

## Looking to Earn Extra Income? Rule Helps You Avoid Bogus Business Opportunity Offers

**M**aybe you've seen ads for stuffing envelopes or assembling crafts at home. Perhaps a company says it can help you set up a vending business. Before you sign on the dotted line or send money to buy a business opportunity, find out about the Business Opportunity Rule, enforced by the Federal Trade Commission, the nation's consumer protection agency. The Rule puts safeguards in place to make sure you have the information you need to evaluate whether a bizopp is risky business.

How does the Rule protect people thinking about buying a bizopp? **First**, it requires sellers covered by the Rule to give you a one-page disclosure document outlining important facts about the opportunity. **Second**, if sellers make any claims about how much money you might make, they have to give you a separate paper with more specifics. **Third**, the Rule makes clear that certain practices are against the law.

### The disclosure document

Under the Rule, sellers have to give you a one-page disclosure document that offers five key pieces of information. Use the information in the disclosure document to fact-check what the seller tells you about the opportunity and what you find out from your own research.

The document has to:

- identify the seller;
- tell you about certain lawsuits or other legal actions involving the seller or its key personnel;
- tell you if the seller has a cancellation or refund policy. If so, what are the terms of that policy?

- say whether the seller is making an earnings claim. If so, the seller has to give you another document called an earnings claim statement; and
- give you a list of references.

The Rule says that a seller has to give you the disclosure document at least seven days before you sign a contract or pay them anything. Use that time to check out the information in the disclosure document, including contacting references. Be aware that some questionable bizopp promoters have been known to name “insiders” who give glowing – but bogus – recommendations. Don’t just talk to the few people they suggest. Choose whom to contact. What if what the seller is telling you is different from what’s on the disclosure document or what you hear from another buyer? Step on the brake. An inconsistency could be a tell-tale sign of a bizopp rip-off.

In addition, the disclosure document has to be in the language the seller used to offer you the bizopp. If you discussed the deal in a language other than English, the document has to be in that language. Also, the seller has to make it clear that if you buy a business opportunity from them, your contact information will be given to prospective buyers in the future.

### **The earnings claim statement**

What if the seller makes a claim about how much money a person can earn? Under the Rule, they have to give you a separate document that says in big type across the top: **EARNINGS CLAIM STATEMENT REQUIRED BY LAW.**

This document has to include:

- the name of the person making the claim and the date;
- the specifics of the claim;
- the start and end date those earnings were achieved;
- the number and percentage of people who got those results or better;
- any information about those people that may differ from you – for example, the part of the country where they live; and
- a statement that you can get written proof of the seller’s earning claims if you ask for it.

Since the Rule gives you the right to see written proof for the seller’s earnings claims, savvy buyers exercise that right and study those materials carefully. Compare that information to what the seller has told you about how much money people make. If the dollar amounts don’t line up, your best bet is to walk away. Like the disclosure document, the earnings claim statement has to be in the same language that the seller used to communicate with you.

### **Misleading claims**

The revised Business Opportunity Rule spells out that certain practices are against the law. For example:

- It’s illegal for bizopp sellers to say anything that contradicts what’s in their disclosure document and earnings statement.
- Under the Rule, sellers can’t claim they’re offering you a job when they’re really promoting a business opportunity.
- The Rule makes it illegal for sellers to misrepresent the nature of the investment – for example, to claim they’ll help you line up locations, outlets, accounts, or customers or that you’ll have an exclusive territory if it’s not true.

The revised Rule puts new protections in place for prospective buyers. But for added

protection, take the time to find out what the Rule requires of *sellers*. Did they give you the disclosure document with the five key pieces of information? If they made earnings claims, did they give you a separate statement with the specifics? If you spot a seller who isn't complying with the law, it's a red flag: You could be in the cross hairs of a bizopp scammer.

What else can you do to add an extra layer of protection? Before you buy a business opportunity:

- ✓ Study the disclosure document, the earnings claim statement, and the proposed contract.
- ✓ Insist on seeing proof in writing for earnings claims, including statements like “Earn up to \$10,000 a month!” Phrases like “up to” aren't a way out for the seller. It's an earning claim and it's your right to demand proof.
- ✓ Interview current owners of the seller's business opportunity. Ask the tough questions – like if the information in the disclosure document matches their experience with the company.
- ✓ Listen to sales presentations with a critical ear. They are – of course – trying to sell you something.
- ✓ If a seller doesn't give you the information you know they have to provide, walk away.
- ✓ Consider getting professional advice. Ask a lawyer, accountant, or business advisor to read the paperwork before you sign.
- ✓ Check out the seller with your local consumer protection agency, state Attorney General's Office, and the Better Business Bureau. Do a few internet searches by entering the company's name and “complaint” or “scam.” You could get an eyeful. But be wary: No complaints doesn't

necessarily mean the company is legitimate. And scammers have been known to post phony testimonials online.

### **Report Possible Fraud**

If you suspect a bizopp seller is fraudulent, report it to:

- The state attorney general's office both where you live and where the business opportunity promoter is based.
- Your county or state consumer protection agency. Check the blue pages of the phone book under county and state government.
- The Better Business Bureau in your area and the area where the seller is based.
- The FTC. File a complaint online at **ftc.gov** or call toll-free 1-877-FTC-HELP (1-877-382-4357).

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a video, *How to File a Complaint*, at **ftc.gov/video** to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	<a href="http://ftc.gov">ftc.gov</a>
1-877-FTC-HELP	FOR THE CONSUMER