

10 Things To Help Detect A Fraudulent Business

By Nicholas Hillebran

During my many years (10+) on the Internet I have gathered a lot of experience in websites, website technology, as well as the habits of con artists. My experience came mostly at my own expense (i.e. by getting ripped off a few times). I learned very quickly to start checking out a company before I purchased a product or service from them. Below is a tidbit of the lessons I have learned and techniques I have developed to help prevent myself from getting ripped off.

1. How does the website look and feel?

Does the website appear to have a professional look and feel to it? This is not always a red flag. Scam artists can afford professional designs, however, I have encountered quite a few websites that I have noticed a lot of unprofessional touches to them. Browse the website. How does it make you feel? Does it make you feel as secure as when you shop at a well-known retailer's website? Don't be in a rush to buy. Trust me, those "deals" are not going anywhere anytime soon; especially those ".. buy by midnight tonight!" deals. Take your time and browse the website. Check out the about section of the company. Does it have a history? What is its history? Can you verify the company's information online or with another resource?

2. Are they listed in common databases?

Of course, check to see if the company is listed on RipOffReport.com. You might also want to check with your local Attorney General's Office (state listing [here](#)), the [FTC](#) (Federal Trade Commission), and the [BBB](#) (Better Business Bureau).

3. Check for proper contact information.

The power of the Internet allows anyone to become an instant merchant. The problem is that **anyone** can become a merchant, including scam artists. Scam artists can hide behind a professional-looking website and you may never know who they are nor how to contact them.

Make sure they have a way for you to be able to contact them. Look for a phone number and an address. It is preferable to have a regular, non-toll free number. Toll free numbers are harder to trace than a regular number. Scam artists can use this to hide behind the toll free services that might redirect their call to a distant location or to voicemail. If a company has a toll-free number, make sure they also have a regular number.

Next is the address. Some prefer a physical address over a post office box as one can hide behind a post office box address, however, the same can be said for a physical address. I say this because there are maildrop businesses (such as MailBoxes, etc) that allow a business or individual to have a "box" while still portraying a physical presence. I use the [FinAid!](#) website to search for a potential mail drop. Never settle for a company that has only a contact form as their only means of communication.

A maildrop is a facility or company that allows you to use their physical address to receive mail in your company's name.

Do they have an email address listed? It is highly recommended to stay away from any company that uses a free email service (Yahoo!, Hotmail, Gmail, etc) for their primary contact information. These services are fine for the average person to use for communication purposes, however, it is more likely that a fraudulent or shady company will use a throw-away type of email address on their website.

4. Who owns the website?

Sure, the "About Us" tells you who owns the company, right? Nope! The scam artist might be telling you about the company they want you to believe in. I always do a WHOIS query on a website. When you register xyz.com, you provide information about yourself (name, address, phone number, email address). This information is stored in a very large database. It is easily accessible and the access to it is free. If a website address ends in .com, .net, and .org, I use a program called SamSpade (download currently unavailable). You can also go to any domain registrar and they will have a link to do a WHOIS query. Currently, you can go to the [SamSpade website](#).

Now you might be thinking, "OK, so now what?" Type in the domain and get the WHOIS information. You will see a listing of information about the company or individual that owns it. Here two things to look for:

1. Does the contact information on the WHOIS query match what is listed on the website's contact page?
2. Is any contact information listed at all? They might be using something similar to a WHOIS Privacy Guard service.

The most common technique used by scam artists is number 2. Let's say they own mycoolwidgets.com. If they opted to use number two, then you might see something like this:

*Private, Registration mycoolwidgets.com@domainsbyproxy.com
Domains by Proxy, Inc.
DomainsByProxy.com
15111 N. Hayden Rd., Ste 160, PMB 353
Scottsdale, Arizona 85260
United States
(480) 624-2599 Fax -- (480) 624-2599*

The particular domain I used to get this information was registered through GoDaddy. Just about every domain registrar I know of has some sort of privacy guard service like this. If they would not have used this service, then you might have seen something like this:

*Widgets, Inc info@mycoolwidgets.com
12345 Sesame Street
Beverly Hills, CA 90210
Phone: 555-867-5309*

Is their real information available? Yeap! Most of the registrar companies that offer this service have a way for you to obtain the information about a domain. You usually have to send a letter to the legal department of the company requesting the information. Included in the request is

your reason for requesting this information. Domain registrars take the privacy of their customers very seriously. In my opinion, though, if you have to go through all this trouble to find out who owns the website, do you really still want to buy from them?

Next you might want to reverse trace this information. You can do reverse phone and address traces on whitepages.com, switchboard.com, or reverseaddress.com. If you have the person's name, search on ZabaSearch (<http://www.zabasearch.com>). If you decide to search the Internet for more reverse trace resources, I highly advise you stay away from any of those "Find anything about anyone!" type systems. The majority of them are scams.

Note: See my Investigative Report on [NetDetective](#) (one of those "Find anything about anyone..." type systems).

5. What country are they based in?

Knowing what country the business is based in can help quite a bit. First, you should realize that if you send any money out the country that it may be quite difficult to get it back. When you purchase a product or service you are usually agreeing to abide by the laws of that country, state, or region. In addition, even if you would file suit, how will you get your money back? Have fun trying to convince the Chinese government that you won a court case in Kansas and you deserve your money. This is not to say the Chinese government would make it hard, it's just the simple fact of having to contact people of another country to get your \$19.95 back or whatever you paid for the product/service. It will cost you that much or more just in phone calls.

Another matter to look at is what type of reputation does that region have? If you must shop internationally, does the company's geographic location have a high fraud rate? Is the geographical location a common area for scam artists?. Some countries with high fraud rate are:

Romania, Indonesia, Singapore, Ghana, Ukraine, Uganda, Nigeria, Hungary, Belarus, Estonia, Latvia, Lithuania, Slovak Republic, Russia, Yugoslavia, Macedonia, Philippines, Thailand, Malaysia.

In addition, keep clear of any countries on the U.S. Sanctions list, such as Cuba, Cote d'Ivoire, Iran, Iraq, Libya, North Korea, Sudan, Liberia, Zimbabwe, Sierra Leone, the UNITA faction in Angola, Syria and Burma [Myanmar] (sanctions list obtained from the [U.S. Treasury](#))

6. Our friend Google.

You can Google just about anything: names, phone numbers, addresses, website address, etc. The options are limitless! Firstly, I Google the company's name. Let's say the name of the company is My Cool Widgets. Type in "My Cool Widgets" in to the textbox.

Please do not type in that name without the quotes. Why? If you search for that company name without the quotes, then Google or any other search engine will look for any websites that contain the words, "My", "Cool", and "Widgets." Granted, search engines are designed to pull up the most relevant search results, but save yourself the time and risk. When you put the quotes around the company name, Google will search for any websites with the term, My Cool Widgets, instead of those three separate terms.

Next, try searching for the phone number. Once again, please use the quotes. In regards to phone numbers, if you don't use quotes, then instead of searching for 555-867-5309 the search engine will search for any websites that contains "555", "867", and "5309". In my experience, the search engines are not as forgiving on giving "relevant" results with phone searches.

On Google you can also type in the textbox the following

phonebook: 555-867-5309

Google has an online phonebook feature. If the number is listed in Google's phonebook directory then it will reverse trace to the number. You can still use the reverse tracing websites listed towards the end of the "Who owns the website" section. Finally, the same can be said for the address. Search for just the address (i.e. minus the city, state, and zip code). See what turns up. If you don't find what you are looking for, then try it with the city, state, and zip code.

7. What forms of payment do they accept?

I trust a company more if they accept a real credit card (merchant system) rather than just PayPal. I have nothing personal against PayPal, however, it is common for PayPal and other "processors" have a high fraud rate. Another issue is that PayPal is not a bank. They are merely a payment processor. Therefore, PayPal does not have to abide by the same strict guidelines that banks do when it comes to fraud.

This is even more so if you are purchasing non-tangible (services such as hosting, an ebook, etc) products. What many do not realize is that the PayPal buyer protection does **not** protect you against fraud if you purchased a non-tangible item. Your only real recourse would be to file a chargeback with the bank of your credit/debit card. Then, according to PayPal's terms, if you file a chargeback, they (PayPal) has the right to terminate your PayPal account.

If a company does accept credit cards via a merchant system as well as via PayPal, then that is not as bad. Some companies use PayPal with their merchant system because they might have customers that still feel safer using PayPal. In any case, make sure that when you enter personal information on a website that it is being sent securely. Look for the locked padlock. The location will depend on your browser.

In Firefox, the locked padlock will be at the bottom-right corner such as in Figure 7.1.



Figure 7.1

Internet Explorer has the padlock located in the addressbar. In Figure 7.2 the image was taken from the PayPal website.



Figure 7.2

If you click on the PayPal, Inc. [US] section it will display additional information about the SSL certificate such as in Figure 7.3.

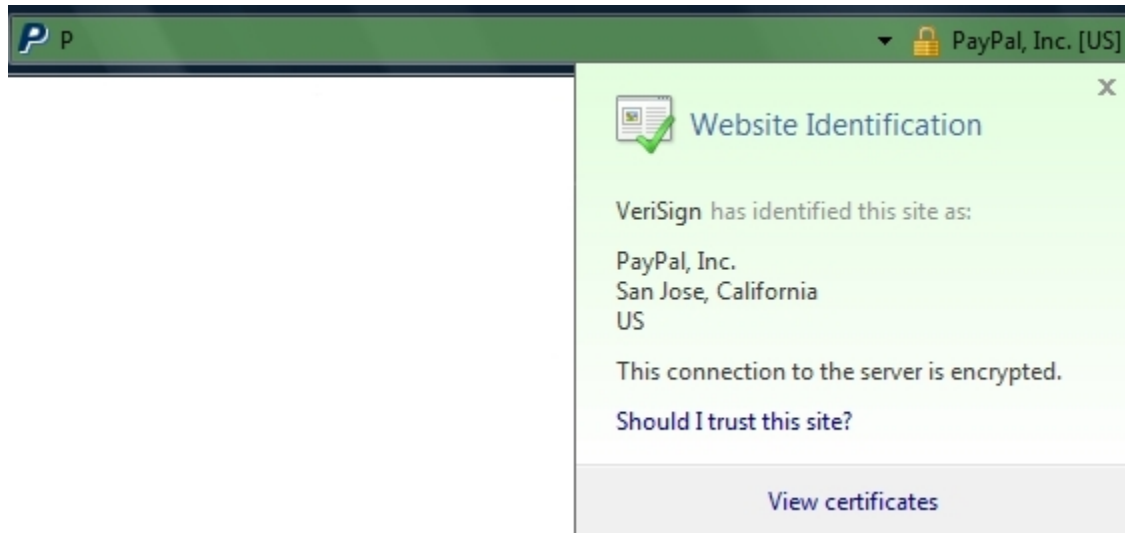


Figure 7.3

8. Is it a home-based business?

I am not saying that all home-based businesses are fraudulent. It's just another thing to watch out for. I like to use a program called [Google Earth](#). This program allows you to have an aerial view of an address. You can also visit the [GoogleMaps page](#) and type in an address and get the same thing as Google Earth.

If you are able to get the physical address of a business (via WHOIS query, website address, Google search, etc) then you can type that address in to the program. Look at the general area of the address. Does it look like that might be office buildings or does it look like a rural/community type terrain? If it looks like a rural area, then the company is probably based out of a home.

A good example would be Virtuoso Net Solutions (now LogicWeb). I accused the owner of being a one-man operation or that he ran business out of his home. I didn't say this just to try and make him mad. I said this based upon an aerial view of his "business location" via Google Earth. In the Investigative Report I have a Google Map embedded. For those that are curious as to what it looks like I have a screenshot in Figure 8.1.



Figure 8.1

Google Earth has a feature of allowing you to save your current viewing as an image (File > Save > Save Image) or you can go to Edit > Copy Image and paste it into your favorite image editing software.

Figure 8.1 shows the house (approximate per Google Earth). I then looked at the general area of the neighborhood. Figure 8.2 shows that the area looks more like a rural suburban area rather than a business district. It doesn't look like a place that would house tons of servers and networking equipment.

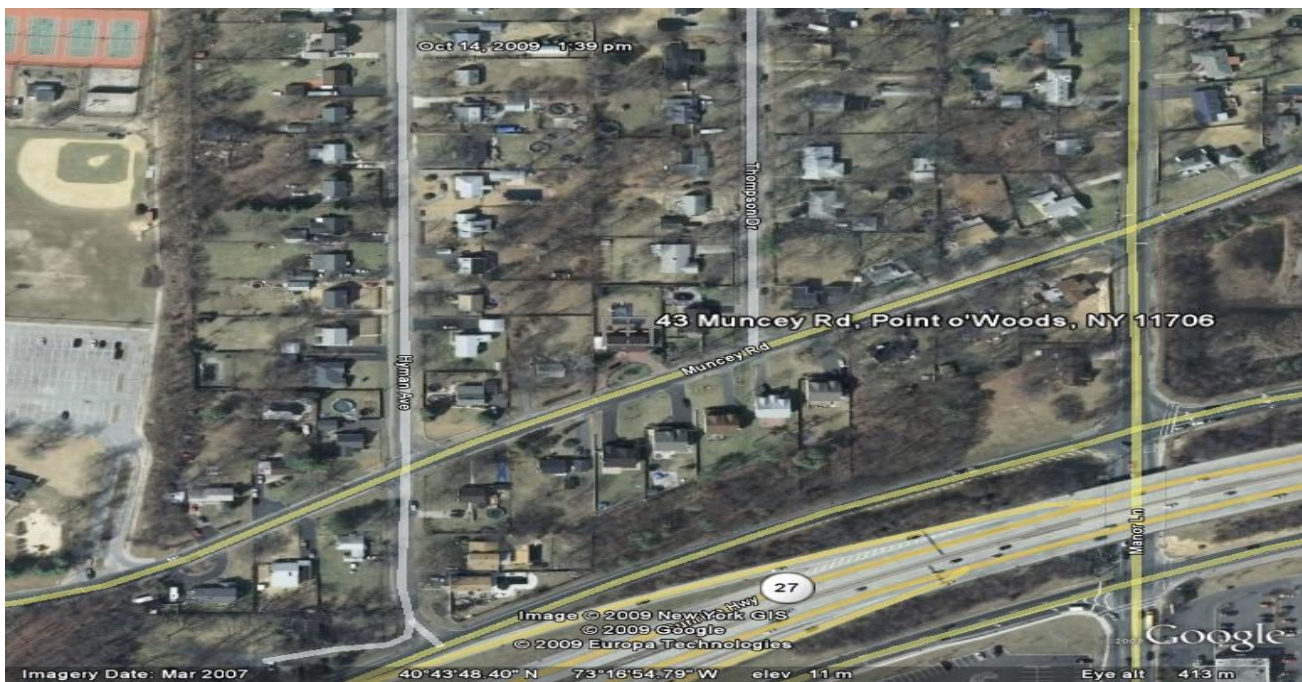


Figure 8.2

As previously-stated, just because a business is home-based does not mean that it is a fraudulent practice. I have mentioned about home-based businesses because some business websites will portray and even state they are some large corporate entity when in reality they are operating everything out of their home.

I'm all for people getting a business started out of their home. No worries about commuting, set your own hours (so to speak), etc. I personally just like to know whether the business I'm purchasing a product or service from has a brick-and-mortar storefront or whether they are operating out of their spare bedroom.

9. Are they a drop shipper or do they actually send out the products?

Drop shipping is a very common tool for those running an online business. It doesn't require the handling of any stock, therefore, the merchant/seller has very little to any upfront costs and no need to worry about going to the post office and shipping anything. Drop shipping works this way:

1. The customer buys from a company (merchant)
2. The merchant places the order with the drop shipping company
3. The drop shipping company sends the order to the customer with the merchant's name/address as the return label. If an invoice is included, either the merchant's information is printed on the invoice or no company information is printed on the packing slip.

A well-known dropshipper is SMC (Specialty Merchandise Corporation). There are many others out there, however, SMC is one of the most well-known and has been in the business for quite a few years.

If you can find out if they are drop shipping, you might be able to get the product for cheaper elsewhere. In addition, if you plan on buying wholesale from the company, then why pay them when you could get it cheaper by buying direct from the company they buy from?

For this job I use our old friend, Google. The first thing I search for is the product number. The higher ranking results (usually within the top 5, if not the first listing), is usually the company they are buying from. If you are a business, then contact that company and just buy direct from them. If you are a regular consumer, look for the best bargain. See if the company they get the dropshipping from requires a membership.

Im sure you've seen websites that sell you your own store prepopulated with products. Usually they are selling you a modified version of the FREE shopping cart system, osCommerce. They already have everything setup in the script and database. The only thing you have to do is when a customer purchased products is order the products from whatever company they tell you.

I'll give you an example. New Age Wholesale (www.newagewholesale.com and www.newagereseller.com) offer to sell you a package for your own newage store (physical products and/or eproducts). I visit the demo store and the first item I see is a Happy Buddha Figurine. The item number is 12143. So, I go to Google and search for the following:

Happy Buddha Figurine 12143

The results are in Figure 9.1

[\(12143\) Happy Buddha Figurine: Wholesale Gifts, Collectibles ...](#)

Griming **Buddha** is the very image of happiness and serenity, shown here in a precious dark bronze luster. Instantly update any room with this time-treasured ...

[whitebarngifts.com/product_info.php/products_id/20122](#) - [Cached](#) - [Similar](#)

[#12143 HAPPY BUDDHA FIGURINE \[12143\] - \\$12.95 : ShopperLive, The ...](#)

ShopperLive #12143 HAPPY BUDDHA FIGURINE [12143] - Grimning **Buddha** is the very image of happiness and serenity, shown here in a precious dark bronze luster.

[www.shopperlive.com/index.php?main_page...info...](#) - [Cached](#) - [Similar](#)

[Buy Wholesale Happy Buddha Figurine in bulk](#)

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[www.wholesalmart.com/...Happy-Buddha-Figurine.../12143.htm](#) - [Cached](#) - [Similar](#)

[Shopping results for Happy Buddha Figurine 12143](#)



[12143 Happy Buddha Figurine](#)

\$4.99 new - [FadFusion](#)

[Happy Buddha Figurine - Wholesale Item 12143](#)

\$6.00 new - [Dorothy Bells Gift Shop](#)

[\(12143\) Happy Buddha Figurine](#)

\$5.44 new - [White Barn Gifts](#)

[Home, Office and Garden Decorations Ideas: Happy Buddha Figurine](#)

Jun 20, 2009 ... **Happy Buddha Figurine**. 12143. Grimning **Buddha** is the very image of happiness and serenity shown here in a precious dark bronze luster. ...

[www.buyallgifts.com/blog/.../happy-buddha-figurine.html](#) - [Cached](#) - [Similar](#)

[12143 Happy Buddha Figurine - Savannah - Bonanzle](#)

EMAIL FOR MULTIPLE ITEM SHIPPING DISCOUNT Grimning **Buddha** is the very image of happiness and serenity, shown here in a precious dark bronze luster.

[affiliates.bonanzle.com/.../12143_Happy_Buddha_Figurine](#) - [Cached](#) - [Similar](#)

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Figure 9.1

I'm not concerned with the sponsored results. I'm concerned with the results on the left. This is where I look for the potential source of the products. While I could not find one definitive source, I searched for another product, Herbal Agrumes Body Lotion, product number 12187. I found quite a few sites that are selling that product for less than \$7.00 each.

The exact company that New Age Reseller/Wholesaler may be using is unknown, however, with a little bit of searching on Google I have found the products myself at a "discounted" price. From here one could simply download osCommerce (or whatever shopping cart system they wanted), manually add the products and use whatever source they wanted to for the dropshipping. However, I would highly recommend that you don't use the same product number in your store. If necessary create an Excel spreadsheet with product name, number, original price, and your price. In addition, if you choose to use multiple sources for dropshipping then I'd include that as well.

10. Just ask them.

After you have all of your information compiled then call the company. Never, and I do emphasize, **NEVER** be afraid to ask questions. If you ask questions and you don't feel comfortable that the person on the other end knows what they are talking about then ask to speak to someone above them (e.g. their manager or higher up personnel). If they avoid your questions, try to belittle you, or try to intimidate you, then that's a huge flag. Stay away! Hang up! They are not the only folks in the business.

I hope this article has educated you a little about doing business online. This article is also applicable to offline businesses as well. Remember that YOU have the right to choose whom you do business with. There's no such thing as you having to buy something with x-amount of time.

I don't feel that there's anything worth risking the trouble and hassle of dealing with an unethical business or business person. I know these things are true as I have personally experienced them during the 10+ years I have been on the Internet. For incidents that I have not personally experienced, I have read the horror stories of others online. If someone tells me a pot is hot, I'll look around the pot and if it looks hot, I'll refrain from touching it.