FTC Business Alert

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

Business Directory Scams Try to 'Give You the Business'

Have you ever received a bill or invoice for a "business directory listing" you never ordered? Maybe you've even received a directory in the mail along with the invoice. The invoice might list one of your employees as having authorized the purchase. But it doesn't necessarily reflect a charge for a bona fide product or service.

The Federal Trade Commission (FTC), the nation's consumer protection agency, says that businesses, churches, and fraternal and charitable organizations are losing millions of dollars a year to bogus firms that mislead them into paying for unordered and unwanted directory listings.

According to the FTC, con artists trick an organization's employees into providing a name and address so a deceptive seller can bill the organization for an unordered — and often useless — business directory listing. These scammers often pretend to verify or renew a company's "existing" directory listing. Employees often provide the information, because the scammers claim they've done so in the past. The scammer then sends as many urgent invoices as it takes to get paid, sometimes including a useless "directory," sometimes not. They create confusion and count on an organization paying to avoid their hounding.

When you resist paying, the scam sellers may use high-pressure tactics, like bullying or threatening collection or legal action. Sometimes, they offer you a "better deal" with a phony discount. Or, if you received a directory, they may allow you to return it (if you pay the shipping costs), but insist you pay for the so-called listing. These directories usually are worthless; they are rarely distributed or promoted as promised. In any case, if you pay for the "listing," you likely will receive additional invoices — either from the same scam artists or from others who have bought your organization's contact information for a new scheme.

Meantime, if you are considering placing a listing in a legitimate business directory, check it out before you spend any money. Call the Better Business Bureau in your community or where the publisher is located. Ask the company for a previous edition of the directory (or the online directory's Web address) and for written information about distribution. Feel free to ask advertisers in previous editions about their experiences with the promoter. Most importantly, closing gaps in your purchasing procedures and alerting your employees to these scams can go a long way toward protecting your organization. The FTC suggests a few simple precautions to put an end to paying for goods or services you haven't ordered.

Assign Designated Buyers and Document All Purchases

Designate certain employees as buyers. For each order, the designated buyer should issue a purchase order to the supplier that has an authorized signature and a purchase order number. The purchase order can be electronic or written. The order form should tell the supplier to put the purchase order number on the invoice and bill of lading, if applicable. The buyer also should send a copy of every purchase order to the accounts payable department, and keep blank order forms secure.

Train Your Staff

Train all staff in how to respond to telemarketers. Advise employees who are not authorized to order supplies and services to say, "I'm not authorized to place orders. If you want to sell us something, you must speak to _____ and get a purchase order." Establish a team that includes the employees who buy and receive merchandise or services and those who pay the bills, and develop some standard operating "buying

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procedures." For example, buy only from people you know and trust. Be skeptical of "cold" or unsolicited calls and practice saying "no" to sellers using high-pressure tactics. Legitimate companies don't use pressure to force a snap decision. Finally, consider asking new suppliers to send a catalog first.

Check All Documentation Before You Pay Bills for Merchandise or Services

If you receive merchandise, the receiving employee should verify that the merchandise matches the shipper's bill of lading and your purchase order. Pay special attention to brands and quantity, and refuse any merchandise that doesn't match up or isn't suitable. If everything is in order, the receiving employee should send a copy of the bill of lading to the accounts payable department. Reconcile bills for services the same way. That is, don't pay any supplier unless the invoice has the correct purchase order number, and the information on the invoice matches the purchase order.

Know Your Rights

If you receive supplies or bills for services you didn't order, don't pay. Don't return unordered merchandise, either. Treat any unordered merchandise you receive, like a business directory or CD-ROM, or even office supplies, as a gift. It's illegal for a seller to send you bills or dunning notices for merchandise you didn't order or ask you to send back the merchandise — even if the seller offers to pay the shipping costs. Treat unordered services the same way. There is always the outside possibility that the seller has made an honest mistake, although usually that's not the case.

When it comes to certain kinds of business-to-business merchandise sales, there is some added protection. The FTC's Telemarketing Sales Rule regulates phone sales of non-durable office or cleaning supplies to businesses. Non-durable supplies are those that you routinely order, for instance, copier paper, toner, or maintenance supplies.

According to the Rule, telemarketers must tell you it's a sales call — and who's doing the selling — before they make their pitch. And before you pay, they must tell you the total cost of the products they're offering, any restrictions on getting or using them, and whether a sale is final or non-refundable. It's also against the law for telemarketers to lie about the goods they're offering.

Report Fraud

If a business directory scam, or other business product or service scam, has struck your organization, file a complaint with the FTC at ftc.gov, or talk to a consumer counselor at 1-877-FTC-HELP (1-877-382-4357). You also can report scams to the Postal Inspection Service, your state Attorney General, local consumer protection office, or your local Better Business Bureau. In addition, you may want to share your experiences with other businesses and organizations to help them avoid a rip-off.

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 ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. 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.

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.