

4 CONSUMER PROTECTION IN KANSAS



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W. T. STEPHAN
Attorney General

This booklet was prepared in cooperation with Dr. Jim Morris, Professor of Journalism, Kansas State University. Additional copies may be obtained from the author.

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I.

FOREWORD

A Consumer Protection Division was established in the Attorney General's Office in 1963. Its activities have grown manifold since its inception. During 1976, the division received 3,754 consumer-related complaints and returned nearly \$450,000.00 to Kansans as a result of investigation, negotiation and legal action.

Many complaints are small, involving such items as mail order merchandise, magazines or novelty items. Other complaints involve thousands of dollars. For example, during 1976, the Consumer Protection Division investigated a case involving nearly \$70,000.00 paid by a Kansas school district to a travel agency for a summer trip and complaints involving as much as \$30,000.00 from Kansans who paid monies to out-of-state homebuilders.

The Consumer Protection Division works hand-in-hand with Kansas businesses and merchants to insure full enforcement of our state's Consumer Protection Act.

The Attorney General's Office also has available to the public, free of charge, a thirty minute film entitled "On Guard" which deals with white collar crime. Included in this film are characterizations of four of the many schemes investigated annually by the Consumer Protection Division including bank frauds, pigeon drops, home repair schemes and door-to-door selling.

Our Office is hopeful that businesses and consumers alike will read this book and offer recommendations on how we might better assist the public. We plan to update the book on an annual basis and welcome suggestions or ideas from the general public. Businesses, citizens, and our staff, working together, can reduce considerably the number of people who obtain their livelihood through deception and fraudulent activities.

If you have a question or suggestion, please do not hesitate to contact our office.

CURT T. SCHNEIDER
Attorney General

II. GENERAL PROVISIONS, PROCEDURES AND REMEDIES

A. Summary of the Kansas Consumer Protection Act

The Kansas Consumer Protection Act is the basic statute protecting Kansas citizens against deceptive business practices. The Act is enforced by the Attorney General, county and district attorneys, and individual consumers. The Act can be found at Kansas Statutes Annotated, 1976 Supplement, Section 50-623, *et seq.*

To be covered by the Act, one must be a "consumer." A consumer is an individual or small business which is neither a partnership nor a corporation. The individual or business must be purchasing, renting or leasing real or personal property or services for personal, family, household or agricultural purposes. The Act specifically excludes coverage of insurance contracts and securities.

The Act prohibits misleading, deceptive, and unconscionable trade practices. Violation of the Act can result in an injunction prohibiting the seller from doing business in Kansas, or from engaging in certain acts and practices in Kansas. The Act also provides for recovery of actual damages and civil penalties of up to \$2,000 per violation.

A seller cannot represent that his goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits or quantities that they do not have.

A seller's representation that he has a sponsorship, affiliation or status that he does not have is prohibited. A seller's statement that goods are original or new if they are deteriorated, second-hand or reconditioned violates the Act. Likewise, falsely representing that unnecessary services, replacements or repairs are needed is prohibited.

A statement that property or services are of a particular standard, quality, grade, model or equivalency of another product, when in fact they are not, is considered deceptive.

The Consumer Protection Act prohibits referral selling—the buyer is induced into a sale by the promise that he will receive a discount or rebate on the cost of the purchased product if he supplies the seller with names of prospective buyers.

A seller cannot intentionally exaggerate as to a material fact; however, mere “puffing” of a product (“this is the best little car on the lot”) is not prohibited. Ambiguity and innuendo as to a material fact are also prohibited. Likewise, if the seller intentionally fails to tell the buyer a material fact, he has violated the Act.

Offering goods or services without intending to sell them is deceptive. If the seller advertises bargains, he must be able to supply reasonable, expectable public demand. If the seller has only a limited supply, he must state this fact in his advertisement.

The Consumer Protection Act forbids unconscionability (over-reaching) on the part of the seller. Examples of unconscionability include:

1. contracts which limit the consumer's legal remedies;
2. sale of \$7,000 “lightning rods” (silver-colored rope) to a 90 year-old consumer;
3. charging \$580 for a \$180 home repair job knowing that the consumer does not read English, yet inducing him to sign a contract by stating that the contract contains the parties' oral agreement when it does not.

If the seller provides the buyer with an express warranty (“this automobile or any repairs thereto are guaranteed for 12,000 miles or one year, whichever occurs first”), he must live up to the terms of that warranty. In addition, an implied warranty arises from the sale itself; *e.g.*, if the consumer purchases a used automobile from a merchant it should be of the same quality as the average of other automobiles of

that year, model, cost and mileage. A seller cannot limit or disclaim the implied warranty (sell the automobile "as is" or state that "the express warranty is in lieu of all other warranties, express or implied"). A seller, however, can limit or disclaim the implied warranty as to specific defect if he informs the consumer of the specific defect (e.g., faulty brakes) and this defect becomes a basis of their bargain.

In a door-to-door sale (a sale at a place other than the seller's main or permanent or local office) involving more than \$25, the buyer has the right to cancel his contract by sending written notice to the seller within three business days. The seller must provide the consumer with written notice of this right and the seller's address when the sale is made.

B. Procedure for Filing a Complaint

Kansans who desire to file a consumer-related complaint should contact by letter, or in person, the Consumer Protection Division of the Kansas Attorney General's Office, State Capitol, Topeka, Kansas 66612; or by telephone to 913-296-3751. The complainant should:

1. fully explain the nature and circumstances of the complaint;
2. provide the name of that company's sales agent or representative with whom the consumer dealt;
3. provide date the contract was signed or the agreement made;
4. provide a copy of any contracts signed; and
5. provide date, place and copy, if possible, of publication or medium in which the product or service was advertised.

The Consumer Protection Division does not investigate or act on complaints outside the jurisdiction of the Consumer Protection Act. Such complaints should be handled by a private attorney.

C. Small Claims Court

Consumers who have disputes with Kansas

companies that cannot be settled in any other manner, can file in Small Claims Court.

If a person or firm has a dispute with a Kansas resident and the amount in controversy is \$300 or less, he can file a claim in Small Claims Court. The person or firm can obtain necessary forms at the county courthouse. A \$5 filing fee is required.

Shortly after the forms are filed and the other party is served with the papers, the matter is heard by a judge. Both parties can present evidence and witnesses.

Only five claims can be filed by one individual in Small Claims Court in one year. A case lost in Small Claims Court can be appealed to the District Court. A new trial will be held at which time both parties have a right to counsel.

D. Unordered or Unsolicited Merchandise

Both Kansas consumers and businesses receive merchandise they do not order. The sender then bills the consumer hoping payment will be made due to an oversight or because the receiver does not want to go through the bother and expense of trying to contact the company to return the merchandise.

For example, a common ploy is for a company to call a school district, attorney's office, doctor's office, or hospital to question the person answering the telephone about the type of paper used in their duplicating machine. Shortly thereafter, one of the following occurs:

1. The business will receive supplies for their machine together with a bill, even though they have placed no orders; or
2. The business will receive a second call, stating that a nearby company who used the same type copying machine and material has gone bankrupt and cannot pay for the supplies they ordered. Rather than go to the trouble of having supplies returned to the company, they are offering them at a "greatly reduced price." Whether or not the business accepts the offer, they do receive the supplies and a

bill. The material many times is inferior, or unsuited for the machine, and the cost is higher than from the usual, reputable supplier.

In addition to office supplies which is the most common complaint received on unsolicited material, two other major complaints are billing for advertising in publications which are fictitious that the consumer did not place, and farm chemicals they did not order.

If the receiver of unordered goods or advertisements does not pay the bill, it is turned over to a collection agency.

Under Kansas law, a person or firm who receives merchandise he did not order may consider it a gift. He can dispose of it as he pleases without any obligation to the sender. In no instance should the bill be paid if no order has been placed.

E. Cancellation Period

A change in Kansas law, effective January 1, 1974, provides Kansans with a right to cancel certain contracts within three days of signing. This is commonly known as a "cooling off period."

To qualify under this provision of the law:

1. the purchase price must be \$25 or more;
2. the product must be purchased for use by the consumer, the consumer's family or household; and
3. the contract must be entered into at a place other than the seller's place of business.

Transactions made by telephone, through the mails, or at the seller's place of business are excluded from this provision of the law and therefor the cancellation period does not apply.

The law requires the seller to give both verbal and written notice of this "cooling off" provision. To exercise this right, the buyer must mail written notice of intent to cancel the sale within 72 hours following midnight of the day the contract was signed; each calendar day except Sunday and a holiday is included. After receiving notice from the buyer, the seller must

cancel the contract and refund all money the buyer has paid.

F. Mailing Lists

An association has been established in New York City to assist consumers throughout the country who desire to have their names removed from, or added to, mailing lists. Those desiring to take advantage of this service may write to:

Direct Mail Marketing Association
6 East 43rd Street
New York, New York 10017

To utilize this service, the consumer may write to the association requesting a name removal form. After the form is completed and returned to the association, the name and address information is sent to participating mailers throughout the country. This company in turn removes the name from its mailing list. The procedure for individuals to have their name added to mailing lists is very similar to the removal service.

All services are free of charge.

G. Mail Orders

On October 22, 1975, certain regulations governing mail orders were adopted by the Federal Trade Commission. These regulations include the following:

1. if a buyer orders merchandise through the mail, he is entitled to receive it within 30 days;
2. when a seller solicits business through the mail, he must state the number of days it will take for the buyer to receive the merchandise. If no date or time period is stated, the person is entitled to 30 days in which to receive merchandise;
3. if a seller becomes unable to send the merchandise within the allotted time, the seller must advise the buyer of the delay and offer him the option to cancel or endure the delay. The seller must do this within a reasonable time period after he first discovers his inability to meet the time limitation.

III. COMMON FRAUDULENT TECHNIQUES

A. Bait and Switch

Bait and switch involves the seller's advertisement of a product without the intent to sell. The buyer is baited into the seller's place of business with what appears to be a bargain, and is then switched to buy higher priced merchandise. In fact, the seller may have few of the advertised bargains in stock.

For example, the seller runs an advertisement for U.S.D.A. choice meat for 79 cents a pound. When the consumer arrives to take advantage of the offer, the seller advises him of the inferior quality of the advertised special and attempts to switch the buyer to a higher-priced meat at \$1.50 a pound.

If the advertisement sounds too good to be true, it probably is.

B. Coupon Books

Coupon books are worthwhile, but in certain instances the purchaser and businessman can be victimized by fraudulent operators. Normally, a promoter canvasses certain businesses asking the merchants to give away a specified amount of merchandise in a coupon book. Businessmen should scrutinize the contracts with these promoters before signing. The promoter should be willing to place in writing the number of books to be offered for sale in a given community. Consumers who purchase the book should check for hidden costs such as handling charges and postage.

C. False Recommendations.

The Consumer Protection Division annually receives many reports regarding salesmen and promoters working in Kansas who falsely inform consumers that their business ventures have been approved by the Attorney General's Office. This office neither approves nor disapproves any business working in the State of Kansas. Furthermore, the results of investigations of complaints concerning sellers are not

public information; however, if legal action is taken, information is released to the news media.

D. Referral Selling

Referral selling was outlawed in Kansas in 1968.

Companies may violate the referral selling provision of the Kansas Consumer Protection Act by offering, as an inducement to prospective buyers, rebates for names of other prospective customers. (For example, the contract price is \$2,000, but for the name of every other person the buyer gives the seller who purchases the product, the buyer receives a rebate of \$50.)

E. Chain Letters

Participation in chain letters through the mails is a criminal violation of U.S. mail fraud statutes.

A person joining a chain has little chance of receiving his money back, much less making any money. For example, if a chain goes unbroken, after six rounds more than double the population of the State of Kansas would have received the letter!

F. Charitable Solicitations

Careful criteria should be followed by Kansans when responding to charitable solicitations. If the organization is one with which you are not familiar, determine exactly who is to benefit from the donation and what percentage of the money donated is used for actual charitable purposes.

Do not make any payment until you first check to make certain the organization is legitimate. Most charities and fund raisers must be registered with the Office of the Secretary of State under the Kansas Charitable Solicitations Act. The charity must make an annual report which shows how contributions received were spent. Contact the Office of the Secretary of State, or your local Better Business Bureau, if you are at all unsure about the charity.

IV. COMMON AREAS OF FRAUDULENT ACTIVITIES

A. Products

1. Aluminum Siding

During the spring and summer months, the Attorney General's Office receives numerous complaints against would-be home improvement experts, such as aluminum siding salesmen. Salesmen may suggest that the consumer's home will be used as a showplace for prospective customers and that the consumer, in turn, will receive a rebate, discount or other benefit as an inducement for purchasing aluminum siding. This practice is called referral selling (see Section III, Item D) and is in violation of the Consumer Protection Act. Consumers should scrutinize guarantees and other representations made by aluminum siding salesmen and should ask that all promises be placed in writing.

2. Automobiles

Approximately 25 percent of all consumer complaints filed with the Attorney General's Office involve automobiles. More than half of these complaints are concerned with used cars. Because most consumers lack mechanical expertise, they become easy prey for unscrupulous car salesmen. When shopping for a new or used car, the consumer should:

- Plan to shop for another car while the old one still works. This gives the consumer time to shop and compare.
- Read newspaper ads to get an idea of current market values.
- Be prepared to pay a reasonable price—one seldom receives more than one pays for. An authorized car dealer usually keeps his best cars and disposes of others through auctions and secondary used car dealers.
- Check the title to be certain the car is not stolen.

- Check “Blue Book” price. A car two or three years old has had its major depreciation by then and, in most cases, expensive repairs are not due for some time.
- Have someone you trust—a mechanic if possible—examine the car. Test drive the car on different types of roads. Look for signs that the car might have been wrecked; oil or transmission leakage; badly worn carpeting and pedals (which indicate hard usage).
- State law requires a vehicle sold at retail to have a current inspection certificate supplied by the seller—Kansas law does not permit titling car without valid inspection certificate.
- Check heater, air conditioner, radio, windshield wipers and other systems. The car will not pass inspection if it has a cracked windshield, worn brakes, etc. Repair or replacement of such items can be expensive. Merely because a car can pass the safety inspection, however, does not mean that it is in good condition. The safety inspection only checks safety features and does not check transmission, engine, rearend, etc.
- Read purchase contract carefully. Know what the monthly payments and down payment will be. Do not sign a contract with blank spaces.
- Finally, shop around for financing. Compare the terms offered by banks, credit unions and other financial institutions.

3. Chemicals

Kansas farmers annually receive telephone solicitations from chemical companies located in other states. The caller advises the farmer that the company has received his application or order to purchase week killer, soil sterilants, etc. Other companies call to offer the farmer a gift for agreeing to accept the product on a trial

offer. Many times, the farmer is billed for the product, but fails to receive the gift. In some cases, the farmer is told the chemical will be effective for two or three growing seasons, a total impossibility according to chemical specialists in Kansas. The companies fail to disclose that the cost of the chemical is approximately \$17 per gallon, or \$700 per acre, and that the chemical is over 90 percent petroleum.

4. Chinchilla Raising

Promoters state that chinchilla raisers can earn thousands of dollars in their spare time. Promoters claim that a good chinchilla pelt will sell for \$100 to \$300 and that each pair of chinchillas will have from six to eight offspring each year.

These promises cannot be realized. The average price received for a chinchilla pelt is approximately \$14. Chinchillas do not average six to eight offspring each year. Infant mortality is often very high.

Good chinchillas can be purchased from professional breeders from \$25 to \$50.

5. Dishes and Ovenware

In recent years, the Kansas Attorney General's office has investigated a number of cases involving the fraudulent sale of cookware. Usually, the salesman approaches a customer under the premise that the merchandise has a retail value of as much as \$90, but offers the dishes at a "reduced price of \$15, since the company is going out of business."

Investigations reveal that the dishes can be purchased at retail for approximately \$15 to \$25, and that the salesman paid \$3 to \$10 for a set. Most of these salesmen use fictitious personal and company names and addresses. Salesmen sometimes claim that their dishes can be taken from the freezer to the oven and vice versa; however, tests reveal that in some cases dishes explode if not at room temperature when placed in the oven.

Salesmen sometimes represent that the bakeware is endorsed by Good Housekeeping, when in fact it is not.

6. Distributorships

One of the fastest growing areas of white collar crime in Kansas and the nation involves the fraudulent sale of distributorships. In checking local newspapers, one can probably note a number of advertisements in the business opportunity section which advertise huge profits for part-time work and an investment of several thousand dollars. Usually, the prospect attends a promotional meeting where he is high-pressured into purchasing a cosmetic, detergent, tool, game machine, etc. type of distributorship, (*i.e.*, the distributor purchases the right to sell the product and to set up other dealers to sell the product). The seller promises the purchaser that the company will assist him in setting up prospective customers and dealers and will repurchase a distributorship after a 12-month period if the buyer is dissatisfied.

Income potential is greatly exaggerated and so is the quality of the product. The Attorney General's Office encourages prospective purchasers to visit with other distributors to determine the company's legitimacy.

7. Encyclopedias

"Free" encyclopedias are sometimes offered to the consumer for helping a salesman and his company in their "advertising promotion." Supposedly, the company is interested only in using the consumer's name and endorsement to help promote its product. The company asks only that the consumer use the encyclopedias and write a letter recommending the books. The salesman often will tell the consumer that he was selected to participate in their advertising program in a pre-publication offer.

To qualify, the customer must agree to purchase the "bonus" incentives. Whatever

the offer, the consumer must purchase the bonus in order to receive the encyclopedias.

Most often, the total cost of the program exceeds the price of encyclopedias in a competitive market. Encyclopedia salesmen may state their books are approved or recommended by the local school district which, in most cases, is a false statement.

8. Fire Warning Systems

A proper fire alarm system can be invaluable in a home or business. Several brands currently on the market may be purchased at a reasonable cost. The number of alarms required for a particular home depends upon factors such as size of home, number of rooms, size of basement. Many local governmental units now require some type of fire alarm system.

The consumer should be suspect of persons who appear at his door to sell a fire alarm system. Such sellers often use scare tactics to sell an over-priced product.

Investigate the local market. Take time to make a wise decision. If one has managed without a fire alarm for all these years, chances are you can wait a few days longer and shop around for an adequate system at a price you can afford.

9. Lakeside Lots

Numerous Kansans have filed complaints in recent years against firms which have sold them lakeside lots. Many concern the purchase of lots in other states.

The Attorney General's Office advises consumers to not buy anything sight unseen, especially land. In one case, a consumer purchased desert land in Arizona; in another, the consumer purchased marsh land in Florida. The consumer should always view the specific lot he is purchasing to make certain it is as represented to him.

Fraudulent lakeside lot developments will promise golf courses, stores, roads, sewer lines, tennis courts, etc. in order to entice the consumer to purchase property.

In many cases none of these promises materialize. Get all promises in writing. Do not rush into a purchase because "this is the last day at this price," or a free gift or trip is offered.

Housing and Urban Development (HUD) requires that a land sales company give the consumer a booklet describing draining and flood protection, facilities such as sewers, and roads that the seller has promised to put in, etc. The buyer should read this information very carefully.

10. Lightning Rods

One of the oldest schemes used against rural citizens is the fraudulent sale of lightning rods. Dishonest lightning rod salesmen often prey on rural farmers, extorting thousands of dollars from them for lightning rods which were not needed. Other lightning rod salesmen have been expert check forgers. In one case, a \$1.20 check, which was for a lightning rod inspection, was altered to read \$5,201.20. The consumer should check with local merchants (hardware stores, etc.) to determine the necessity of, and normal retail prices for lightning rods.

11. Magazines

In recent years, Kansans have been inundated with telephone calls from out-of-state companies selling magazines. The callers inform their prospective customers that they will receive a free subscription to several popular weekly and monthly magazines if they are willing to pay "a few dollars per month" for postage and handling charges. In actuality, the charges may be twice as much as a normal subscription price. These agreements can be binding and consumers who enter into transactions that are handled exclusively by telephone or through the mail do not have the right to cancel the contract within three business days.

12. Metal Farm Buildings

Numerous farmers have been victimized

by metal building companies. In one case, the dealer solicited and received orders from two hundred Kansas farmers, each of whom submitted a down payment of several thousand dollars. Due to the company's financial problems and a shortage of steel, the company was unable to deliver the buildings.

In other situations, dealers fail to order the building or go out of business after sending the down-payment to the manufacturer. Occasionally, only part of the building is shipped.

The Attorney General's Office encourages farmers to place down-payments and deposits in escrow accounts to insure delivery. Also, farmers should compare prices and services with local, established sellers of metal buildings.

13. Photography

Itinerant photographers may advertise or send post cards to consumers advising them that they have been selected to receive a free movie projector. Those responding to the solicitation are contacted by salesmen who inform the consumer that he must purchase 80 or 100 rolls of film in order to participate in the offer. The cost of the film generally is high enough to also include the cost of the camera equipment. Consumers should look for hidden costs.

14. Vending Machines

Vending machine promoters are very active in the Midwest. Promoters promise huge profits often exceeding \$1,000 a month with an investment of only 8 to 12 hours of the consumer's time each week. Promoters often promise "prime" locations in high-traffic areas.

Consumers should know that vending machine promoters are interested only in selling their machines. Frequently, the machine is grossly over-priced and can be purchased locally at a much lower price. If the promoter does place the machine for the buyer, it more than likely will be in some

remote area, such as the corner or back room of some small service station. The machine and its products will be competing with machines carrying national brands; will not make change and frequently will break down and need repairs. Chances of the consumer receiving his money back—either from the promoter or from profits from the machines—are very slim.

Should you desire to go into the vending machine business, contact a local vending machine company. You will have the opportunity to purchase a high-quality machine locally and carry quality products. (It is illegal in Kansas to vend any drug.)

B. Services

1. Basement Waterproofing

The area of basement waterproofing is a common area for fraud. Consumers may be attracted to fraudulent methods because of their seeming simplicity, low cost and alleged guarantee. Consumers receive less than satisfactory results from companies which say they can waterproof via "injections". Such injections are appealing because they infer no excavation, and seem to be at a lower cost than other methods of waterproofing.

To insure that a waterproofing company is reputable, one may take several precautions:

1. begin by contacting three reliable contractors who maintain places of business in the area;
2. ask friends for the names of contractors with whose work they are satisfied;
3. ask the contractors to visit the home, examine the basement and estimate the cost;
4. ask contractors for the names of clients they have serviced and contact them.

2. Correspondence Schools

When contacted by a representative from

a private correspondence or vocational school, the consumer should:

- Ask to see the institution's certificate of approval from the Kansas State Board of Education;
- Ask for the names and addresses of former students who have completed the course within the last six months and contact them to learn of their experiences;
- Keep in mind that the names of students furnished are likely to be the most successful graduates;
- Contact prospective employers—those people who will be hiring the consumer—to determine whether the employer hires graduates from the course in which the consumer is interested and whether such training would be a factor in hiring the graduate;
- Ask the school for samples of the first few lessons to determine whether they are too easy or too difficult;
- Compare the cost of the course or training with similar programs at local institutions;
- Determine whether this type of training can really be learned through correspondence study;
- Remember that in a door-to-door solicitation the consumer has three business days to cancel the contract;
- Realize that schools are not normally in a position to promise a specific job or starting salary;
- Read the contract carefully to make certain the consumer fully understands his obligations, paying particular attention to the cancellation-refund provisions.

3. Farm Cooperatives and Discount Buying Clubs

Promoters of farm cooperatives and discount buying clubs often ask honest farmers to lend their name and reputation, as well as money, to establish a cooperative.

Promoters usually request an investment and use the names of individual subscribers to induce the purchase as a membership. According to the promotion, the farmer will not only receive investment return but also the right to purchase goods, services and products at a reduced rate for use in conducting his agriculture business. Return of the investment is promised if the farmer does not save as much as he invested; however, this promise is seldom fulfilled. Often the farmer can buy the product locally at the same price the association charges the farmer after freight or postage is paid. In addition, the waiting time is much less with a local seller. Most fraudulent cooperatives and clubs flee the state several months after their formation.

4. Home Improvements .

During the spring and summer months, Kansans are often approached by home repairmen, including septic tank cleaners, house painters, basement waterproofers, roofers, aluminum siding salesmen, etc. Fly-by-night contractors invade an area, contract for home repairs, perform shoddy services, and depart the area. Many times, these con men give the consumer a 20-year guarantee which means nothing. Their bids are grossly inflated, materials are inferior and the job often only partially completed.

a. House Painting

Kansas consumers should be very cautious when dealing with persons who claim to be house painters. Several years ago the Attorney General's Office investigated a case in which several painters charged approximately \$1,400.00 to paint two barns and several small out-buildings. Investigation revealed that the painters were mixing approximately 80% gasoline with 20% paint to spray-paint buildings.

b. Pest Control

Pest control, especially termite control, is a frequent area of consumer fraud. Contact

a reputable pest control dealer for an inspection. The consumer should be informed about termite control, solicit two or more bids and opinions if he suspects that he has termites, ask the bidders for names of persons for whom they have provided service and then call those persons for an evaluation of the work performed.

All pest control operators are licensed by the State of Kansas. Deal only with persons who have a permanent nearby location for their business.

5. Invention Merchandising

Occasionally advertisements will appear in newspapers and magazines offering to develop and market inventions. The prospective inventor must pay the company a fee ranging from several hundred to several thousand dollars for this service. The promoter often guarantees to show an invention to a specified number of companies. In actuality, the invention may never be promoted by the company.

6. Loan Finders

Loan finders place advertisements in newspapers or send letters to consumers offering to assist in obtaining loans. The normal loan finder fee is one percent of the total price plus an additional two percent at the time of the loan closing. Companies falsely represent that they have contacts with numerous large institutions and that loans can be obtained in a short period of time. Cases that have been investigated show that fewer than five percent of the customers who make application actually receive the loan.

Persons needing loans should contact a local lending institution whose reputation and integrity are known in the community.

7. Missing Heirs

Most missing heirs firms investigated by the Attorney General's Office are not legitimate. Their firms flood the mails with letters claiming that a person with the re-

ceiver's last name has died leaving thousands of dollars of unclaimed assets. The letter further states that for a fee of \$10 or \$12 the Kansan may obtain a copy of that person's estate papers. Usually the company requests an additional \$40 supposedly for further printing costs. Should the consumer send the \$40 the firm will find a further reason to request additional money, and will continue corresponding with the consumer as long as the recipient is willing to send money.

The chances of the consumer being an heir to an unclaimed estate in another state is so remote as to be almost nonexistent. Thousands of letters are sent by firms to individuals having the same very common last name of a deceased person. Little or no research is done before hand to determine if the Kansas resident could be even remotely related to the deceased person.

8. Real Estate Reselling

Fraudulent real estate companies may investigate lake development sites to determine the owners of property. In turn, they correspond with the owners offering to resell their property for fees ranging from \$150 to \$400. The selling agent guarantees to sell the property or continue to market the land until it is sold. The seller is told that no commissions or closing costs will be added to the buyer's price. Once the selling agent receives the money, all contacts with the landowner cease.

In some cases it has been learned that the reselling agent is the same individual, using a different name, who sold the lake site to the consumer originally.

9. Recording Companies

Fraudulent recording companies may air commercials over the radio stations advising that their company is looking for new singers and offering an audition in such places as New York or Nashville. The prospective singer auditions, free of charge, and is then informed that for a fee of \$2,000

or \$3,000 he will be invited to the company's headquarters to cut a record. After cutting a record, the company merely sends records to radio stations throughout the country. Further efforts to have the record played on the air are usually not made and the radio station receiving the record is under no obligation to use it, nor is the recording company under any further obligation to the singer.

10. Travel Agencies

The Attorney General's Office encourages Kansas consumers to deal with established local agents when making arrangements for overseas tours. Complaints have been received from persons stating that accommodations during trips were inferior, meals they originally were told would be free were not, and the tour was more expensive than was originally advertised. Consumers should investigate the company's cancellation policy at the time reservations are made. The refusal of the company to advise the consumer of the name of the airline with which he will be traveling is an indication that a charter flight may not be all that it seems to be. Additionally, even if the consumer arrives at the vacation place, it may not be what he expected. To avoid problems, the consumer should thoroughly question the company on what he will receive and can expect.

11. Unclaimed Scholarships

Advertisements in college newspapers advise students that millions of dollars of unclaimed scholarships, grants, aids and fellowships ranging from \$50 to \$10,000 are lying idle in American institutions of higher learning. The sales pitch may be similar to a missing heirs scheme. College officials advise the Attorney General's Office that information on unclaimed scholarships may be obtained free of charge by contacting the financial aids and awards office of the institution.

12. Work-at-Home Schemes

Postal authorities estimate that consumers were bilked out of \$395,000,000 by mail fraud in 1975. This was a \$200,000,000 increase over the previous year. Housewives, elderly citizens, and unemployed persons are most vulnerable. Mail fraud covers a wide range of schemes promising inflated earnings to persons who desire employment by working at home. A typical ad might read, "Receive \$1,000 per month mailing letters or make \$500 in advance addressing envelopes".

Kansans reading these letters are led to believe they will receive money in advance for addressing envelopes. In actuality, all they receive is a solicitation to order materials and instructions on how to start their own mail order business.

The following information should be remembered when considering a work-at-home occupation. According to the Better Business Bureau in Washington, D.C., work-at-home scheme promoters will never offer regular salaries or employment. They promise huge profits and big part-time earnings. They use personal testimonials but do not identify persons making the testimonials so that one can check with them. They require money for instructions or merchandise before telling the consumer how to plan and operate. They will assure the consumer guaranteed markets of huge demand exists and that no experience is necessary.

Needless to say, the promises made are usually exaggerations and statements that cannot be substantiated.

This booklet has been designed to give the public general information about various types of fraudulent activities so that they might be more easily recognized and avoided. It should in no way be considered a complete list of crimes of fraud. When in doubt, the best safeguard for the consumer is to check with the local Better Business Bureau, Chamber of

Commerce, County or District Attorneys office, or with the office of the Attorney General.
Be sure before you buy!

We also encourage you to shop with your local established businesses. In doing so, you will greatly increase access to replacement guarantees and warranty services and reduce the possibility of fraud. This office is grateful for the full cooperation given by the above mentioned business associations and, in particular, to the many individual Kansas businesses that have assisted in the enforcement of the Consumer act. If, in the future, you have difficulties, please contact:

Office of the Attorney General
State of Kansas
Consumer Protection Division
State Capitol
Topeka, Kansas 66612

END