

Prize Scams

By: Federal Trade Commission

You're just won \$5,000! Or \$5 million. Or maybe it's a fabulous diamond ring, or luxury vacation? More likely, it's a prize scam, and you'll find the prize isn't worth much – if you get a prize at all. Here's one way to think about it: if you have to pay, it's not a prize.

About Contests and Prizes

Who doesn't want to win something? But before you drop in a quick entry or follow instructions to claim a prize, here are a few things to know:

Legitimate sweepstakes are free and by chance

It's illegal to ask you to pay or buy something to enter or increase your odds of winning.

Prize promoters might sell your information to advertisers

When you sign up for a contest or drawing, you probably will get more promotional mail, telemarketing calls, or spam email instead of a prize.

Prize promoters have to tell you certain things

Telemarketers are legally required to tell you the odds of winning, the nature or value of the prizes, that entering is free, and the terms and conditions to redeem a prize. Sweepstakes mailings also must tell you that you don't have to pay to participate. They also can't claim that you're a winner unless you've actually won a prize. And they're not legally permitted to include fake checks that don't clearly state they're non-negotiable and have no cash value.

Signs of a Prize Scam

Plenty of contests are run by reputable marketers and non-profits. But every day, people lose thousands of dollars to prize scams. Here are some signs you're dealing with a scam:

You have to pay

Legitimate sweepstakes don't make you pay a fee or buy something to enter or improve your chances of winning — that includes paying "taxes," "shipping and handling charges," or "processing fees" to get your prize. There's also no reason to give someone your checking account number or credit card number in response to a sweepstakes promotion.

A skills contest where you do things like solve problems or answer questions correctly can ask you to pay. But these contests also tend to get more difficult and expensive as you advance, leaving contestants with nothing to show for their money and effort.

You have to wire money

You may be told to wire money to an agent of "Lloyd's of London" or another well-known company — often in a foreign country — to "insure" delivery of the prize. Don't do it. Wiring money is like sending

cash: once it's gone, you can't trace it or get it back. The same goes for sending a check or money order by overnight delivery or courier, or putting money on a prepaid debit card.

You have to deposit a check they've sent to you

When you do, they'll ask you to wire a portion of the money back. The check will turn out to be a fake, and you will owe the bank any money you withdrew.

You're told they're from the government — or another organization with a name that sounds official

They might say they're from an agency like the Federal Trade Commission and are informing you that you've won a federally supervised lottery or sweepstakes. Or they might use an official-sounding name like "the national consumer protection agency" or the non-existent "National Sweepstakes Bureau." But they're imposters. The FTC doesn't oversee sweepstakes, and no federal government agency or legitimate sweepstakes company will contact you to ask for money so you can claim a prize.

Other scammers might pretend to be a company like Publishers Clearing House or Reader's Digest, which run legitimate sweepstakes. Look for signs of a scam, but if you're still unsure, contact the real companies to find out the truth.

Your "notice" was mailed by bulk rate

It's not likely you've won a big prize if your notification was mailed by bulk rate. Other people got the same notice, too. Check the postmark on the envelope or postcard. Do you even remember entering? If not, odds are you didn't.

You have to attend a sales meeting to win

If you agree to attend, you're likely to endure a high-pressure sales pitch. In fact, any pressure to "act now" before you miss out on a prize is a sign of a scam.

You get a call out of the blue, even though you're on the Do Not Call Registry

Once you register your phone number for free at donotcall.gov, unwanted telemarketing calls should stop within 30 days. Unless the company falls under one of the exemptions, it shouldn't be calling: it's illegal.

Foreign Lotteries

Sometimes a letter you get will say you've won a foreign lottery or sweepstakes. Typically, the letter will include a check. This is a fake check scam. Or a letter will say they're offering you a chance to enter a foreign lottery. The truth is that, even if your name was entered, it's illegal to play a foreign lottery.

Text Message Prize Offers

You get a text message that says you've won a gift card or other free prize. When you go to the website and enter your personal information, you'll also be asked to sign up for "trial offers" — offers that leave you with recurring monthly charges. Worse, the spammer could sell your information to identity thieves.

When you see a spam text offering a gift, gift card, or free service, report it to your carrier, then delete it. Don't reply or click on any links; often, they install malware on your computer and take you to spoof sites that look real but are in business to steal your information.

Check Them Out

Scammers don't obey the law. To avoid a scam, you have to do some research. If you're not sure about a contest or promoter, try typing the company or product name into your favorite search engine with terms like "review," "complaint" or "scam." You also might check it out with your state attorney general or local consumer protection office.

Keep in mind that many questionable prize promotion companies don't stay in one place long enough to establish a track record, so if no complaints come up, it's no guarantee that the offer is real.

Report a Scam

If you think you've been targeted by a prize scam, report it to the FTC.

You also can contact your:

- state attorney general
- local consumer protection office
- local media's call for action lines

If the prize promotion came in the mail, report it to the U.S. Postal Inspection Service.