

September 21, 2020

*****CONSUMER ALERT*****

ATTORNEY GENERAL RAOUL URGES ILLINOIS RESIDENTS TO BE ALERT FOR WORK-FROM-HOME SCAMS AND PYRAMID SCHEMES

Chicago — Attorney General Kwame Raoul today urged residents throughout Illinois to be on alert for work-from-home, employment and pyramid schemes that can be used to steal money or personal information.

The Attorney General's office is warning the public of scammers seeking to take advantage of the COVID-19 pandemic's economic impact by using job opportunities or promotions that guarantee they can earn large amounts of money working from home but require an up-front fee to cover materials or training.

Raoul's office regularly receives complaints about work-from-home and pyramid schemes, as well as various employment scams. Generally, such scams begin with participants being asked to make an initial investment, but ultimately, the victim is left without any of the promised profit and can even lose money.

"Thousands of Illinois residents are unemployed or underemployed as a result of the COVID-19 pandemic. As individuals look for opportunities that will allow them to provide for their families, scammers are looking for opportunities to steal money and personal information," Raoul said. "The most important thing people should keep in mind is that if an offer sounds too good to be true, it probably is. Disregard any promotion that requires you to pay money to make money, and report the communication to my office."

Common work-from-home scams promise significant earnings – made by stuffing and mailing envelopes, making crafts that a company will purchase and sell, or processing medical insurance claims – once the consumer purchases materials, training or costly equipment. Raoul says people should disregard offers that require them to spend money in order to make money, and report the promotion to the Attorney General's office.

Raoul is also warning job-seekers to be cautious about providing personal information when searching and applying for jobs online. In some cases, scammers obtain personal information by posting phony jobs on legitimate job sites and prompting job-seekers to provide personal or financial information in order to apply. In other cases, fraudulent employers tell job-seekers that they have been hired and need to send information, including social security numbers and financial information, in order to start the hiring process.

Additionally, the Attorney General's office is recommending that people be alert for pyramid schemes disguised as gifting clubs. Generally, pyramid schemes rely upon a few people at the top who recruit participants who must recruit more participants, and participants are promised large sums of money if they successfully recruit others to pay money to join the pyramid. So-called gifting clubs ask members to give money or gifts to other members in order to receive money or gifts. Gifting clubs may claim to be legal, unlike pyramid schemes, because they do not involve sales; however, to the extent that they lure participants in with the promise of a payout for recruiting additional participants, they are no more legal than traditional pyramid schemes.

Attorney General Raoul is urging Illinois residents to protect themselves by taking the following precautions:

- **Do not send money or gifts to someone you do not know.** Promises of "doubling your money" or "getting many gifts" are often hallmarks of pyramid schemes. There is no guarantee you will get anything for your effort, and you risk identity theft by giving out personal information.

- **Look at the promised results.** Carefully review any offer that promises to help you get rich quick or promises to be an easy path to prosperity. Remember, if it sounds too good to be true, it probably is.
- **Consider what you need to do to make a profit.** Often, these scams require you to solicit other people or companies to make money. Be wary of any job opportunity that requires you to market services or products.
- **Avoid paying for materials or training.** Legitimate job opportunities usually do not require you to purchase materials to sell, or pay for classes or learning materials.
- **Safeguard private information.** Do not send private information, including Social Security numbers, bank account numbers, debit or credit card information, or phone numbers to people you do not know.
- **Check the company's contact information and website.** Verify that the company is legitimate before continuing with the application process. This can be done by checking the address, telephone number and website.

Additional information about [work-from-home scams](#), [employment scams](#) and [pyramid schemes](#) is available for free on the Attorney General's website. Attorney General Raoul encourages residents to call his Consumer Fraud Hotline at 1-800-386-5438 (Chicago), 1-800-243-0618 (Springfield) or 1-800-243-0607 (Carbondale) or [file an online complaint](#) if they believe they have experienced or witnessed any of these scams.



Things You Should Know About... WORK-AT-HOME SCHEMES

Work-at-home schemes appeal to many people. Ads for work such as stuffing envelopes and making craft items promise consumers they will net hundreds of dollars a month for an investment of just a few dollars. However, these offers are usually scams that cost consumers time and money.

How Do These Schemes Work

Typically, interested consumers must send money to get details about work-at-home promotions. Dollars sent by hundreds of interested consumers to companies for further information or a training manual ensure that the promoter will make a good profit.

The consumer, however, rarely comes out on top. With many of the schemes, you end up receiving worthless information or a copy of the same advertisement you responded to with instructions on how to use it to con other people.

Protect Yourself

Use caution before you send money for any work-at-home offer. It is often difficult to determine the truthfulness of the promoter's literature and statements about issues such as estimated income and potential work-at-home employers. Additionally, be suspicious of testimonials made by people who say they've made lots of money through work-at-home plans—these testimonials are often part of the scam. Before you spend money on a work-at-home offer, ask for the following information. If the representative seems unwilling or unable to answer your questions, don't do business with the company.

- What does the job involve? What steps will I have to go through? What tasks will I have to complete?
- How and when will I be paid? Who will pay me?
- How much will I have to pay for the work-at-home program, including costs for supplies, equipment, training, and other fees?
- What specific standards must my work meet?

Common Work-at-Home Schemes

Stuffing Envelopes

This is one of the most common work-at-home schemes. Promoters lure you by promising large paychecks in return for your services and a small initial fee. More often than not, however, all you get for your money is an outdated list of companies that are supposedly interested in having you stuff or address envelopes. In reality, the companies cited in these lists are usually not interested in your services or no longer exist.

Creating Homemade Craft Items

Promotions for homemade craft items also promise a big profit for a small investment of time and money. Usually, you are asked to send money to a company for craft kits you assemble at home. The company agrees ahead of time to buy back the finished product from you at an attractive price. However, regardless of the quality of your work, the company often judges your goods inferior and refuses to pay.

Processing Medical Insurance Claims

This scheme also requires you to invest your time and money to buy costly computer software and pay for expensive training. You will probably be told that a "central computer" will deliver your work to customers and insurance companies. Typically, however, you will have a hard time finding any customers and there will be no central computer to process your work.

Establishing a Mail Order Business

Con artists promote the mail order business as a way to successfully get quick, easy money. For a “small fee,” you will receive catalogs, instructions, and shoddy products that will “ensure your success.” However, no one can truthfully promise that you will make quick, easy money with the mail order business-or any other new business, for that matter.

Remember...Get-rich-quick schemes are almost always scams. If you want to be successful, stay alert and avoid anything that seems to good to be true. Contact these resources for more information.

Better Business Bureau

www.bbb.org

Federal Trade Commission

www.ftc.gov

please visit

www.IllinoisAttorneyGeneral.gov

Chicago

1-800-386-5438

TTY: 1-800-964-3013

Springfield

1-800-243-0618

TTY: 1-877-844-5461

Carbondale

1-800-243-0607

TTY: 1-877-675-9339



Internet Employment Scams

An increasing number of people now conduct their employment searches online. This increasing popularity of Internet job searches has led to new opportunities for thieves to gain access to consumers' personal identifying information and, ultimately, to consumers' money.

Scam artists may attempt to lure job-seekers into disclosing their personal identifying information by posting jobs on legitimate job search sites, creating their own phony Web sites, or contacting consumers directly by e-mail or message board. Scammers also may use a company name that is very similar to the name of a legitimate company to create a false sense of security for applicants. If you are searching for a job online, there are some simple precautions you should take:

- ✓ **Safeguard social security numbers.** Potential employers may require you to provide them with your social security number so that they can do a background check or credit check. However, you should always research the company independently to verify its legitimacy before providing your social security number.
- ✓ **Never give out financial information.** There is practically no reason why an employer would need a prospective employee's personal financial information. You should never give out your bank account number, credit card numbers, or PIN codes in response to a job posting or e-mail solicitation, and you should never wire money to a prospective employer.
- ✓ **Check the company's contact information and Web site.** It is important for the applicant to verify that a company is legitimate before continuing with the application process. That can be done by checking the address and telephone number the company has provided and making sure the Web site is operating.
- ✓ **Watch for indications that the advertisement or job offer is bogus.** Many online scams contain misspellings and bad grammar. Also, an employer using an e-mail that is not affiliated with the company's domain name can be an indication of potential fraud.
- ✓ **Be cautious of job postings from overseas employers.** A legitimate foreign company should have the resources to conduct business in the United States without using a private citizen's bank account.

Consumers who believe they have been the victim of an Internet job scam can file a complaint on the Web at www.IllinoisAttorneyGeneral.gov or call one of the Attorney General's Consumer Fraud Hotlines for assistance.

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Things You Should Know About... PYRAMID SCHEMES

Have you ever received a chain letter that asked you to mail one dollar to the top person on the list and forward the letter to 10 friends? If so, you have been solicited for an illegal pyramid.

What is a Pyramid Scheme?

Pyramid schemes are illegal money-making ventures used by individuals, businesses, and small groups of people. A typical pyramid scheme involves a few people at the top who recruit participants to recruit more participants to offer something of value (usually money, but in some cases, time) to the organization. Participants are promised large sums of money if they successfully recruit others to pay money to join the pyramid. Pyramid schemes focus on the exchange of money and recruitment; usually, no legitimate product is sold.

How are Pyramid Schemes Disguised?

Pyramid schemes may be disguised as games, chain letters, buying clubs, gifting clubs, motivational companies, mail order operations, or investment organizations.

Some pyramid schemes also call themselves multilevel marketing operations, but not all multilevel marketing companies are pyramids. The sale of legitimate products is what distinguishes multilevel operations from pyramids. If you are told you will earn commissions for recruiting new members rather than for selling something of value, the organization is probably an illegal pyramid.

Be aware that some pyramid recruiters may try to sell you by sending exclusive invitations to a private meeting or virtual meeting to discuss their business proposition. Recruiters for illegal gifting pyramids may try to assure you the scheme is legal because you aren't selling anything.

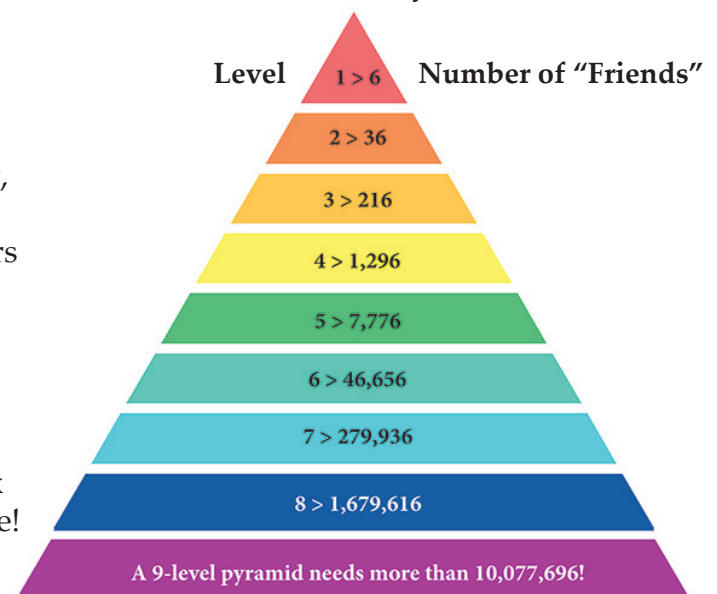
How Are Pyramids Formed?

Basically, a pyramid scheme is formed when a single promoter (or small group of promoters) collects money from a certain number of "friends" and instructs them to collect more money from their "friends." The cycle goes on from there.

Why Do Pyramids Fail?

For a pyramid scheme to profit, there would have to be an endless supply of willing participants. However, the supply of participants is limited, and each new level of participants has less chance of recruiting others and a greater chance of losing money.

In fact, pyramids inevitably collapse because it is mathematically impossible to recruit the number of people required to support the pyramid. A nine-level pyramid, which is built when each participant gets six "friends" to join, would involve over 10 million people!



What Laws Do Pyramid Schemes Violate?

Pyramid schemes violate state criminal and civil laws. The Illinois Criminal Code makes it a Class A misdemeanor (prison sentence of one year and \$1,000 fine) for any person to knowingly sell, offer to sell, or attempt to sell the right to participate in a pyramid sales scheme.

Pyramid schemes also violate the Illinois Consumer Fraud and Deceptive Business Practices Act, which is enforced by the Consumer Fraud Bureau of the Office of the Illinois Attorney General. The law allows the Attorney General to ask the court to impose a civil penalty in the amount of \$50,000 per violation.

Pyramid Scheme Reality

- Pyramids have been made illegal by the Illinois legislature. If discovered, pyramids will be closed down by police, leaving participants subject to fines and possible arrest.
- Pyramids are deceptive. Participants in a pyramid, whether they mean to or not, are deceiving those they recruit. Few would pay to join if the odds stacked against them were fully explained.
- Pyramids are risky. Pyramiding is based on simple mathematics: many losers pay a few winners.

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