

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business

Answering the Knock of a Business ‘Opp’

It’s not so hard to see why consumers would be drawn to ads for business opportunities that trumpet “be your own boss,” “set your own hours,” “work from home,” and “earn money quickly.” But the Federal Trade Commission (FTC) says that business opportunity promotions like these often are scams that take consumers’ money and fail to deliver on the promises.

Before investing in any “biz opp,” the FTC suggests that consumers:

- Look at the ad carefully. If it claims buyers can earn a certain income, it also must give the number and percentage of previous purchasers who achieved the earnings. If an earnings claim is there — but the additional information isn’t — the business opportunity seller is probably violating the law.
- Get earnings claims in writing. If the business opportunity costs \$500 or more, then the promoter must back up the earnings claim in a written document. It should include the earnings claim, as well as the number and percentage of recent clients who have earned at least as much as the promoter suggested. If it’s a work-at-home or other business opportunity that involves an investment of under \$500, ask the promoter to put the earnings information in writing.
- If the business opportunity is a franchise, study the disclosure document. Look for a statement about previous purchasers. If the document says there are no previous purchasers but the seller offers a list of references, be careful: the references probably are fake.
- Interview *each* previous purchaser in person, preferably where their business operates. The FTC requires business opportunity promoters to give potential purchasers the names, addresses and phone numbers of at least 10 previous purchasers who live the closest to the potential purchaser. Interviewing previous purchasers helps reduce the risk of being misled by phony references.
- Contact the attorney general’s office, state or county consumer protection agency and Better Business Bureau both where the business opportunity promoter is based and where you live to find out whether there is any record of unresolved complaints.
- If the business opportunity involves selling products from well-known companies, call the legal department of the company whose merchandise would be promoted. Find out whether the business opportunity and its promoter are affiliated with the company. Ask whether the company has ever threatened trademark action against the promoter.
- Consult an attorney, accountant or other business advisor before you make the deal.
- Take your time. Promoters of fraudulent business opportunities often use high-pressure sales tactics. But, if the business opportunity is legitimate, it’ll still be around when you’re ready to decide.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357). The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.