



News

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BBB Identifies Top Scams Using New "Risk Index;" Home Improvement and Fake Check Scams Head the List

New algorithm identifies cons that are riskiest to consumers: men more vulnerable than women, and young adults at highest risk

March 3, 2017 - There is no doubt that scams have gone high tech, but the riskiest scam is the face-to-face home improvement scam, with fake check scams running a close second, per the new BBB Risk Index, a sophisticated analysis that goes beyond volume to look at the risk each scam type poses.

The BBB Institute for Marketplace Trust (BBB Institute) kicked off National Consumer Protection Week with its inaugural BBB Scam Tracker Annual Risk Report, which provides comprehensive insight into scams based on the more than 32,000 reports made to BBB Scam Tracker in 2016.

Dennis Horton, director of the Rockford Regional Office of the Better Business Bureau says "These new cutting edge numbers reveal the scams that are striking our consumers and businesses the hardest, allowing us to focus local efforts to best protect and alert our local communities."

As with earlier BBB Institute research, there were some real surprises within the data: men were more vulnerable than women in seven of the top ten scam categories; and consumers 18-24 are the most likely to lose money to a scam. New information uncovered in this analysis is that younger consumers have a lower median loss than people in their top earning years, partly because the types of scams aimed at older consumers tend to have higher median losses. While seniors also tend to lose more money than Millennials when they are scammed, they fall for scams far less often. And the biggest takeaway is that ***no one is immune from the risk posed by scams.***

The BBB Risk Index measures risk along three dimensions:

- Exposure (how likely are you to be exposed to the con?)
- Susceptibility (if you are exposed, how likely are you to lose money?) and
- Monetary loss (if you do lose money, how much is it likely to be?).

Exposure X Susceptibility X Monetary Loss = Risk Index

Based on the BBB Risk Index, the riskiest top five scams overall (U.S. and Canada combined) are:

1. Home improvement scams (bbb.org/homescam)
2. Fake checks and money orders (bbb.org/fakecheckscam)

3. Employment scams (bbb.org/employmentscam)
4. Online purchase scams (bbb.org/webpurchasescam)
5. Advance fee loan scams (bbb.org/loanscam)

The BBB Risk Index is a paradigm shift in how to calculate the true impact of different scams. In the past, virtually all involved organizations used volume alone to create "top scam" lists, but this approach ignored two other equally critical factors: the susceptibility of the population and dollar losses. For instance, the scam most reported to BBB Scam Tracker in 2016 - by far - was the tax scam. However, consumers are savvy to this con and rarely fall for it, so it did not even make the BBB Risk Index's top ten. Employment scams were three times as risky for consumers as tax scams, and ranked #3 on the BBB Risk Index.

"Scams erode trust in the marketplace, and BBB Scam Tracker was created to advance BBB's mission by protecting consumers and ethical businesses," notes Genie Barton, president of the BBB Institute. "Scammers damage the reputations of the well-respected brands they spoof, and they slow commercial growth by making consumers hesitant to do business online. Every dollar stolen by a scammer is a dollar not spent with a reputable business that has competed fairly to earn those dollars."

Home improvement scams, ranked #1 on the BBB Risk Index, was the only category in the top ten to rely on in-person contact. Because of the highly personal nature of this scam - someone literally at your doorstep - the exposure rate was low but the susceptibility rate and the median loss were both very high, making it the riskiest scam of all.

Fake check scams (bbb.org/fakecheckscam) take on a variety of approaches, but all rely on the fact that consumers assume that when a check "clears" their account and funds are made available, they are in the clear to spend those funds. In fact, it may take several weeks for a fake check to be detected and returned, and that includes cashier's checks and money orders. The BBB Institute also notes that fake checks are used in about 30-40% of employment scams, and appear frequently in other scams, as well. Whenever a consumer is asked to deposit a check and then send funds back out for any reason, that's a big red flag, according to BBB.

The full report is available at bbb.org/RiskReport. Consumers and businesses are urged to report all scams to BBB Scam Tracker at bbb.org/scamtracker, whether or not money is actually lost.

ABOUT THE BBB INSTITUTE: The BBB Institute for Marketplace Trust is the educational foundation of the Council of Better Business Bureaus and a nonprofit 501(c)(3) organization. Its goal is to connect targeted consumer populations to BBB services, promote consumer awareness and financial literacy and advance business ethics in the marketplace. The organization offers in-person training, print and digital educational resources, scholarships and recognition programs that promote ethical enterprise and fraud prevention across North America.

ABOUT BBB: For more than 100 years, Better Business Bureau has been helping people find businesses, brands and charities they can trust. In 2015, people turned to BBB more than 172 million times for BBB Business Reviews on more than 5.3 million businesses and Charity Reports on 11,000 charities, all available for free at bbb.org. The Council of Better Business Bureaus is the umbrella organization for the local, independent BBBs in the United States, Canada and Mexico, as well as home to its national programs on dispute resolution, advertising review, and industry self-regulation.

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