

# BUYER BEWARE: HOW TO PROTECT YOURSELF FROM FRAUD

## 'RECOGNIZE, REJECT AND REPORT': CANADIAN ANTI-FRAUD CENTRE

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*Buyer Beware explores why so many business deals go wrong, and what people can do to be more discerning in their entrepreneurial pursuits. For this article, we interviewed experts about why incidents of fraud are on the rise, and what people can do to protect themselves.*

Canadians conduct business transactions every minute of every day, and 98 per cent of those interactions involve small businesses with under 100 employees, according to Statistics Canada.

However, only 70 per cent of Canadian small businesses survive for five years, Innovation, Science and Economic Development Canada reported.

Every year, 7,000 Canadian businesses go bankrupt, the report indicates.

"The main reason for (business) failure is inexperienced management. Managers of bankrupt firms do not have the experience, knowledge, or vision to run their businesses," stated the Statistics Canada report "Failing Concerns: Business Bankruptcies in Canada."

But sometimes transactions go south because there are bad actors involved who are trying to scam people.

According to Canadian Anti-Fraud Centre (CAFC), fraud is on the rise in Canada. Last year, Canadian reports of fraud reached \$104 million, an increase of nearly 20 per cent over 2017.

That's 18,000 victims who filed just shy of 60,000 fraud reports.

So who perpetrated all

**SPECIAL INVESTIGATION: INCIDENTS OF FRAUD IN CANADA ARE UP NEARLY 20 PER CENT FROM 2017. WHILE THERE IS NO ONE PROFILE FOR SCAMMERS, EXPERTS SAY PEOPLE CAN PROTECT THEMSELVES BY DOING RESEARCH, REJECTING TOO-GOOD-TO-BE-TRUE OPPORTUNITIES, AND REPORTING IF THEY ARE VICTIMIZED**

of this fraud?

Rasmus Rosenberg Larsen, assistant visiting professor with the forensic science program and the department of philosophy with the University of Toronto Mississauga, said an absence of scientific research in this area makes it difficult to determine.

"It's an elusive and mysterious phenomenon from a strictly scientific point of view," Larsen said. "If you read the literature, it's very meagre on the psychology of the con artist. It's not like we have Frank Abagnales from the movie 'Catch Me if You Can' that we can enrol in a study and conduct some psychological tests. Even if we did, would you believe it as valid scientific research? They lie. That's their business."

Not unlike serial killers, people who con don't share one psychological profile, Larsen argued.

"When we look into the psychology of serial killers, we see there are extreme differences," Larsen said.

"What we've learned from studying serial kill-



Staff/Torstar

Toronto police financial crimes unit Det. Michael Streng works out of his office at Toronto Police Headquarters on College Street.

ers from the 1970s and 1980s through to this day is that from the various techniques they use, we can detect patterns that can now inform police investigations. It's emphasizing the methods, techniques and procedures, not necessarily the individuals."

What psychology can address - and people can be conscious of to protect themselves from becoming a fraud victim - is their "cognitive biases," or errors in thinking that affects their judgments and decisions.

Trust bias is one.

"Most people seem to have a trust bias," Larsen said. "A lot of people take trust as a genuine strategy to get along with people.

### Top 10 scams based on complaints in 2018

COMPLAINT TYPE	REPORTS	VICTIMS	DOLLAR LOSS
Extortion	23,734	1,689	\$10,262,344.30
Phishing	6,695	2,381	\$126,648.96
Service	4,620	2,047	\$4,042,246.39
Personal Info	4,431	2,560	\$1,158,203.65
Merchandise	2,684	1,889	\$3,863,636.60
Sale of Merchandise	2,224	1,576	\$2,355,649.47
Prize	1,652	448	\$2,986,323.29
Job	1,435	474	\$4,872,811
Romance	1,075	760	\$22,523,278
Counterfeit Merchandise	888	831	\$196,667.80

Source: Canadian Anti-Fraud Centre

Torstar graphic

People start out thinking what they're told is true. If they don't pick up on cues that give it away as a lie, they'll think it's true. That can make normal people victims to fraud."

Meanwhile, confirmation bias "can stir up a perfect storm" to make someone susceptible to fraud, Larsen said.

"In a con scenario, you enrolled in an investment

that maybe paid a small dividend in the beginning," he said. "You use that information to confirm what you're hoping to get without realizing, you're never going to get your money back."

How do people with these cognitive biases protect themselves from being conned?

Vigilance, said Toronto police Det. Michael Streng, who works in the organized crime enforcement financial crimes unit.

"Mostly, it comes down to vigilance, education, research and trust," said Streng, a Toronto police officer for nearly 20 years. "If you have any inhibitions about a situation, do your research on it. Phone a friend. Take people who are technology-challenged under your wing. Check in daily with older parents, aunts and uncles, and ask, 'Who called today?'"

Receiving an unsolicited email or phone calls - whether seeking money or purporting to pay money - "should be a red flag," said Det. Derek Wilson, a 30-year Toronto police veteran who works with Streng. "People need to step back and think."

Streng related the story of one young man who believed he'd won the lottery who was defrauded twice - by two different people in separate scams.

"He borrowed every dollar he could from every person and every institution he could to send to this barrister in England in hopes of getting this massive payout," Streng said. "It wouldn't come. It wouldn't come. When he couldn't get more money from his family, he applied online for a loan. They ask him for a co-signer, which he doesn't have, so they want a deposit as insurance. He sends them \$1,500. He never gets the loan."

Home renovation is another common con, where a contractor presents a reasonable quote but never completes the job.

"They know the walk and can talk the talk," Streng said. "As soon as you sign the contract, they tear your home apart. Their sole purpose is to tear your walls out and take your money."

Streng's home reno advice: research contractor



Torstar file photo

Jooyoung Lee, associate professor of sociology at University of Toronto, says con artists are "able to study even the most subtle tells of a person" to carry out their schemes.

referrals, buy your own materials from a list provided by your contractor, don't make deposits and pay for work until pre-negotiated milestones have been reached.

Toronto police work with police services across Canada and the U.S., the CAFC, as well as corporate partners, including insurance companies and financial institutions.

"Recognize, reject and report" is CAFC's slogan.

Yet reporting remains low. The Royal Canadian Mounted Police-run centre conservatively estimates fewer than five per cent of mass marketing fraud victims file a fraud report for reasons including stigma and embarrassment.

Reporting fraud is critical, said Jeff Thomson, senior RCMP intelligence

### WHAT TO DO IF YOU'RE A FRAUD VICTIM

Canadian Anti-Fraud Centre suggests Toronto fraud victims takes these six steps:

1. Gather all information pertaining to the fraud.
2. Report the incident to Toronto police at 416-808-2222.
3. Contact the Canadian Anti-Fraud Centre at 1-888-495-8501 or report the incident on its website.
4. Report the incident to the financial institution where the money was sent.
5. If the fraud took place on social media, a classified ad website or a dating website, report the incident directly to the social media site or website.
6. Identity fraud victims should place flags on all their accounts and report to both credit bureaus: Equifax and TransUnion.

Source: Canadian Anti-Fraud Centre

analyst with the CAFC. It may prevent others from becoming victims.

"Take a moment to think about that call," Thomson urged. "Recognize the scam, ask questions, say no, report it. If you provide us an email address or phone number, we may be able to block them and disrupt the

fraud. You can decrease the number of victims."

The centre encourages Toronto victims who report to the CAFC to also report to Toronto police at 416-808-2222

Consumers and business owners may report fraud to the CAFC at 1-888-495-8501 or <http://www.antifraudcentre.ca/reportin->

[incident-signalerincident/index-eng.htm](http://www.antifraudcentre.ca/reportin-incident-signalerincident/index-eng.htm).

Though it may seem like only the vulnerable or gullible would be affected, Thomson says anyone may become a fraud victim.

"Everybody's a target," Thomson said. "Male, female. Black, white, Hispanic. Any age. Anyone can be scammed at any time. People ask, 'How can victims be so gullible?' At the end of the day, you don't know what's going on in someone's life. Maybe there has been a divorce or separation or job loss."

CAFC offers fraud prevention advice for every type of fraud.

Beware of false, deceptive, misleading or fraudulent investment opportunities that often offer higher-than-normal financial returns. Typically in these too-good-to-be-true trans-

actions, people lose most or all of their money.

CAFC's advice: "Do your due diligence and research an investment opportunity ... Prior to investing, ask for information on the investment."

When buying merchandise, "view it in person to validate the sale. Complete open source searches on the seller to see if others have reported a scam. Never send money to strangers. Reduce your risk of victimization," the CAFC advised.

Fraud turns on identifying a person's vulnerability and exploiting it, said Jooyoung Lee, associate professor of sociology at the University of Toronto.

"Con artists are skilled, very astute observers of human behaviour. They're like folk anthropologists," Lee said. "They're able to study even the most subtle tells of a person to give them more confidence to continue their schemes. They pick up on cues."

Many who con live in a "fantasy world" of their own design, which they sell to their targets, Lee added.

Consumers need to be wary of slick sales pitches from potential perpetrators, Lee warned.

"They live in a fantasy world where they build themselves up, not just to trick people into their schemes, but also to fulfil their grandiose, narcissistic idea of themselves," Lee said. "They set up multiple businesses. They talk about things they've done in the past, false accolades. They build up their own fake bio. It's about convincing the mark or the person they've targeted to believe in them."

### STORY BEHIND THE STORY

After learning that incidents of fraud are on the rise in Canada, reporter Tamara Shephard wanted to explore the scams being perpetrated, and what people can do to protect themselves.