticated and a new name for them has emerged: social engineers. Forget the smile, social engineers commit their fraud remotely using e-mail, web sites, snail mail and telephone. They *engineer* their victims into believing their cons through urgent, emotional appeals, sometimes even pretending to be family members. And, since they work remotely—often overseas—they began using unwitting remittance companies to culminate their acts of fraud.

### How Consumer Fraud Using Remittance Companies Takes Place

Many fraud schemes begin with an unsolicited e-mail. For example, victims are informed that they've won a lottery or sweepstakes, or are asked to serve as a financial intermediary to expatriate a large sum of money. Victims are lured into the scams through promises of millions and pledges of sincerity and honesty, and eventually are asked to make a payment to cover processing fees or other expenses ranging from several hundred to a few thousand dollars. The victims use a money transfer service to make these payments, which are then picked up by the scammer using a fake ID. At best, the victims lose their money and never hear from the scammers again. At worst, they are lured into sending yet more money.

Other common scams that involve remittance services include Internet auction purchases, emergency, employment, relationship/dating, rental property, advance fee and others.

### Fake Check Scams and Reg CC

Lottery/prize scams and countless other scams also employ the use of fake checks. In these scams, victims receive what appear to be legitimate checks drawn on well-known banks and are instructed by the fraudster to make a payment to cover taxes and/or processing fees. The victims deposit the checks into their bank accounts, use the funds to remit taxes or processing fees and are then left responsible for the bounced checks. Other fake check scams include scenarios such as: mystery shopping, overpayment for internet purchases and employment expenses.

Fake check scammers rely on check clearing lag times to commit their crimes. Federal Reserve Regulation CC requires that funds deposited into an account by check be made available for withdrawal within a certain number of business days<sup>1</sup> after the deposit. Fake checks often take much longer to pass through the clearing system and eventually return to the bank unpaid. However, even though the victim (account holder) has used the funds that were made available by law, the victim is still responsible for any withdrawals or payments made against the returned item.

### Why Fraudsters Employ the Use of Remittance Services

Consumers with and without banking relationships use remittance services because of their speed, reliability and broad availability through retail locations. Unfortunately, these same characteristics also can make them appealing to fraudsters. Also, as non-depository financial institutions, remittance companies do not maintain account based relationships with their users, so enhanced due diligence takes place only above certain thresholds. And, even though most remittance companies require consumers to present a valid, government-issued photo ID to pick up funds, advanced printing technology makes creation of authentic-looking IDs exceedingly simple.

<sup>1</sup> Reg CC availability schedule—12 CFR §229.10/.11/.13. Also see Compliance with Regulation CC—<http://www.federalreserve.gov/pubs/regcc/regcc.htm>

## Issue Brief: Consumer Fraud and Money Remitters, page 2

### The Psychology of Consumer Fraud

According to Jonathan Rusch, deputy chief for strategy and policy in the Criminal Division of the U.S. Department of Justice Fraud Section, fraudsters incorporate several different social concepts<sup>2</sup> in order to socially engineer their victims. Among them are:

#### *Excitement*

Fraudsters create their schemes to elicit great initial excitement. Their fraud pitches, e.g. “you’ve won an \$8 million foreign lottery!,” create strong emotions that can interfere with victims’ ability to think logically.

#### *Authority*

Many victims are especially susceptible to people whom they perceive to be in a position of authority, even if that person is not present physically.

#### *Scarcity*

Many people are susceptible to claims that an offer may be available for a limited period of time or that an item is in short supply.

#### *Liking and Similarity*

People generally respond positively to others with whom they perceive to have similarities. These perceived similarities can cause victims to use mental shortcuts, bypassing warning signs because they are favorable toward that person.

Fraudsters use these and other social acceptance concepts to make victims malleable to their *too good to be true* offers and opportunities. After all, when posed with the thought of having won a foreign lottery wouldn’t most people respond, “I never entered a foreign lottery.” And even if a victim does respond that way, the fraudster has a rationalization which, based on the initial excitement, seems to make sense to the victim.

By the time the victim actually uses a money transfer company to send funds, the fraud has long been consummated. In fact, it is not uncommon for money transfer company Agents to have difficulty persuading apparent fraud victims not to send their funds. Following is an excerpt from a weekly newspaper in Minnesota describing such an episode:

*Thillen (Western Union Agent store manager) told of an elderly lady from Spring Grove who started making a practice of wiring money to a destination in Nigeria in \$50 or \$100 increments. After the third time, Thillen suspected the woman was being scammed, and stopped the transaction after the lady left the store.*

*“The scammers must have been waiting for the money, because the lady returned and asked why the transaction didn’t go through. I tried to explain to her that she was being scammed, that the people she was sending the money to were crooks, and stealing her money. She insisted we send it through. We were able to contact her daughter, explained the situation, and she had a talk with her mother. The daughter thanked us for notifying her and trying to help her mother,” Thillen explained.*

“Scammers utilizing Western Union service”

*The Caledonia Argus*  
Caledonia, Minnesota  
January 20, 2009

<sup>2</sup> Source: <http://www.justice.gov/criminal/fraud/documents/reports/1998/psussc98.pdf>



## Issue Brief: Consumer Fraud and Money Remitters, page 3

Government Relations & Public Affairs  
12500 East Belford Avenue  
M1G  
Englewood, Colorado  
80112

### How Western Union Helps to Prevent Consumer Fraud

Western Union helps prevent consumer fraud many different ways before, during and after transactions take place:

#### *Web Site Information*

We have extensive fraud awareness information on our web site ([www.westernunion.com](http://www.westernunion.com)). The site includes descriptions of specific fraud schemes so consumers can understand and be on guard against various *to good to be true* or *once-in-a-lifetime* scams.

#### *Money Transfer Form Warnings*

Our “To Send Money” forms in the U.S. and other countries — which are completed by consumers at the point-of-sale — feature a prominent fraud warning.

#### *Consumer Education*

We participate in multiple partnerships and with other organizations to raise awareness of consumer fraud. Our consumer protection partners include or have included: the National Adult Protective Services Association, U.S. Postal Inspection Service, National Consumers League, Consumer Federation of America, AARP, eBay, Microsoft and FaceBook, among others.

#### *Interdiction / Blocking*

We have the ability to block certain people—based on name—from using our service. We interdict both known fraudsters and, on occasion, chronic victims of fraud based on our own information, and requests from law enforcement, family members or other third parties.

#### *Consumer Callback Program*

We also suspend U.S. money transfer transactions over a certain threshold going to select countries and call the Sender to verify the purpose of the transaction. Transactions that indicate fraud are cancelled and the funds are refunded to the Sender. We will not complete a transaction—even at a consumer’s insistence—that we believe to be fraudulent.

#### *Agent Training*

We train and offer an incentive program for our Agents to be alert for innocent consumers who may be sending money as part of fraud schemes. We provide training through person-to-person and telephone interface, via the Internet and printed materials. Every day, Western Union Agents are stopping transactions that were destined for fraudsters.

#### *Law Enforcement Cooperation*

We cooperate extensively with law enforcement both on investigations and to build an understanding of our service and how it operates. For example, we participate in the Anti-Phishing Working Group, a pan-industry and law enforcement association focused on eliminating fraud and identity theft resulting from phishing, pharming and email spoofing. We also have worked with the U.S. Secret Service, FBI and local law enforcement throughout the country.

### Additional Resources

Western Union Web Site

- Consumer Protection section  
<http://www.westernunion.com>

National Consumers League

- Fake Checks Web Site  
<http://www.fakechecks.org/>

Consumer Federation of America

- Fraud Section  
<http://www.consumerfed.org>