

# Hi-tech Gambling Scams

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When it comes to fraud, gambling scams are a profitable area because fraudsters play on the psychology of human greed. At a basic level, some of the most common types of gambling fraud simply involve online gambling sites taking a gambler's money **without** paying out winnings. Other small-scale fraudulent activities include claims by an online gambling site that it is government licensed or has been given a kitemark of "social responsibility" by a reputable organization. These are used to gain the gambler's trust which in turn may lead **to them gambling** on their site as opposed to another "non-approved" site. Many frauds and scams have moved into technological media such as the Internet and mobile phones. This article overviews some of the main types that currently operate.

## Lottery Scams

Many people receive bogus e-mails notifying them they have won a lottery. The majority of these scams are either the 'Dutch Lottery', 'Spanish Lottery' and 'Canadian Lottery' schemes (although there are many others). The theme is always the same and they make a lot of money. For instance, the Canadian Lottery scam netted over \$5 billion from US victims and is making around £500,000 a month in the UK. Typically, a person receives an e-mail saying that they have won a lottery and they need to reply to claim their winnings. If the person replies, they will then receive **e-mails**, or sometimes phone calls and faxes that move the person on to the next phase of the fraud. The person will be told that they need to pay a fee - which can be variable - to cover transfer and administration costs (sometimes termed an "unlocking fee"). Sometimes the fraudsters ask for a person's bank details so that they can deposit the winnings. When this happens, the fraudsters can also steal money directly from a person's account. The obvious reason **why such** e-mails are fraudulent is that the person has not bought a lottery ticket. However, fraudsters have started to use slightly different tactics. Below is an extract from a recent e-mail that I received :

"We are pleased to inform you of the result of the Lottery Winners International programs held on January 14, 2004. You have therefore been approved a sum pay out of US \$500,000. CONGRATULATIONS!!! Due to mix up of some numbers and names, we ask that you keep your winning information very confidential until your claim has been processed and your prize/money remitted to you. This is part of our security protocol to avoid double claiming and unwarranted abuse of this program by some participants. All participants were selected through a computer ballot system drawn from over 200,000,000 company and 300,000,000 individual e-mail addresses and names from all over the world."

Here, the person appears to have had their e-mail address randomly selected into a prize draw (rather than having to have bought a ticket). To claim the prize, recipients of the

e-mail are again asked to pay an administration fee. One of **the** more worrying aspects is that those people who have responded to these types of schemes and frauds before will **find** themselves named on "mooch" and "sucker" lists which are sold by specialist brokers to the fraudsters. If a person has been duped once, they will almost certainly be targeted again.

## Fake Gambling Site Scams

One **of the** most common fraudulent practices is **when** unscrupulous individuals steal materials from legitimate online gambling sites. Whole web site designs can be stolen **including the** graphics and general design. Such people rely on the fact that many gamblers have made the decision to gamble even before logging on. The urge and desire to gamble can help overcome a person's ability to think rationally and/or their instinctive mistrust of the Internet. Fake sites have to look safe, reputable, and trustworthy. To avoid spending money on web site design and development, the fraudsters simply steal existing designs. Some fake sites even go as far as making identical copies of winners' pages and testimonial pages of legitimate sites. This reinforces the idea that the site has hundreds of happy and **satisfied** customers. Only those who are intimately familiar with the "host" or original site would notice such a fraud.

## Betting Software Scams

Internet sports or casino gambling services often require that an individual purchases software - often at a cost of one or two thousand pounds. This supposedly enables an individual to predict the outcome of horse races or lotteries. However, it is not possible to predict the outcome of random events such as horse races with any certainty. Betting software is often marketed by showing what an individual would have made had they invested money in the previous year. Here, it is easy for the fraudster to demonstrate that a lot of money could have been made when they know which horse won every race. A variety of overseas lottery tickets are also marketed **and sold** by direct mail in many countries. Very few are legal and fraud is often involved.

## Gambling "Bonus" Scams

Many online gambling sites offer incentives to get the gambler to play on their site. These include legitimate schemes such as VIP membership, loyalty schemes, and various types of deposit bonuses (ie, the gamblers get a cash bonus if they register with the site). One of the legal (but highly exploitative) ploys to get people to gamble, are those sites which require excessive play (or to have gambled a pre-set **amount** of money) before the cash bonus is awarded. However, there are some "bonus" practices that go beyond exploitation and are clearly fraudulent. One of the simplest, and most effective of the bonus scams is targeted at players that have been banned from a casino. Since online casinos are always in need of known paying customers, this works by drawing in banned gamblers who have moved on to other sites. The gamblers receive an e-mail offering them a

cash bonus if they deposit money into their existing account. However, after the gambler has deposited the money, they do not get their bonus. The online casinos tell the player they are not eligible to receive a bonus because they were banned. Gamblers then tend to play their deposit anyway - which is exactly what the operators were hoping for. Furthermore, some online casinos cite "bonus abuse" as the reason for not paying winnings, knowing there is no governing body who can act against them.

## The "Twofer" Scam

Another unscrupulous tactic is where online gambling sites that have conned a gambler once, do it again (a "two-for-one" scam). If a gambler has signed up to a particular online casino that takes all their money and then disappears, there is little a gambler can do. Quite often, months after being ripped off, a gambler may start to get e-mails from a new gambling site set up by the fraudsters who conned the gambler in the first place (although the gambler is unlikely to know it is the same organization). They know where to reach the gambler because of the registration form that the gambler initially filled out to join the now disbanded online casino. The fraudsters will e-mail compelling offers, rewards packages, and CD software (basically anything to get the gambler back). The fraudsters then do exactly the same again.

## Prize Scams

Although prize scams are not gambling, they are extremely popular with fraudsters and, like gambling, play on the psychology of greed. Anyone reading such a scam is promised a fabulous prize that they are guaranteed to have won. All an individual has to do to claim the prize is pay a small administration fee - which they never see again. They do not get the prize either. Other prize scams include the use of pop-up windows with congratulatory messages such as "Well done! You're today's Internet winner. Dial [telephone number] to claim your award of a holiday/television/car!!!" The pop-up is basically an advertisement as the "prize" is usually a worthless discount voucher or similar.

Hopefully I have shown that technology is being used to exploit and defraud thousands of people. The reason why gambling is such a growth area for fraud is because many gamblers themselves want to get a huge reward from a small outlay (just as the fraudsters do). As long as there are people who are prepared to risk money on chance events, there will be those out there who want to take their money from them.

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