



AUTOMATIC DEBIT SCAMS

Fraudulent telemarketers have found yet another way to steal your money, this time from your checking account. Consumers across the country are complaining about unauthorized debits (withdrawals) from their checking accounts.

Automatic debiting of your checking account can be a legitimate payment method; many people pay mortgages or make car payments this way. But the system is being abused by fraudulent telemarketers. Therefore, if a caller asks for your checking account number or other information printed on your check, you should follow the same warning that applies to your credit card number - do not give out checking account information over the phone unless you are familiar with the company and agree to pay for something. ***Remember, if you give your checking account number over the phone to a stranger for "verification" or "computer purposes," that person could use it to improperly take money from your checking account.***

How the Scam Works

You either get a postcard or a telephone call saying you have won a free prize or can qualify for a major credit card, regardless of past credit problems. If you say “yes” the telemarketer then goes on to explain the offer. Often it sounds too good to pass up.

Near the end of the sales pitch, the telemarketer may ask to get one of your checks and to read off all of the numbers at the bottom. Some deceptive telemarketers may not tell you why this information is needed. Other deceptive telemarketers may tell you the account information will help ensure that you qualify for the offer. And, in some cases, the legitimate telemarketer will honestly explain that this information will allow them to debit your checking account.

Once a telemarketer has your checking account information, it is put on a “demand draft,” which is processed much like a check. The draft has your name, account number, and states an amount. Unlike a check, however, the draft does not require your signature. When your bank receives the draft, it takes the amount on the draft from your checking account and pays the telemarketer’s bank. You may not know that your bank has paid the draft until you receive your bank statement.

What You Can Do To Protect Yourself

It can be difficult to detect an automatic debit scam before you suffer financial losses. If you do not know who you're talking to, follow these suggestions to help you avoid becoming a victim:

- Don't give out your checking account number over the phone unless you know the company and understand why the information is necessary.
- If someone says they are taping your call, ***ask why***. Don't be afraid to ask questions.
- Companies ***do not*** ask for your bank account information unless you have expressly agreed to this payment method.

IT'S THE LAW: Since December 31, 1995, a seller or telemarketer is required by law to obtain your ***verifiable authorization*** to obtain payment from your bank account. That means whoever takes your bank account information over the phone must have your express permission to debit your account, and must tell you that money will be taken from your bank account. If you authorize payment of money from your bank account, they must then get your written authorization, tape record your authorization, or send you a written authorization, tape record your authorization, or send you a written confirmation before ***debiting*** your bank account. If they tape record your authorization, they must disclose, and you must receive, the following information:

- The date of the demand draft;
- The amount of the draft(s)
- The payor's (who will receive your money) name;
- The number of draft payments (if more than one)
- A telephone number that you can call during normal business hours; and
- The date that you are giving your oral authorization.

If a seller or telemarketer uses written confirmation to verify your authorization, they must give you all the information required for a tape recorded authorization ***and*** tell you in the confirmation notice the refund procedure you can use to dispute the accuracy of the confirmation and receive a refund.

What To Do If You Are A Victim

If telemarketers cause money to be taken from your bank account without your knowledge or authorization, they have violated the law. If you receive a written confirmation notice that does not accurately represent your understanding of the sale, follow the refund procedures that should have been provided and request a refund of your money. If you do not receive a refund, it's against the law. If you believe you have been a victim of fraud, contact your bank immediately. Tell the bank that you did not okay the debit and that you want to prevent further debiting. You also should contact your state Attorney General. Depending on the timing and the circumstances, you may be able to get your money back.

For More Information

*The Department of Insurance, Securities and Banking (DISB) works for consumers 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 www.disb.dc.gov or call Evelyn Carmen of the Banking Bureau on 202-727-8000.***

This information was made possible by the Federal Trade Commission, Bureau of Consumer Protection, and the Office of Consumer Business Education - March 2000