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Older People and Consumer Fraud

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Older Australians are less likely than younger people to be victims of consumer fraud. However, of all the crimes perpetrated against older people, fraud is one of the most common. So although the prevalence of this crime is relatively low, consumer fraud is a greater issue for older people than are many other types of personal crime.

This paper focuses on the prevalence, victim characteristics and types of fraud to which older people are at risk. This important information is taken from data collected for the Australian Crime Victims Survey conducted in 2000. The survey data is based on self-reported experiences of crime victimisation. For this analysis, respondents have been divided into two age categories: 16 to 64 years, and 65 years and over, and their responses compared.

It was found that older people are more at risk when they are more socially, commercially and financially active, as such activity exposes them to a greater number of potentially deceitful transactions. Specific types of transactions are also analysed. For example, older people are more likely to be victims of investment/insurance fraud than younger people, but less likely to be victims of Internet fraud or vehicle purchase fraud.

The paper concludes by considering possible prevention strategies, including public awareness programs and legislation directed at activities related to consumer fraud.

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Consumer Fraud

Consumer fraud practices generally fall into one of four categories (Verniero & Herr 1997):

- pretending to sell something you do not have, and taking money in advance;
- supplying goods or services which are of a lower quality than those paid for, or failing to supply the goods and services sought;
- persuading customers to buy something they do not really want through oppressive marketing techniques; and
- disguising one's identity in order to perpetrate a fraud.

Such fraudulent practices may be present in various business transactions carried out through telemarketing, Internet sales, door-to-door sales and mail orders. They may also arise in contracts relating to home repairs and home construction, buying and servicing motor vehicles, or purchasing health care products and services. Fraud can occur through financial transactions made by cheque, credit card or electronic funds transfer (such as ATM and EFTPOS). Other types of financial fraud, in particular against older people, can happen through mismanagement of financial affairs, and misuse of enduring power of attorney and guardianship arrangements (see Smith 2000).

It has been estimated that in the United States, US$40 billion is lost annually through the fraudulent sale of goods and services over the telephone. Further, up to 10 per cent of telemarketing firms operating in the United States may be fraudulent (Aziz et al. 2000). One US survey revealed that 56 per cent of telemarketing fraud victims were 50 years of age or older (Aziz et al. 2000). It was also found that most victims of fraud were well educated, had above-average incomes and were socially active. Less than five per cent of victims thought that a telemarketer could be a criminal and 40 per cent said that they could not distinguish legal from illegal telemarketing (Aziz et al. 2000).

A different survey, also conducted in the United States, identified the following types of fraud as being the most harmful to older people (Special Committee on Aging, United States Senate 1983):

- medical-related fraud;
- home repair and improvement fraud;
- swindling schemes or confidence games;
- insurance fraud;
- social fraud (that is, charity fraud, “dues” for social clubs);
- housing, land sale and rent-related fraud;
- business opportunity fraud;
- nursing home fraud;
- automobile purchase and repair fraud; and
- funeral fraud.

In general, there is a lack of information on the nature and extent of consumer fraud in Australia. It is a heterogeneous offence that could be classified under any of the following offence groups (Australian Bureau of Statistics 1997):

- cheque or credit card fraud;
- fraudulent trade practices;
- misrepresentation of professional status; and
- non-fraudulent trade practices.

Uniform national statistics are not available for any of these offences.

In March 2000, the Australian Institute of Criminology conducted the 2000 Australian Crime Victims Survey. For the first time, this survey collected data on respondents’ experiences with consumer fraud. The data from that survey are used here to:

- examine the extent of consumer fraud victimisation against older Australians;
- compare the seniors’ experiences of consumer fraud to those of younger persons;
- identify personal and household factors that increase the likelihood of fraud victimisation among older persons;
- examine patterns of reporting behaviour (among older victims of fraud) to the police and other agencies; and
- identify opportunities for the prevention of consumer fraud.

The 2000 Crime Victims Survey

The Australian Crime Victims Survey was an Australia-wide survey of victims of crime commissioned by the Australian Institute of Criminology and conducted by the Roy Morgan Research Company. Data collection took place in April 2000 using computer-assisted telephone interviewing and was carried out in two phases. During the first phase, which was part of the International Crime Victims Survey, a sample of 2,005 people was selected from the total population aged 16 years and over. The second phase collected data on the victimisation experiences of 1,026 people aged 65 years and over. The final sample, therefore, was 3,031 respondents. Of these people, 1,334 were aged 65 years and over. The overall response rate was 56 per cent (similar to the response rates of most non-compulsory social surveys), with the response rates for the two stages being similar to each other.

The survey included four questions relating to consumer fraud. The first question asked all respondents whether or not they had been the victim of consumer fraud during 1999.[1] Those who were victimised were also asked:

- what the last fraudulent activity related to; and
- whether they, or anyone else, reported the most recent incident to the police or to another agency.

The questions refer to the most recent incident experienced by the victim. As a result, they are far from ideal in providing indicators of the prevalence and incidence of consumer fraud because they refer only to the most recent experience of fraud. This leads to an underestimation of the incidence of fraud in Australia.

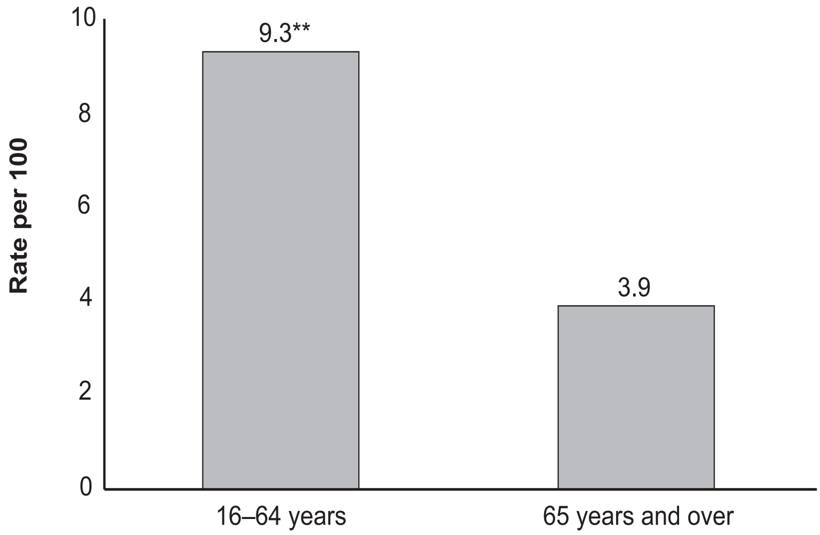
Activities associated with the last incident of consumer fraud were categorised into one of the following groups:

- home—for example, construction, building or repair work;
- mechanical—for example, work done by a garage or mechanical workshop;
- vehicle purchases;
- shopping purchases—for example, purchases at a shop or supermarket;
- other purchases—for example, Internet sales, telemarketing, mail-order purchases, television sales, door-to-door sales and credit card purchases;
- financial—for example, refusal of refund, failure to receive a service previously paid for, cheques bouncing, company bankruptcies;
- investment / insurance fraud; and
- other types of fraud not elsewhere classified.

Prevalence of Consumer Fraud Among Older Australians

Australians aged 65 years and over were less than half as likely as younger people to be the victims of consumer fraud (Figure 1). This was true irrespective of gender. This finding is consistent with the first

Figure 1: *Victims of consumer fraud per 100 persons by age group, 1999*



** Difference between 16–64 years and 65 years and over groups was significant at the 1% level.

Source: Australian Institute of Criminology, Australian Crime Victims Survey 2000 [computer file]

national survey of fraud victims in the United States which found that older people were three times less likely to be victims of fraud than younger persons (Titus, Heinzelman & Boyle 1995).

Despite its low prevalence, consumer fraud is seen as a greater issue for older people relative to other types of personal crime (Carcach, Graycar & Muscat 2001). Among the older age group, consumer fraud was 2.2 times more frequent than assault, 2.4 times more frequent than theft, and 13 times more frequent than robbery. Among young people, the difference in risk between consumer fraud and other personal offences was less marked.

Reporting behaviour is typically measured by the extent to which victims of crime report incidents to the police. In the case of consumer fraud, the police may not be the only appropriate agency, and hence it is necessary to also examine consumer protection agencies offering assistance to victims (Copes et al. 2001).

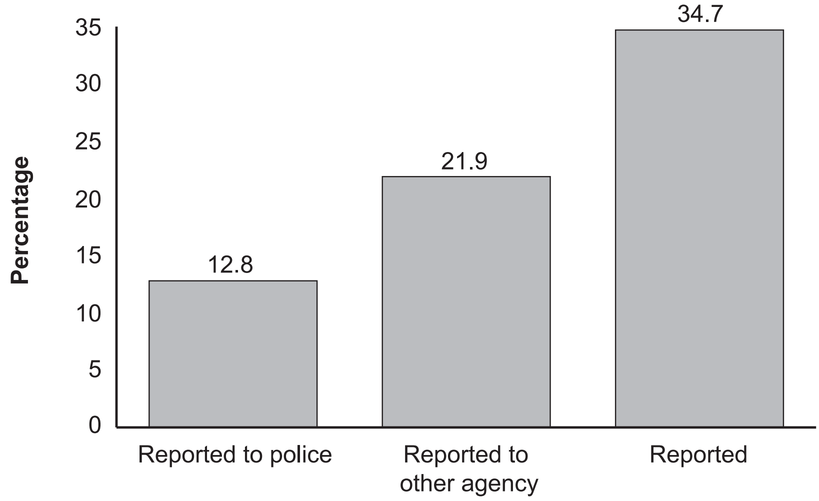
Thirty-five per cent of all victims of fraud reported the last incident to either the police (13%) or another agency (22%) (Figure 2). Reporting patterns were similar among younger and older persons. The overall reporting rate was similar to that found in the United States (Bass & Hoeffler 1992; van Wyk & Mason 2001). Titus, Heinzelman and Boyle (1995), also for the United States, found nine per cent of victims reported the last fraud to the police, but only six per cent did so to another agency.

Several explanations have been suggested for the relatively low level of reporting by victims of consumer fraud, including the victim's perception of the crime, and perhaps a feeling that he or she was partly responsible by failing to take the proper precautions (Titus & Glover 1999). Other factors may be the perceived seriousness in terms of the "relative" financial loss incurred, the victim's relationship to the offender, or experience in dealing with the legal process (Copes et al. 2001). The Australian Crime Victims Survey did not ask victims of fraud about their reasons for reporting or not reporting incidents to the police or another agency.

Victim Characteristics

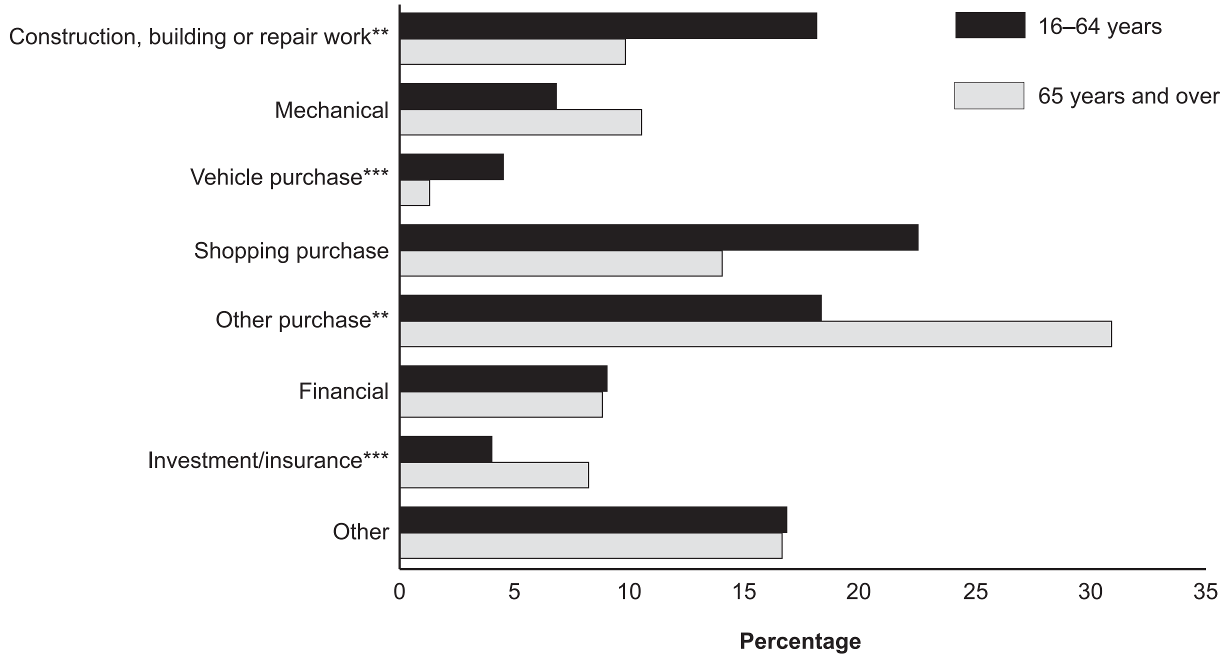
People who are young, sociable in nature, tertiary educated and take financial risks have been shown to be at greater risk of fraud (Titus, Heinzelman & Boyle 1995; van Wyk & Mason 2001). While fraud risk has not been looked at in relation to older people

Figure 2: *Victims of consumer fraud reporting the last incident to the police or another agency, percentage, 1999*



Source: Australian Institute of Criminology, Australian Crime Victims Survey 2000 [computer file]

Figure 3: *Types of consumer fraud experienced by victims by age, percentages*



*** Difference between 16–64 years and 65 years and over groups was significant at the 10% level.
** Difference between 16–64 years and 65 years and over groups was significant at the 5% level.
Source: Australian Institute of Criminology, Australian Crime Victims Survey 2000 [computer file]

specifically, van Wyk and Mason (2001) argue that their lesser vulnerability reflects more modest financial risk-taking, lower levels of product investment and less socialisation with strangers. Moreover, older people are less likely to be in the workforce, perhaps less likely to repair or upgrade their homes, purchase cars and so on. In other words, older people are seen as being at less risk simply because lifestyle differences limit the opportunities for fraud to which they are exposed.

van Wyk and Mason (2001) measured financial risk-taking behaviour through a series of questions relating to money management. They measured the degree of socialisation in terms of participation in community activities, as well as social activity among friends. Similar items were not available from the Australian Crime Victims Survey. Rather, the frequency of going out in the evening for entertainment was used as a combined measure for both money management and social behaviour. Risk of fraud was also measured by the extent of other personal victimisation. The assumption here was that, generally speaking, lifestyle patterns that increased fraud risk would also heighten risk of interpersonal crime.

Following van Wyk and Mason (2001) and Titus, Heinzelman and Boyle (1995), the analysis controlled for the effects of education, income and sex. This study used the technique known as exact logistic regression to assess the effects of previous victimisation and frequency of night activities outside the home on the risk of fraud among older Australians.[2] Having been a victim of personal crime (robbery, assault, personal theft) had the strongest effect on the probability of fraud victimisation among older people, with victims of personal crime 3.5 times more likely to be defrauded than non-victims. Over and above this, older people who went out in the evening at least once a week were also about twice as likely to be victims of fraud compared to the less sociable.

Types of Fraud

Victims were asked to describe the most recent incident of fraud they had experienced. This information was reclassified into eight major groups, namely:

- construction, building or repair work;
- work done by a garage / repairer;
- vehicle purchase;
- shopping purchase;
- other purchase;[3]
- financial;[4]
- investment / insurance; and
- other types of fraud.

Examination of the percentage distribution of fraud experiences by type indicates that, compared to younger victims, older Australians had a higher incidence of fraud victimisation related to investment/insurance and "other purchases". Investment/insurance fraud accounted for eight per cent of all the incidents of fraud among older persons, while contributing four per cent to the total fraud for younger Australians. About one-third of incidents of fraud against older persons were related to "other purchases" compared to one-fifth among younger persons. On the other hand, older victims experienced a lower incidence of fraud relating to vehicle purchases and construction/building/repair work compared to victims aged between 16 and 64 years (Figure 3).

No significant differences between the older and younger victims were detected for fraud relating to financial transactions, mechanical repairs, shopping purchases and "other types of fraud".

"Other purchases" and "investment/insurance" are the types of fraud more frequently reported by older victims compared to younger ones (Figure 3). Taken together, these types of fraud accounted for 22 per cent of incidents of fraud committed against victims aged 16 to 64 years and 39 per cent of incidents committed against victims aged 65 years and over.

Within the category of "other purchases", older victims did not experience incidents of fraud relating to credit card purchases or Internet sales (Table 1). This reflects the fact that older persons are less likely than younger persons to engage in Internet shopping (Australian Bureau of Statistics 1998). No significant differences between age groups were detected for the remaining types of "other purchases".

Conclusion

In terms of the crimes measured by the Australian Crime Victims Survey, consumer fraud was among the most prevalent, particularly in the case of older Australians. The results show that although the risk of being defrauded was significantly greater for younger persons, consumer fraud made up a larger component of older people's experiences with crime in general, compared to persons aged 16 to 64 years. Younger and older victims of fraud were found to be equally as keen to report the incident to the police or other agencies.

The findings in this paper indicate that those older people who are at risk of consumer fraud (a minority) are also more likely than other older people to experience personal crime (robbery, assault or theft). The chance of being defrauded also seems to be independently linked to having a more active social life (measured here by the frequency of going out in the evening). This is consistent with the idea that being more socially active goes hand in hand with being more commercially and financially active, and thus more exposed to possible deceitful transactions. In this sense, older Australians are no different from the rest of the population. It may be, though, that when they are defrauded, the consequences are more upsetting and financially damaging for older people. While there is no direct evidence on this, it is a plausible suggestion.

When they *are* victims of fraud, older Australians appear more likely than the young to be susceptible to fraud related to shopping from home and transactions relating to investment or insurance. The survey did not find any victims of Internet-sales fraud aged 65 years and over. As expected, younger victims of fraud seem to be more prone to incidents associated with construction/building/repair work and vehicle purchases.

In terms of prevention, there is a role for public awareness programs to increase understanding of how consumer fraud can be perpetrated, what exactly it constitutes, and how to guard against it. Being aware of the risks and keeping informed of ways in which to avoid them are very important protective devices against consumer fraud. Alerting older people, and the general population, to these issues will

Table 1: *Types of fraud relating to "other purchases" by victim's age, percentages, 1999*

	16 to 64 years	65 years and over	Total
Credit card purchases	14.0	0.0 **	12.4
Door-to-door selling	18.0	31.7	19.6
Fax machine sales	5.0	0.0	4.5
Internet sales	11.7	0.0 **	10.4
Items bought over the telephone	14.9	22.5	15.8
Mail-order purchases	18.8	20.0	18.9
Telemarketing	8.8	12.2	9.2
Television sales	8.7	13.5	9.3

** Difference between 16–64 years and 65 years and over groups was significant at the 5% level.

Source: Australian Institute of Criminology, Australian Crime Victims Survey 2000 [computer file] help them to avoid the potentially disastrous consequences which consumer fraud can entail.

Specific legislation should also be enacted to make all aspects of consumer fraud illegal. This would raise awareness further of the problem of consumer fraud directed at older people and ensure that relevant cases could be prosecuted effectively. In the United States, for example, specific legislation has been enacted to make certain telemarketing practices illegal. In Australia, the Australian Competition and Consumer Commission has adequate powers to investigate and prosecute misleading and deceptive practices, whether they affect older people or others.

Notes

1 The exact wording of the screener question was: "Now changing the subject a little, last year, in 1999, were you the victim of a consumer fraud? In other words, has someone—when selling something to you, or delivering a service—cheated you in terms of quantity or quality of the goods or services?" (van Kesteren, Mayhew & Nieuwbeerta 2000, p. 168).

2 Exact logistic regression is a technique used to analyse small or sparse data sets (Derr 2000). The models used in this paper were developed using the SAS STAT software.

3 Shopping fraud involved a shop or supermarket, whereas "other purchases" generally involved frauds where the offender came to the victim, such as in the case of door-to-door sales, telemarketing, television sales and Internet sales.

4 Financial fraud involved such things as refusal of refund and failure to receive a service previously paid for.

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