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SCAMS AND HOW TO AVOID THEM

Falling foul of a scam is likely to cost your business dearly and with a growing number of fraudsters now targeting small firms, it pays to remain watchful. With some rip-offs tough to recognise, we look at some of the ways criminals try to con small businesses.

According to the Office of Fair Trading (OFT), there are dozens of scams small firms need to watch out for, ranging from fake investment schemes to false offers of discounted business rates.

“Scam artists often ask you to send money up front, ring a premium-rate number, give them your bank details or other information,” warns OFT spokeswoman Rachel Clark. “Don’t ever send money or give any personal details to anyone until you’ve checked them out.”

Small firms are generally more vulnerable to scams than big businesses. This is because they have fewer resources with which they can conduct background checks. They also don’t have the protection under the law that consumers are given.

Extra vigilant

“Unlike consumers, businesses aren’t always protected against rogue traders by legislation such as ‘Stop Now Orders’,” says David Sanders, Lead Officer for Civil Law at the Trading Standards Institute (TSI). “Small firms need to be extra vigilant.”

Fraudsters are increasingly aware that small business owners don’t always have the time to be as watchful as they could be. This can make them an easy target, says Sanders.

“Warn your staff to be alert,” he advises. “Your employees should check e-mails and letters carefully before sending any money or company information. Make sure your employees don’t give out business details over the phone without checking the validity of the caller. If in doubt, get in contact with your local Trading Standards office.”

Popular scams

According to the TSI, some things are common to a lot of scams. “Be wary of claims such as ‘Earn thousands per week’ or ‘Guaranteed income’ – they’re almost always scams,” warns the OFT’s Rachel Clark. “If it sounds too good to be true – it probably is.”

Thousands of businesses have been sent letters by bogus companies asking for payment for registration under the Data Protection Act. Such letters give the impression that they come from an official body and that you are legally obliged to register with that company immediately – at a cost of up to £100 plus VAT. In reality, while many businesses processing personal data are required by law to notify the Information Commissioner, they can do so directly for a fee of £35 per year inclusive.

Many small firms that process such data for limited purposes are exempt from notification altogether. The OFT advises businesses that receive a letter out of the blue, demanding more than £35 to register under the DPA, to simply throw it in the bin.



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Health and Safety Bodies

Small businesses also need to avoid being duped into sending money to bogus health and safety organisations. "Small firms have received letters requesting between £125 and £250 to become registered with a false enforcement agency that promise to run checks on their health and safety provisions," says a spokesman for the Health & Safety Executive (HSE).

"They [the bogus organisation] claim to check if businesses are compliant with made-up health laws."

All UK organisations are required by law to register with a health and safety enforcement agency – whether it is the HSE or their local authority – but this service is free of charge.

The Health & Safety Executive never sends out unsolicited demands for money and has a legitimate "Safety Starter Pack", available for £30.

Directory Enquiries

Beware of "official-looking" invoices from trade directories asking for your fax, internet and e-mail details. These might appear to be simple requests, but watch out for small print commitments to pay hundreds of pounds for an entry.

Check the small print carefully and warn your accounts staff to be on the look out for unsolicited invoices. "Most complaints concern unsolicited approaches that appear to invite businesses to be added to a free listing in a business directory," explains Clark of the OFT. "But, by replying, it is then alleged that you have agreed to a contract obliging you to pay for a costly entry."

Business Rates

Unscrupulous "rate-reduction" firms are also targeting small firms. In exchange for large fees, businesses are led to believe they will get their business rates reduced on appeal.

Rogue firms deliberately target firms whose business rates are increased as part of the revaluation process. They charge hundreds of pounds to make an appeal against the revaluation. Information on how to appeal your business rates increase is available for free from the **Valuation Office Agency** (www.voa.gov.uk).

Unsolicited telephone and fax messages

Many firms receive unsolicited calls from companies wanting to sell them products or services, often quoting a premium rate number if you want to be removed from their mailing lists. If you want to reduce the amount of unsolicited junk mail you receive, register for free with the Corporate Telephone Preference Service (www.tpsonline.org.uk/tps).

Where to find out more

- The Office of Fair Trading (OFT) - www.offt.gov.uk
 - The Trading Standards Institute - www.tradingstandards.gov.uk
 - The Health and Safety Executive (HSE) - www.hse.gov.uk
- The HSE Safety Starter Pack is available at www.hse.gov.uk/smallbusinesses/pack.htm
- The Information Commissioners Office (ICO) site includes information which businesses are required to notify under the Data Protection Act - www.informationcommissioner.gov.uk
 - The Corporate Telephone Preference Service - www.tpsonline.org.uk/tps