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Subject: Car Insurance Scam Nuked

Posted by [The Party](#) on Mon, 25 May 2009 00:30:36 GMT

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Quote:FTC nukes "extended warranty" robocallers from orbit

If you live in the US, you've probably received illegal telemarketing calls claiming that your car warranty is about to expire—even if you don't own a car. The brazen "extended warranty" scam has now been busted by the Federal Trade Commission, which filed a pair of federal lawsuits to take over the companies behind the calls.

received the call again yesterday, as I have once a month for the last year. My auto warranty was expiring, it said, and I should press 1 to speak with a "warranty specialist" about extending it. The calls were blatant violations of US telemarketing rules: no company name was given, incorrect caller ID information was displayed, and I had been on the government's Do Not Call list for years. Yet the calls continue. Oh, Federal Trade Commission, (ostensible) consumer watchdog, will you not bark?

Thirty thousand people with more initiative than I possess managed to dig up the real numbers of the telemarketing firm behind the calls, and they complained to the FTC, which yesterday went nuclear on the alleged perpetrators. The government filed a federal lawsuit in Chicago asking for a restraining order against the companies involved, an asset freeze against the defendants, and a court-appointed receiver who could take over their businesses. The FTC seeks to claw back all of the money made by the firms, planning to use it for "consumer redress."

Who are you?

If you live in the US, you probably got a call—even 911 dispatchers did. That's because the telemarketers, based in Chicago and Florida, used robodialing systems to call through every phone number in an area code, repeatedly. They didn't bother targeting people who had recently purchased vehicles; in fact, they did no targeting at all. This was brutal, brute-force stuff, the most obviously illegal telemarketing scheme seen on this scale since the Do Not Call list went into effect.

"This is one of the most aggressive telemarketing schemes the FTC has ever encountered," said FTC Chairman Jon Leibowitz. "I'm not sure which is worse, the abusive telemarketing tactics of these companies, or the way they try to deceive people once they get them on the phone. Either way, we intend to shut them down."

Why would defendants Voice Touch and Network Foundations take the risks alleged in the complaint? Money. The FTC estimates that one of the companies selling the extended warranties made more than \$10 million on them, while the telemarketer who placed the calls on behalf of such companies (yes, there are many of them) did more than \$40 million worth of dialing and made more than 1.8 million calls per day.

Despite the scale of the operation, owners didn't believe they could be caught. According to the FTC, "Some of the defendants used offshore shell corporations to try to avoid scrutiny, and a top officer in the telemarketing company bragged to prospective clients that he could operate outside

the law without any chance of being caught."

The companies providing the "warranties"—really mediocre service contracts provided by third parties for \$2,000 to \$3,000—did everything they could to sound like they were affiliated with the carmakers. The FTC obtained the training manuals and telemarketing scripts of one such company, Transcontinental.

Transcontinental's training manual states that if asked the question, "Who Are You?," telemarketers are to respond: "We are the Warranty Service Center. We provide warranty services for \_\_\_\_\_ (Ford, GMC, Honda, Toyota, Nissan, etc.) throughout the United States and Canada." Similarly, defendants' telemarketer who trains new employees, referred to himself as an "administrator" for the consumer's automobile manufacturer during a telemarketing call. Defendants' telemarketers who are unwilling to lie about their affiliation are instructed to simply hang up on any consumer who asks them the name of their firm, or face termination.

The firms have been operating openly since 2007, and though it has taken the FTC a long time to collect its evidence, track down witnesses, and gather internal documents, it looks like the scammers behind the calls may finally come to justice. If they do, perhaps their punishment could be selected using a touch-tone phone: "Press 1 to pay an astronomical fine, or press 2 to rot in jail. To hear these options again, please stay on the line..."

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