

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

#### **Question: BET 300**

#### **Topic: False billing**

#### **Hansard Page: Written**

#### **Senator Eggleston asked:**

How much is the false billing concept costing businesses? What is the ACCC doing about it?

#### **Answer:**

##### The cost of false billing

In its report *Targeting Scams: Report of the ACCC on scam activity 2009*, published in March 2010, the ACCC confirmed that it has observed an increase in reports of scams targeting small business operators. The report noted that in 2009 the ACCC has recorded a 60 per cent increase in the number of complaints about false billing scams<sup>1</sup> – one of the main types of scams that target small businesses. While this is a relatively large increase, false billing scams only represented 6.8 per cent of all scams reported to the ACCC in 2009.

During 2009, losses reported to the ACCC from all scams totalled almost \$70 million. Financial losses reported to the ACCC from false billing totalled \$226,196, or 0.3 per cent of total financial losses reported in 2009. In the first quarter of 2010, false billing accounted for about 5 per cent of all scam reports to the ACCC. Reported losses were close to \$60,000. This is so far consistent with observations from 2009.

In reporting financial losses, the ACCC notes that amounts are unverified and based solely on information provided to the ACCC by complainants. Many scams go unreported or loss figures are not provided. Furthermore, the ACCC is only one of many agencies that receive scam complaints.

##### ACCC's education initiatives for small business

The ACCC is increasingly developing more targeted strategies to promote scam awareness, including strategies aimed towards small businesses. Providing information on how specific work scams work and what to look out for, as well as challenging the perception that scammers are relatively unsophisticated and easy to identify, are key aims of the ACCC's education and outreach strategy. The ACCC is actively engaged with small business on the issue of scams and has a variety of resources to help educate small business about the steps they can take to protect themselves.

The ACCC has a range of scam-specific fact sheets. The new *Small business scams* fact sheet<sup>2</sup> was published in March 2010, and distributed to the ACCC's Small

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<sup>1</sup> This category of scams is quite broad, including false billing for advertising, directory listing, domain names, office supplies etc.

<sup>2</sup> Available via SCAMwatch and at: <http://www.accc.gov.au/content/index.phtml?itemId=913778>

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Business Information Network. The Small Business Information Network consists of more than 900 small businesses and small business stakeholders, including industry associations, local government and business enterprise centres.

The ACCC's SCAMwatch website ([www.scamwatch.gov.au](http://www.scamwatch.gov.au)) provides information to consumers and small businesses about how to recognise, avoid and report scams. The website features information about false billing scams<sup>3</sup> and also includes an annotated example of a directory scam, which is a common false billing scam.

The ACCC's publication *The little black book of scams* highlights a variety of scams that target consumers and small business. It also offers tips on how small business and consumers can protect themselves from scams, what they can do to minimise damage if they do get scammed and how they can report a scam. This publication is very popular and widely distributed by the ACCC, State and Territory fair trading agencies, police agencies and community organisations, to name a few.

In addition to its print and web-based resources, the ACCC uses a variety of media platforms and communication opportunities to promote its scams awareness message to the widest possible audience. In addition to issuing regular media releases to promote scams awareness and successful enforcement action, ACCC commissioners and outreach officers actively seek and accept opportunities to provide media interviews, community and business presentations and speeches to encourage awareness of new scams and promote awareness. Major newspapers across the country also publish articles by the ACCC on topical scam issues.

#### ACCC's main enforcement activities

The ACCC has a record of enforcement action concerning scams (including false billing), with a number proceeding to litigation. However it is not possible to stop all traders allegedly involved in misleading and deceptive or scam-like conduct. Many are based overseas and can be hard to track, especially in the online environment. However, the ACCC works closely with a wide range of other agencies to disrupt scammers and inform consumers and small business.

The following table summarises the main enforcement actions the ACCC has taken on false billing matters. In addition to this, the ACCC continues to consider and investigate false billing allegations as brought to its attention.

<b>Date/time period</b>	<b>Issue/trader</b>	<b>Action/outcome</b>
Dec 2009	<b>European City Guide S L</b> trading as <b>Industry and Commerce</b> . Spanish based business alleged to be engaged in sending unsolicited letters to Australian businesses for a listing on its on-line database.	Proceedings ongoing. The ACCC is alleging that the conduct is misleading.

<sup>3</sup> Refer: <http://www.scamwatch.gov.au/content/index.phtml/tag/SmallBusinessScams>

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Oct 2009	<p><b>World Business Guide and World Business Directory</b> Unsolicited emails and letters from overseas based businesses offering services that appeared to be free. Anyone responding would then receive an invoice for payment.</p>	<p>Media release issued – <b>ACCC warns about scam business directory offers</b> – the two businesses were named to alert Australian businesses to be wary of any such offers.</p>
Aug 2009	<p><b>Online directory for trademarks</b> Numerous complaints were received by the ACCC with regards to unsolicited letters touting for online trademark databases. Some complainants believed that these letters were trademark renewal notices.</p>	<p>Media release issued – <b>Invoice overload: ACCC warns about questionable trade mark renewals</b> A reminder for businesses to be vigilant. Unsolicited offers for domain name renewals and online directory listings for trademarks and similar services may not be official notices but offers for new services.</p>
Dec 08 – Sept 09	<p><b>Australialink Pty Ltd</b>, a Gold Coast based business that sends out more than a million directory requests across Australia each year for its online business directories including the Australian Business Pages Directory.</p>	<p>In September 2009, the Federal Court found that the documents sent to customers were likely to mislead as they implied that there was an existing relationship with Australialink or had sought its services. The court also found that Australialink had acted unconscionably in demanding payment for services.</p>