

FTC Business Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Throwing the Book at Business Directory Scams

The smooth-talking voice on the other end of the line claims to need some information to “confirm” your existing phone book listing. Fast forward a few weeks and your mailbox is jammed with “invoices” threatening legal action if you don’t pay up. Chances are you’ve been hit by a business directory scam.

The Federal Trade Commission (FTC) and the Better Business Bureau (BBB) have seen an increase in this form of fraud. Small and medium-sized businesses, churches, and not-for-profit groups have been hardest hit. Many will pay the bogus invoices in the mistaken belief that it’s simply a misunderstanding. But it’s not. It’s a growing form of fraud run by international scam artists. The FTC and the BBB are asking businesses to: 1) educate employees about the scam; 2) set up systems to weed out bogus bills, 3) use free BBB resources to check out questionable companies; and 4) report the scams so that law enforcers can stay ahead of the curve.

How the Scam Works

The Call. First, con artists make cold calls to offices. They ask the person answering the phone to “confirm” the address, telephone number, and other information, claiming it’s for a listing the company has in the yellow pages or a similar business directory. The scammers then fire off a rapid series of questions they may tape-record, sometimes sliding in a confusing reference to the cost. The scam works because fraudsters convince the person who picks up the phone that they’re just “verifying” an arrangement the company already has with the directory.

The Bill. The con artist then sends urgent “invoices” for \$500 or more — sometimes including a copy of the “directory.” They’re usually worthless and are never distributed or promoted as promised. Often, they’re just websites with listings of various businesses. In many cases, the person paying the bills will simply cut a check, not realizing that the company never agreed to pay the hefty fee for the directory. But if businesses resist, the scammers turn up the heat, threatening collection or legal action to get payment. They may use the name of the person who answered the phone or play a “verification tape” as “proof” that the company owes them money. Often these tapes have been doctored or the nature of the transaction was rattled off in a way no one could have understood. If companies stand firm in their refusal to pay for services they didn’t authorize, the scammer may try to smooth things over by offering a phony discount. Or they may let the company return the directory — at the company’s own cost, of course — but insist on payment for the so-called listing. At this stage, many companies pay up just to stop the hounding. What they don’t know is that they’ll likely get more bogus invoices — either from the same scam artist or from others who have bought their contact information for a new scheme.

How can I protect my business?

Take the following four steps to protect your company from business directory fraud.

- 1. Train your staff to spot this scam.** Educate your employees about how this scam works. In addition to your regular receptionist, talk to everyone who may pick up the phone. Put a copy of this alert in employee mailboxes. Mention it in a staff meeting. Post it on the break room bulletin board or where employees clock in and out.
- 2. Inspect your invoices.** Depending on the size and nature of your business, consider implementing a purchase order system to make sure you're paying only legitimate expenses. At a minimum, designate a small group of employees with authority to approve purchases and pay the bills. Train your team to send all inquiries to them. Compile a list of the companies you typically use for directory services, office supplies, and other recurring expenses. Encourage the people who pay the bills to develop a "show me" attitude when it comes to unexpected invoices from companies they're not familiar with. Don't pay for products or services you're not sure you ordered.
- 3. Verify to clarify.** Many business directory scam artists are headquartered in Canada, but use post office boxes or mail drops to make it look like they are in the United States. Before paying, check them out for free at bbb.org, and read the BBB's report on them.
- 4. File a complaint.** If a scammer is sending you bogus bills, speak up. Visit bbb.org to complain to the BBB. And let the FTC know by filing a complaint at ftc.gov or calling 877-FTC-HELP (1-877-382-4357). Your complaints help shape the FTC's law enforcement agenda, so it's important to sound off when you spot a scam. Concerned about business directory fraudsters' threats to tarnish your credit if you don't pay? Many will simply drop the matter — and may even provide a refund — if they know you've complained to the BBB and law enforcement.

Your Opportunity to Comment

The National Small Business Ombudsman and 10 Regional Fairness Boards collect comments from small businesses about federal compliance and enforcement activities. Each year, the Ombudsman evaluates the conduct of these activities and rates each agency's responsiveness to small businesses. Small businesses can comment to the Ombudsman without fear of reprisal. To comment, call toll-free 1-888-REGFAIR (1-888-734-3247) or go to www.sba.gov/ombudsman.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER