

Media Release

MFSC

MALTA FINANCIAL SERVICES CENTRE

To: All Media

Release: Immediate

Date: 22 August 2002

Subject: Advance Fees fraud (or “Nigerian letter scams”)

If you have been contacted by someone from Nigeria asking for your help in transferring money out of the country, then you are one of thousands of people all over the world who have been targeted by what is sometimes called the “Nigerian letter scam” or “Nigerian advance fee fraud”. Although “Nigerian” is the name given to it, this scam is international. The letter or email you get may also pretend to come from another country, such as Sierra Leone, the Congo or South Africa. In fact, the scam operator may be in the US, or Europe, or anywhere.

From time to time, the Malta Financial Services Centre (MFSC) receives copies of such letters or e-mails purporting to come from Nigeria or some other exotic country offering “too good to be true” rewards in return for “assistance” usually related to the transfer of funds from that country to the country of the recipient of the letter or e-mail. Indeed, during these past few weeks, a number of persons have copied the Centre with various forms of these scam letters. Certain sections of the press have even gone further of publishing these letters with a view to raising people’s awareness about these scams.

Despite the fact that the Central Bank of Malta and the MFSC have in the past issued warnings against these letters, the Centre is aware that there are still a number of people who are misguided, not adequately informed or who have fallen victim of these scams.

A few months ago, a person contacted the MFSC after he was warned by a sharp bank cashier that he was about to be swindled around Lm2,500 if he proceeded with the transfer of funds to a foreign bank account in exchange for some documents relating to a will made by an ex-Nigerian militia man who had left millions of dollar bills stashed in a vault somewhere in Nigeria. This person, in his early 20s, told us that he was very excited by the proposal of earning so much money with doing very little nothing – except for paying this fee (and perhaps others) in the meantime. Unfortunately, he had never heard of these scams before.

This warning is therefore intended to these persons, but even to those persons who know that these are scams, but are not sufficiently aware as to why they are considered as such.

How the scam works

The scam varies, but usually a person receives a letter, or more often, a fax or email offering a business “proposal” or transaction. One will often wonder how his postal or e-mail number ended up being targeted by these fraudsters. Indeed, fraudsters have become even more sophisticated by personalising their scam e-mails. One should not be deceived by this, however. Computer software now makes it easier to personalise e-mails and specialised software enables “trawling” of e-mail addresses from websites without prior contact. Victims’ addresses are also obtained from telephone and e-mail directories.

The person writing may claim they are a government official, the widow of a government official, or from a charity or business group. The fraud is perpetrated by enticing the victim with a bogus “business” proposal which promises millions of US dollars as a reward.

The scam letter usually promises to transfer huge amounts of money, usually in US dollars, purported to be part proceeds of certain contracts, to the addressee’s bank account, to be shared in some proportion between the parties. This is only the beginning.

If the addressee replies, a favourable response to the letter is followed by excuses why the funds cannot be remitted readily and subsequently by demands for proportionate sharing of payments for various “advance fees” (e.g. customs, taxes, bribes) supposedly to facilitate the processing and remittance of the alleged funds. The use of “fake” official documents is a common practice. These fees are the real purpose of the scam, and may add up to tens of thousands of dollars. That is why such scam letters are also known as “advance fee letters”.

Various forms of the same scam

The frauds that have been discovered to date have taken a variety of forms. They generally describe the need to move funds from these countries (e.g. Nigeria, Sierra Leone and others) and seek assistance of the victim in providing bank account details in an overseas country and administration fees needed to facilitate the transaction. The victim is offered a commission which could be around 40 per cent of the capital involved. Capital sums of USD20 million or more are often mentioned, thus creating a potential reward for the victim of up to USD16 million. An advance payment that could add up to USD50,000 is usually required – which represents the amount stolen.

Letters have been sent to victims indicating that millions of dollars have been left to them in deceased estates and inviting them to claim the money. Such letters are often accompanied by fraudulent wills of deceased foreigners and are sent to their relatives from bogus firms of lawyers.

Victims are required to pay certain fees in advance of receiving their reward which, of course, does not exist.

Another scheme involves victims being given apparently legitimate documents emanating from sources such as the Nigerian Government, the Nigerian National Petroleum Company, the Central Bank of Nigeria or Nigerian solicitors indicating that sums of money need to be moved out of Nigeria in order to prevent confiscation. Victims are asked to provide bank account details as cover to support the legitimacy of the transaction. Over time, the victims are then asked to provide sums of money in order to facilitate the transaction, such as for government taxes, processing fees, audit fees, insurance or bribes for officials.

Some schemes entail victims receiving correspondence that purports to represent some contractual arrangement with Nigerian government officials or businessmen, usually offering substantial gains for little investment. The transactions may involve the recovery of contractual funds, crude oil shipments or over-invoiced payments, all of which are non-existent. In order to facilitate arrangements, victims are asked to supply bank account details and later money to pay legal fees, taxes, bank transfer fees or bribes.

Has action been taken?

These scams are not confined to one particular country or region. Indeed, these scams are another form of transnational organised crime. Advance fee fraud is difficult both to detect and to prosecute. Offenders have employed various tactics to foil investigations. Various countries have adopted specialised legislation to facilitate prosecution of offenders – when these are identified. However, not all legal obstacles have been addressed. Besides tackling the problem from a legal point of view, various countries – including Nigeria through its Central Bank in Abuja (<http://www.expdisc.com/cbn.htm>) – have taken a preventive approach by addressing local and international communities as to the risks involved in replying to these advance fee letters.

The use of e-mail to disseminate advance fee letters represents a particular problem because it not only enables offenders to disguise their identity and to target hundreds of potential victims more easily, but also makes it difficult to identify the place of origin of the message and where victims are being identified.

Although these scams could be considered as amounting to a criminal offence, the nature of this scam is such that it crosses many national boundaries. Even the responsible government agencies may be limited in what they can do. The best way to stop this fraud is to reduce the pool of potential victims by increasing education and awareness about these crimes.

What can you do?

You are again warned in your own interest not to become yet another victim to these fraudulent solicitations or schemes. Make sure you are smarter than the scamsters. Read and understand the following golden rules to avoid becoming a victim of these scams.

Rule 1. If it sounds too good to be true, it probably is not true! Your alarm bells should ring loud and clear when you hear phrases like “high returns with low risk” and “get rich quick”. “No risk” often means the biggest risk of all. It is virtually impossible to become rich overnight. If you want to get rich quick, you have to work hard for it. These scams will not make your dream of becoming a millionaire overnight come true. Indeed, if you fall into these fraudsters' trap, you will realise that you will no longer dream of becoming a millionaire, but of your expensive mistake.

Rule 2. These financial scams appear ruthless and simple. They appeal to our greed and our desire to avoid the work involved in solid long-term investing. Do not take heed of what they are promising you.

Rule 3. Never give your bank account number, credit card number or other personal details to unauthorised people.

Rule 4. If in doubt, check it out! Seek professional advice from a licensed financial intermediary. They are better placed to guide you and inform you of these scams.

Rule 5: For more information, contact the Consumer Affairs Office, Malta Financial Services Centre on 2144 1155. The guide published by MFSC “Invest Wisely! It’s your money!” provides information about how to be aware of fraudsters and how an investor can protect himself from falling for scams. One can obtain copies of the guide from licensed financial intermediaries or from the MFSC direct.

What to do next?

If you receive a scam letter in your mailbox, take no notice of it and trash it immediately. Do not waste your time reading it, either. These letters are poking fun at your intelligence and your pockets. Moreover, the Centre would be pleased to learn of other scams which one may encounter from time to time with a view to making the public aware.

Notes to Editors

1. A few months ago, the Malta Financial Services Centre published a 60-page full colour guide – “Invest wisely! It’s your money!” – to provide a better understanding of investments to first-time or inexperienced investors. “Invest Wisely! It’s your money!” is an easy-to-read guide available in both Maltese and English and will be of interest to those who want to know more about investing. The guide is available to the investing public at no cost from various locations including licensed financial services intermediaries, bank branches, the MFSC, Central Bank of Malta, the Malta Stock Exchange and Local Council offices.

2. The web site www.mfsc.com.mt/consumer has been developed to facilitate the dissemination of information provided through the guide “Invest wisely! It’s your money!” The site now also includes a section called “What’s new?” This is a collection of articles, presentations, media releases and replies to queries on investment services and the world of financial services which the MFSC receives from consumers.

For more information about this media release, please contact Geoffrey Bezzina, Consumer Complaints Manager at the Malta Financial Services Centre on 21441155 ext 313.

This media release can also be published as a feature article.