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THE FTC'S WORK TO STOP SCAMS HARMING CONSUMERS

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PRESENTED TO UTAH'S PACIFIC-ISLANDER COMMUNITY

* The views expressed in these remarks are my own and do not necessarily reflect the views of the Federal Trade Commission or any other Commissioner.

Good evening and thank you for the introduction. I am delighted to be here today and wanted to express special thanks to Attorney General Reyes and Jenelle Daley, in particular, for putting together this great event. Let me note at the outset that the views that I express today are my own and are not necessarily those of the Federal Trade Commission (FTC) or of any other Commissioner.

I'd like to start with some sobering statistics. In 2023, people in this country **reported losing \$10 billion to scams**. That's the highest-ever loss reported to the FTC, and \$1 billion more than in 2022.¹ One of four people who filed a fraud complaint reported losing money.² And, unfortunately, they reported losing a lot of money: the median reported loss was \$500.³ Email was the #1 contact method for scammers, used especially by imposters pretending to be someone they're not, like a business or government agency.⁴

Law enforcers are working to shut down these scams and to teach people how to spot and avoid them. We are doing a lot—but we need to do more. That's where we need your help, to tell us about the scams affecting your community, both today, and by reporting incidents to law enforcers so that we can take action.

Today, I'd like to talk about what the Federal Trade Commission is doing to stop fraud and what you can do to protect yourself. First, I'll provide some background on the FTC and highlight some of the important work that the FTC is doing to stop scams and help consumers to spot and report bad actors. Second, I'll share some important tips on how to avoid scams and how to let the FTC and other law enforcers know about potential scams. I'll close with a few thoughts on the FTC's approach to stopping fraud.

I. The FTC Work to Stop Scams

The Federal Trade Commission is a federal law enforcement agency charged with protecting consumers and promoting competition. In April, I joined the FTC as one of its five Commissioners who direct our law enforcement, policy work, and consumer and business education. The FTC's primary law enforcement tool is Section 5 of the FTC Act, which prohibits unfair and deceptive practices.⁵ The Commission also enforces other laws, such as the Fair Debt Collection Practices Act, which protects consumers from harmful debt collection practices,⁶ and the Gramm-Leach-Bliley Act, a tool to protect your financial information.⁷

¹ Larissa Bungo, FTC Consumer Alert, *Think You Know What the Top Scam of 2023 Was? Take a Guess* (Feb. 9, 2024), <https://consumer.ftc.gov/consumer-alerts/2024/02/think-you-know-what-top-scam-2023-was-take-guess>.

² *Id.*

³ Consumer Sentinel Network Data Book 2023, Fed. Trade Comm'n (Feb. 2024), <https://www.ftc.gov/reports/consumer-sentinel-network-data-book-2023>.

⁴ Bungo, *supra* note 1.

⁵ 15 U.S.C. § 45(a).

⁶ *Id.* §§ 1692–1692p.

⁷ *Id.* §§ 6801–6809.

The FTC uses these and other laws to stop fraud, protect the privacy and security of consumers' personal information, and ensure that advertisers tell the truth about their products. People can report fraud and other complaints to the FTC, by visiting the website reportfraud.ftc.gov or calling 1-877-FTC HELP. These complaints are critically important to our law enforcement work. FTC staff monitors complaints in our Consumer Sentinel database for trends, and we often launch investigations based on complaints.

In complaints, we see similar types of scams over and over, because, unfortunately, they work. Some of the most common scams are **business opportunity or investment scams**, where bad actors convince people to put their money into what appears to be an amazing business opportunity or investment—perhaps something like a hugely profitable online store or cryptocurrency with high returns. In reality, the opportunity doesn't pan out, because the bad actor keeps the invested money without delivering on what's promised.⁸ Another common type of scam are **debt-related scams**, where bad actors promise they can get you out of debt, or say you need to pay on a fake debt, only to use your money for their own gain.⁹ A third common type of scam are **impersonation scams**, where bad actors pretend to be someone else, like a trusted business or a government agency to lure you into trusting them and sharing money or personal information.¹⁰

The FTC investigates scams and brings law enforcement actions to stop them, such as by filing a case in federal court to obtain a ban on that activity, to prevent the defendant from running future scams, and to get money back, either in the form of penalties or (where possible) refunds for consumers who lost money. I'll give some examples of recent FTC actions in the three areas I mentioned: business opportunity and investment scams, debt-related scams, and impersonation scams.

a. Business Opportunity and Investment Scams

The FTC has recently taken action to stop numerous scams about “risk free” business opportunities. In September of this year, the FTC secured a settlement with the individual and company that the Commission alleged were running a business opportunity scheme known as Blueprint to Wealth, where the scammers charged consumers thousands of dollars for turnkey online businesses, but never delivered on their promises.¹¹ The FTC's order permanently bans the defendants from telemarketing and any role in investment opportunities and requires them to pay back money, which could be used to provide refunds to consumers. Also in September, as part of a law enforcement sweep called Operation AI Comply, the FTC announced that it was taking action against multiple companies it alleged were falsely claiming that they could use artificial

⁸ Terri Miller, FTC Consumer Alert, *Can You Spot an Investment Scam?* (July 15, 2024), <https://consumer.ftc.gov/consumer-alerts/2024/07/can-you-spot-investment-scam>.

⁹ Gema de las Heras, FTC Consumer Alert, *Carrying Credit Card Debt? How to Avoid Debt Relief Scams* (Mar. 8, 2024), <https://consumer.ftc.gov/consumer-alerts/2024/03/carrying-credit-card-debt-how-avoid-debt-relief-scams>.

¹⁰ *Cf. How to Avoid a Government Impersonation Scam* (Nov. 2023), <https://consumer.ftc.gov/articles/how-avoid-government-impersonation-scam>.

¹¹ Press Release, Fed. Trade Comm'n, *FTC Action Leads to Settlement Against Individual and Company that Operated Business Opportunity Scheme That Took Millions from Consumers* (Sept. 18, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/09/ftc-action-leads-settlement-against-individual-company-operated-business-opportunity-scheme-took>.

intelligence to help consumers make money through online storefronts.¹² According to one FTC complaint, defendants defrauded consumers out of more than \$15.9 million by convincing people to invest in a “surefire” business opportunity that never panned out.¹³ According to another complaint, defendants lured consumers into investing with “risk free” money-back guarantees, only to then refuse to honor those guarantees and threaten and intimidate people to keep them from publishing truthful reviews.¹⁴

Scams about opportunities or investments are often effective when they exploit close bonds in communities. Too often, scammers convince unsuspecting targets to share information that ultimately ensnares other unsuspecting targets. As we all know, people want to let their family and friends know about what looks like an amazing opportunity, so that they too can enjoy the results. Unfortunately, they only find out after the fact—sometimes after whole communities have been harmed—that it was too good to be true.¹⁵

But we can work to prevent these scammers from attacking our communities. Based on its work investigating many of these scams, the FTC has put together some tips about how to spot and avoid them:¹⁶

- First, **don’t trust unsolicited offers**. Always be skeptical when it’s someone else pitching you on a business or investment opportunity, rather than something you sought out yourself.
- Second, **don’t believe promises of risk-free opportunities, big gains, or easy guaranteed returns**. We all want to believe in dreams coming true, but no business opportunity or investment is without risk. And someone trying to sell you on a “risk-free” opportunity is likely no friend of yours.
- Third, **reject the high-pressure sales pitches**. Scammers create a sense of urgency—the offer is going to expire! Only early investors get the big returns! Be cautious about investments and if you ever feel like someone is rushing you to invest, that is likely a sign of a problem.
- Last, **do your research before you invest**. Even if the opportunity looks supported by great information about investment outcomes, take some time to learn more about the opportunity, especially from independent sources you can trust.

¹² Press Release, Fed. Trade Comm’n, *FTC Announces Crackdown on Deceptive AI Claims and Schemes* (Sept. 25, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/09/ftc-announces-crackdown-deceptive-ai-claims-schemes>.

¹³ *Id.* (describing *FBA Machine* complaint).

¹⁴ *Id.* (describing *Ascend Ecom* complaint).

¹⁵ Cf. Lesley Fair, *Blessings in No Time: A Blessing – or a Pyramid Scheme?*, FTC Business Blog (June 17, 2021), <https://www.ftc.gov/business-guidance/blog/2021/06/blessings-no-time-blessing-or-pyramid-scheme> (“According to the complaint, the people behind Blessings in No Time use ‘blessing looms’ to lure consumers in with false promises of returns as high as 800%. What’s more, the operators primarily target African American consumers, pitching it as a community-oriented program that will allow members to ‘do everything from pay[ing] for your own surgery to fulfill[ing] a student’s dream of attending college – and so much more.’”) (internal citation omitted).

¹⁶ Miller, *supra* note 8.

b. Debt Scams

The second type of scam the FTC often sees are debt relief or debt collection scams, where scammers pretend that they'll help you with loan forgiveness or other debt relief, or even make false statements that you owe a debt that's due immediately. For example, in October of this year, the FTC filed a complaint in federal court alleging that the operators of a nationwide debt relief scam stole millions from consumers by making false representations that consumers were delinquent on payday loans and other debt.¹⁷ According to the complaint, they made threats of legal action unless consumers immediately paid the defendants. And in July, the FTC stopped a student loan debt relief scheme in the *Panda Benefit Services* matter, where the Commission alleged that defendants offered bogus student debt relief by falsely claiming affiliation with the Department of Education and ultimately stealing more than \$20.3 million from unsuspecting consumers.¹⁸ The FTC alleged that the scammers violated the FTC's new Impersonation Rule,¹⁹ a tool to stop scammers from pretending to be someone else, like a government agency or honest business.

c. Impersonation Scams

A side bar on the Impersonation Rule: Regulations, even well-meaning ones, can impede competition, stifle innovation, disparately raise the cost of doing business, and ultimately create costs to consumers who are just trying to get by.²⁰ But I am willing to support rules like the Impersonation Rule that, consistent with authority granted by Congress, help the FTC put a stop to fraud that harms consumers and honest businesses alike.²¹

That brings me to the third type of scam I'll highlight today: impersonation scams. An example of an impersonation scam is the impersonation of Department of Education employees that the Commission alleged in the *Panda Benefit Services* matter. In fact, after identity theft, impersonation scams are the most common subject of consumer complaints.²² And nearly half of those complaints described five types of impersonation scams:

¹⁷ See Press Release, Fed. Trade Comm'n, *FTC Takes Action Against Phantom Debt Collector That Collected Millions In Bogus Debt From Consumers* (Nov. 4, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/11/ftc-takes-action-against-phantom-debt-collector-collected-millions-bogus-debt-consumers>.

¹⁸ Press Release, Fed. Trade Comm'n, *FTC Acts to Stop Student Loan Debt Relief Scheme that Took Millions from Consumers in First Case under the Impersonation Rule* (June 28, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/06/ftc-acts-stop-student-loan-debt-relief-scheme-took-millions-consumers-first-case-under-impersonation>.

¹⁹ 16 C.F.R. Part 461.

²⁰ See, e.g., Dissenting Statement of Comm'r Melissa Holyoak, Negative Option Rule, FTC Matter No. P064202 (Oct. 11, 2024), https://www.ftc.gov/system/files/ftc_gov/pdf/holyoak-dissenting-statement-re-negative-option-rule.pdf.

²¹ I recently supported the Commission's Rule Banning Fake Reviews and Testimonials, 16 C.F.R. Part 465, so that consumers can trust the reviews they rely on. Press Release, Fed. Trade Comm'n, *Federal Trade Commission Announces Final Rule Banning Fake Reviews and Testimonials* (Aug. 14, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/08/federal-trade-commission-announces-final-rule-banning-fake-reviews-testimonials>.

²² Consumer Sentinel Network Data Book 2023, *supra* note 3.

- (1) fake account security alerts, which look like your bank or a trusted retailer is trying to verify your account;
- (2) fake subscription renewals, where the bad actor gets your financial account information by saying they will give you a refund;
- (3) fake giveaways, discounts, or money to claim;
- (4) fake problems with the law, such as a tax or identity theft problem; and
- (5) made-up package delivery problems.²³

The FTC's top tip to avoid these scams is that if you didn't initiate the contact and someone is asking for money or your personal information, treat it as a scam, and report it to the FTC. Never forget that honest businesses and real government agencies will never threaten you, say you must transfer your money to "protect it," or tell you to withdraw cash or buy gold and give it to someone.²⁴

d. Other Scams

Investment scams, debt-related scams, and impersonation scams are common types of fraud. But beware: fraud comes in many flavors. For example, in August, the FTC obtained orders with substantial monetary penalties against the owners and operators of a credit repair operation known as Financial Education Services (FES) that the FTC alleged created a pyramid scheme.²⁵ In September, FTC orders shut down allegedly unauthorized billing and credit card laundering schemes, requiring the operators to turn over assets valued at approximately \$40 million.²⁶ And in May, the FTC obtained \$10 million from payment processing company BlueSnap and executives who allegedly were knowingly processing payments for deceptive and fraudulent companies.²⁷

II. Reporting Fraud

As these case examples show, the FTC is working hard to combat fraud, no matter what the flavor. But we need your help. Word of mouth is a powerful tool in the battle against fraud. If you or someone you know see or hear about suspicious or fraudulent behavior, tell us about the fraud on our website at reportfraud.ftc.gov, or by phone at 1-877-FTC-HELP (1-877-382-4357).

²³ *Impersonation scams: Not What They Used to Be*, Consumer Protection Data Spotlight: FTC Reporting Back to You (Apr. 1, 2024), <https://www.ftc.gov/news-events/data-visualizations/data-spotlight/2024/04/impersonation-scams-not-what-they-used-be>.

²⁴ FTC Consumer Advice, *How to Avoid Imposter Scams*, <https://consumer.ftc.gov/features/how-avoid-imposter-scams#:~:text=Never%20move%20your%20money%20to,it%E2%80%9D%2C%20it's%20a%20scam>.

²⁵ Press Release, Fed. Trade Comm'n, *FTC Action Leads to Permanent Bans for Scammers Behind Sprawling Credit Repair Pyramid Scheme* (Aug. 5, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/08/ftc-action-leads-permanent-bans-scammers-behind-sprawling-credit-repair-pyramid-scheme>.

²⁶ Press Release, Fed. Trade Comm'n, *FTC Orders Shut Down Unauthorized Billing and Credit Card Laundering Schemes, Require Turn Over of Assets Valued at Approximately \$40 Million* (Sept. 17, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/09/ftc-orders-shut-down-unauthorized-billing-credit-card-laundering-schemes-require-turn-over-assets>.

²⁷ Press Release, Fed. Trade Comm'n, *FTC Takes Action Against BlueSnap and its Former CEO and Senior VP for Credit Card Laundering, Processing Payments for Known Scammer* (May 1, 2024), <https://www.ftc.gov/news-events/news/press-releases/2024/05/ftc-takes-action-against-bluesnap-its-former-ceo-senior-vp-credit-card-laundering-processing>.

You can report fraud in numerous languages, including Tongan, Fijian, and Samoan.²⁸ Our call center will take your report with the help of interpreters fluent in these and other languages to record your complaint. FTC staff also have the ability to speak with consumers using these interpreters.²⁹

III. How to Avoid a Scam

I've shared some exciting case work to stop fraud, but the sheer amount of fraud means that we all need to be on our guard. That means it's important to know how to avoid fraud in the first place. To that end, the FTC has created a guide on "How to Avoid a Scam."³⁰ This guide is available in multiple languages, including a Tongan version that I have with me today. This guide highlights the four signs of a scam. Remember these important "P"'s:

- (1) Scammers **PRETEND** to be from an organization you know.
- (2) Scammers say there's a **PROBLEM** or a **PRIZE**.
- (3) Scammers **PRESSURE** you to act immediately.
- (4) Scammers tell you to **PAY** in a specific way.

This guidance then gives tips on how to avoid a scam:

- (1) **Block unwanted calls and text messages.**
- (2) **Don't give your personal or financial information in response to a request that you didn't expect.** Honest organizations won't call, email, or text to ask for your personal information, like your Social Security, bank account, or credit card numbers.
- (3) **Resist the pressure to act immediately.** Honest businesses will give you time to make a decision. Anyone who pressures you to pay or give them your personal information is a scammer.
- (4) **Know how scammers tell you to pay.** Never pay someone who insists that you can only pay with cryptocurrency, a wire transfer service like Western Union or MoneyGram, a payment app, or a gift card. And never deposit a check and send money back to someone you do not know.

The FTC has a similar guide with helpful tips called "What To Do if You Were Scammed."³¹

IV. The FTC's Fraud Work

I'll close with few thoughts on the FTC's fraud work. FTC action to stop fraud is the core of what the FTC does, and what it should do. As the rise in consumer fraud complaints shows,

²⁸ Larissa Bungo, FTC Consumer Alert, *New Help for Spotting, Avoiding, and Reporting Scams in Multiple Languages* (Nov. 8, 2023), <https://consumer.ftc.gov/consumer-alerts/2023/11/new-help-spotting-avoiding-and-reporting-scams-multiple-languages>.

²⁹ The FTC sometimes works with state partners to provide guidance in multiple languages. See, e.g., FTC Consumer Advice, *Hawaii Wildfires Guidance* (Tongan), https://consumer.ftc.gov/system/files/consumer_ftc_gov/pdf/Hawaii-Specific%20Weather%20Emergencies%20One-Pager_TO_508.pdf.

³⁰ FTC Consumer Advice, *How to Avoid a Scam* (July 2023), <https://consumer.ftc.gov/articles/how-avoid-scam>.

³¹ FTC Consumer Advice, *What To Do if You Were Scammed* (July 2022), <https://consumer.ftc.gov/articles/what-do-if-you-were-scammed>.

though we work tirelessly, it is never enough. The Commission should do its utmost to devote resources to the critically important task of stopping fraud, including by listening to communities, such as the Pacific-Islander community, about what frauds are affecting them.

Through this work, we should be taking every opportunity to get money back in the pockets of consumers who were harmed by bad actors. I reiterate today my call to Congress to give the FTC the authority (with whatever guardrails Congress deems appropriate) to obtain court orders for redress and disgorgement under Section 13(b) of the FTC Act so that any money taken goes back where it belongs—to the hardworking people who earned it.

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Thank you for your time today. I look forward to hearing from you what the FTC can do to help your community to fight fraud.