

ENTREPRENEURS
VERSUS
CHEATERS

Vladimir John

MERIGLOBE ADVISORY HOUSE

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ENTREPRENEURS VERSUS **CHEATERS**

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52 STORIES ABOUT
THE TYPES OF FRAUD
MOST FREQUENTLY
COMMITTED AGAINST
SERIOUS BUSINESSPEOPLE

The Truth
Revealed
about
Business
Risk



MERIGLOBE
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INTRODUCTION

In life, and therefore also in business, we naturally have faith in human goodness and justice. That's the way it should be. However, trusting people doesn't mean you should blindly believe everyone or gullibly close your eyes, refusing to see that the world around you can sometimes be really unkind. Victims of fraud are most typically people who don't want to see reality as it is. And reality shows us that, besides honest people, there are individuals among us whose meaning in life is to cheat others.

You may come across a cheater anywhere you go. Such people are usually ready to mercilessly misuse anyone who they feel they have the upper hand over: little children, elderly people, the handicapped, people in financial straits and, quite naturally, also new entrepreneurs and small business owners. They actually have a special crush on them, as entrepreneurs are usually not exactly short of money.

Unfortunately, in today's world, cheaters often get away with what they do. This is mainly because they are able to think up almost imperceptible tricks and they know how to escape the attention of government authorities and avoid punishment. Oftentimes, they are confident that entrepreneurs won't even bother to report a theft, not only because of the negative attention that is undesirable for company owners, but also with respect to weak legal protection. Entrepreneurs are not interested in repeatedly going to court. They

don't have time for that and, since the outcome is uncertain, they're not even willing to waste money on lawyers.

Nobody can claim to be totally immune to cheaters. Each of us has a weakness and all that cheaters need to do is to find it. And they're really good at that. When they do, our vigilance drops to zero and the cheaters have their way with us. Getting tricked is not a question of intelligence, but rather a matter of underestimating your weaknesses: either you are overly gullible, distracted, lack information or experience, or you get blinded by a vision of profit. The reasons are countless.

But that doesn't mean that you are destined to become a victim of fraud. Quite the contrary, you can minimize this risk if you try just a little. The way to go about it is quite simple. All you need to do is to stay one step ahead of cheaters and be able to perceive their methods and tricks so that you can avoid them before they can do you any harm. Some of these traps may represent smaller risk, some greater. It depends on what your strengths are and how easily you can be taken advantage of. This book will teach you how to navigate a world where not everyone means well.

Why this book is for you

It is best to describe cheaters' tricks using examples. It will make it much easier for you to imagine how they actually happen and then learn how you can recognize them, should you ever happen to come across these tricks yourself.

How can you recognize a cheater?

Don't expect a scowling man with a gun at his waist, or a weird guy with an 'I've come to take your money' sign on his forehead. A cheater may actually be the nicest man or woman

you've ever met: wearing smart clothes, good-looking, all smiles. The more skilful and experienced a cheater is, the faster they can find a way to win your trust. They'll be calling you, sending emails and bombing you with promotional materials offering services you're not interested in. They'll use all available means to get you where they want you. The only thing that can protect you from cheaters and thieves is to have a solid awareness of their practices.

In this book you'll read stories that you would normally expect to find only in thrillers or horror films. Malicious and sly evildoers creep alongside shady walls as they are being chased by rough detectives in big cars... But the thing is that such wild detective stories take place every single day, in broad daylight and right in front of your eyes. And they happen to people just like you.

Learn from other people's misfortunes

The stories you are going to read in the following pages actually happened. (I only changed or left out the names of the people and companies.) They will teach you how cheaters proceed and what their *modus operandi* is. As entrepreneurs, you need to learn to be cautious and think like detectives. This is the only way you can defend yourself and discover traps before you fall into them. The book will be useless to you, unless you admit that the stories described could also happen to you. If you happen to believe that you are an exception to the rule, you're putting your entire business in harm's way, and what is worse, even yourself! Cheaters keep coming up with new tactics and tricks, and that's why it is necessary to stay ahead of them.

In each of the following stories I'm going to describe risky situations which you could easily find yourself in when carrying

out your business. Then I'll tell you what you can learn from each of them. Some stories might sound improbable; some may even make you laugh. But believe me, all of them are true and their main 'heroes' are businesspeople just like you.

I wish from the bottom of my heart that you encounter cheaters only on the pages of this book and are lucky enough to avoid them in real life!

Chapter 1

HOW TO TRICK NEW ENTREPRENEURS



**ENTREPRENEURS
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The Truth
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A plan that sucks

Focusing on new entrepreneurs has proved fruitful for cheaters. True, their victims haven't managed to earn big money yet, but they are usually very busy and lack experience, so they grope their way around and need help. And cheaters are real experts when it comes to offering help to clueless beginners. In the blink of an eye, they are able to relieve them of the money they've managed to gather for their entrepreneurial start by, for instance, offering them crucial material for a successful business – a business plan.

Place: **United Kingdom**

Main characters:

Victim – **Michael**,
a new entrepreneur and future owner of a furniture shop



Cheater – **Carl**,
who claims to specialize in making business plans

A tempting package

Michael had long wanted to run his own shop. One day, when a friend returned from an exotic holiday in Asia and gave him a beautiful hand-carved stool made of precious wood, Michael got the idea that he could start importing and selling such original pieces. There would certainly be enough people interested in buying. And since he lived in a town that was an attractive tourist destination, he believed that such a business could be successful.

As he had never done business before, he didn't know exactly where to start. On the Internet he read that first of all, he needed a business plan as it is an essential precondition for receiving a business loan and thus for starting a business. But how should he go about making such a plan? Michael didn't dare to do it himself, so he decided to pay a professional. He browsed the Internet until he came across the website of a man named Carl:

I've been compiling business plans for 15 years and have sufficient experience to help you start your business, no matter in what industry you want to succeed.

If you're new to business, you cannot do without a thorough business plan. It's hard to write one without expert advice, but don't worry, that's why I'm here. If you buy the complete package of my professional services, starting your business will be a piece of cake. How have some of my previous clients made use of my advice? Look at my references.

Michael clicked on a page with a specific offer and went on reading:

The package contains:

- *a professionally compiled business plan,*
- *three 30-minute consultations (on the phone, by email, Skype or online chat), and*
- *a package of useful and practical advice, recommendations and tips that will facilitate obtaining an initial loan for your business.*

Buy this package now for a special price of only £699 (usual price £1,999). Contact me and take advantage of this special time-limited offer!

A special waste of money

Carl's company had a trustworthy-looking website, a sophisticated logo and offered a specific product, even in a package. All of this left a good impression on Michael... And then there was this magical special price... Michael went through the references and they were all in Carl's favour. Who would have thought they were all fabricated? Michael didn't hesitate any longer. He ordered the package and paid by credit card.

A couple of hours later, Carl actually called Michael and together they started working on the business plan. After a week, Michael received the final version. He presumed it would be alright, so he gave it just a quick check. It seemed to him that the text made sense. Being an inexperienced entrepreneur, he didn't recognize that the document he had received was, to put it mildly, a rip-off.

He didn't find out that the business plan was practically unusable until he presented it to a bank when applying for a loan for new entrepreneurs. He went to several banks where he was laughed out of court, as the plan was uninformative and thus absolutely implausible. The cheater probably had a 'template' document on his computer, which he only slightly adjusted to sell it to the gullible entrepreneur.

Michael eventually hired a real professional, and the second time he made a good choice as he succeeded in getting the desired loan. But he never got back the 699 pounds he sent to the cheater.

How about trying to do it yourself?

When starting up a business, you can never get enough good advice and recommendations. In this case, the best way to avoid scams is to compile your business plan yourself. It's not

as hard as it may seem at first. You don't need to write a lengthy narrative either; it's just fine if you write it down in points. You can find enough information on what a business plan should look like on the Internet or in expert literature.

If you are still convinced that making a business plan is beyond your skills or time constraints, there are real (and honest) professionals who will be glad to help you. When searching for the right one, remember the following:

- ***A real expert won't pressure you to buy more than you need or want*** – If an expert offers a package of services, there should always be an option to order only a business plan or other service you currently need.
- ***Check the reputation of the professional you're dealing with*** – Don't rely on the references shown on the website, they may be fictional. Don't hesitate to contact the references. Honest references usually include contact details of the person who provided it.
- ***A real professional will charge an adequate price*** – But at the same time won't present the price as the main argument as to why clients should choose their services. On the contrary, real professionals know that quality sells and is not cheap, so expect them to argue by explaining what you will get for your money.
- ***Consider asking the expert for a sample of their work*** – Naturally, nobody will make just part of a business plan for you, but looking at a business plan made for another company will tell you what quality you can expect. Such an extract from another business plan should not be too general at first sight. It is definitely worth reviewing thoroughly.

While a business plan is a crucial document for any business, it doesn't require a vast investment in terms of time or money.

Remember...

- ▶ Consider writing up a business plan yourself. It may be more favourable for you.
- ▶ Before you order a business plan, check out the expert you're going to buy it from. Don't restrict yourself to just the information on their website.
- ▶ Don't get lured in by seemingly advantageous offers. You may end up paying for a service you don't actually need.

A loan off in the distance

Another time when future entrepreneurs have to be on guard is when applying for loans. It is not easy to convince a bank to lend money, and cheaters are very well aware of this. That's why they have come up with a great trick to win the attention and faith of entrepreneurs and rake in a little bit of the money they have gathered thus far. There's nothing easier than setting up a phony company on the Internet which claims to provide loans. Gullible new businesspeople may find such an offer so tempting that they feel they would regret not taking advantage of it.

Place: **Germany**

Main characters:

Victim – **Johanna**,
a future entrepreneur
who planned to open
a jewellery shop

Cheater – **Walter**,
a representative of Loan
for Anyone offering
online loan mediation

Convincing until the very last moment

Johanna decided to start a business in economically hard times. The economy was starting to look up again, but banks were still rather unwilling to provide loans. Changes in interest rates complicated procedures when applying for loans and other relevant problems made it very difficult to get loans. Therefore, new entrepreneurs in particular had very little chance of borrowing any money at all.

But Johanna didn't want to give up. She was confident that her business would succeed. She just didn't know how to get the initial capital to start up her company. She took a look around and found out that banks were hardly approving any loans at the time. She considered what other options she had.

Just like many others, she sat down at her computer and typed 'loans for new small entrepreneurs' in a search engine. After a while, she found the website of a company offering various kinds of loans, even to new entrepreneurs. Johanna was delighted. That's it! These guys are my salvation!

Hope that died

The best thing about it was that according to the information on the website, the company offered loans that didn't require any collateral, business credit history or personal loan evaluation. This was sweet music to Johanna's ears since she was new to business and had nothing she could offer as collateral.

So, she filled in a form on the website and expected to receive feedback within a couple of hours with advice as to which loan would be most suitable for her. She soon received an email with the following message:

Dear Johanna,

In collaboration with top banks, we searched for the best way of financing your business and succeeded in finding a loan that has been approved for you. Congratulations! Please call XXXX so that we can complete the process together. We're also going to charge you a reasonable advance payment for our mediation services.

*We are looking forward to hearing from you.
Thank you for using our services.
Walter, Loan for Anyone*

Johanna dialled the number without hesitation. She wanted to have the money as soon as possible, so that she could finally get down to work. A company representative told her on the phone that she first had to pay a fee of 450 euros for finding and mediating the loan. She didn't think twice. The company had done all the necessary work to find her a loan. She promised to pay the fee straight away.

And then she waited and waited and waited... in vain. She never heard from the company again. She tried to call back, but only got voicemail. Unfortunately, she had sent the money

by bank transfer to an account opened by cheaters with false identities, so her chances of getting it back were zero. The police usually don't find such account owners, and even if they do, it is very complicated to get any damage compensation. Johanna was without hope. It is hard to say what upset her more, whether it was finding out that someone had stolen money from her or that she hadn't been approved for a loan after all.

Be careful when searching:

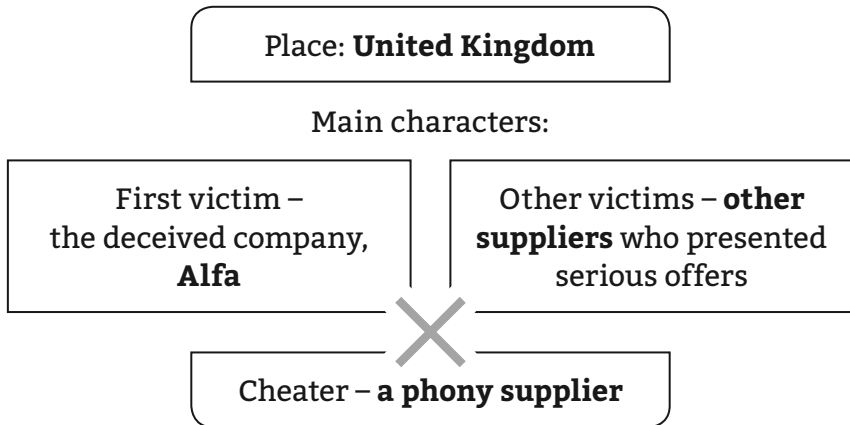
- ***If anyone asks for an advance payment for mediating a loan***, it should immediately alert you that it might be a scam. There are many renowned brokers who offer their services and don't require any advance payment. Pick one who is willing to invest their time and is ready to help you.
- ***Dedicate enough time to searching*** and you will certainly find serious professionals who will assist you without such unnecessary fees.

Remember...

- ▶ If you do apply for a loan somewhere other than a bank, first thoroughly check out the company you're dealing with. Just as in the previous case, make sure it is not a fraudulent company and that there are actual clients who have been satisfied with its services.
- ▶ Try to find a company that doesn't require an advance payment for mediating a loan. Such conduct should immediately raise suspicion.

Tender for a fraud

It is not only inexperienced entrepreneurs who fall victim to the fraud described in this story. Even seasoned entrepreneurs find it difficult to hold a tender and take due care to make sure they don't end up throwing money out the window as a result of an elementary mistake. Mingling with honest entrepreneurs participating in a tender and pipping them to victory by submitting a phony offer is a trick used in more than just the construction industry from where this story comes. This dishonest practice is applied to tenders everywhere when big money is at stake. Those who suffer from such deception include the company purposefully targeted by the cheaters, as well as several other companies who become involved in the intrigue by mere coincidence.



An offer too good to be true

A certain company, let's call it Alfa, needed to build a new warehouse. So it decided to hold a tender and select a supplier

based on who could offer the best price for the shortest term and the highest quality of work.

After a month, Alfa started going through the offers it had received. There were a lot of them, but one clearly stood out. They had never heard of the supplier before, but everything looked alright and – most importantly – their offer really seemed to be the most advantageous one!

Alfa quickly nodded in agreement without thoroughly checking the supplier. The management was dazzled by the idea of having the building done very soon and for half of the price offered by the competition. It never crossed Alfa's mind that the offer might be too good to be true!

And now the advance payment, please

As soon as the fraudulent company learnt it had won the tender, it sent its requirements without delay. Its representatives first requested an advance payment. Nobody at Alfa found it strange, although it was not a small amount. In the building industry, it is a common practice which guarantees that suppliers won't get cheated by their clients, or at least not so easily. Clients often receive completed work and then don't pay. That's why suppliers request an advance payment (either a fixed amount or a percentage of the total price) that covers the price of material they have to buy.

Therefore, Alfa paid the advance payment because it was nothing unusual. And then? The supplier vanished into thin air. Naturally, Alfa contacted them immediately, asking them to either do the work or return the money. But it learnt the sad news that the supplier didn't actually exist and that all contacts including the website, email and phone number were bogus.

Unfortunately, those harmed by this fraud, in addition to the gullible company dazzled by a great offer, also included

the other tender participants. They wasted a lot of time and money preparing their offers which remained unused as Alfa was forced to postpone the implementation of the project indefinitely due to the considerable financial loss.

Potemkin company

To make such a swindle work, a cheater must prepare well. First of all, it is important to establish a company that officially exists, but in fact is not functional and doesn't have any employees. From the outside, it looks like an actual construction (or any other) company, much like the cardboard villages allegedly built by Prince Potemkin in 1787, in order to fool Catherine II on her visit to the Crimea. Credibility is naturally increased by a logo, business cards, headed paper, a website including working email addresses and telephone numbers. In the next step, the cheater needs to write an offer that looks realistic. This is usually not a big problem. The cheater can either hire an accomplice or they could actually be an expert in the field themselves, meaning that the fake offer would be indistinguishable from a genuine one.

Naturally, it has to be extraordinarily tempting, so that the potential victim cannot resist and forgets to be vigilant, seized by excitement. The price is always calculated so that it is the lowest one; the term offered is much shorter than what others can offer. Then all the cheater has to do is to wait until the victim gets caught. Collecting an advance payment is no big deal since it is, as mentioned above, common practice.

The cheapest option often turns out to be the most expensive one

The victim then tears their hair out, while everyone around says: 'Didn't you notice...?' From the perspective of third parties the warning signs are usually obvious, but the one who the trap was laid for often ignores it, being blinded by how favourable the offer is. The cheater guessed well what this victim's weakness was. You certainly can see that Alfa should have first checked all the suppliers and realized that extremely favourable offers are suspicious and that anyone can get a logo, headed paper and a website in almost no time. It is also necessary to ask for references on similar projects (in this case construction projects) and check them thoroughly. Take the trouble to go and have a look at the quality of the work done in person. Make some phone calls to ask about others' experiences with how the project was implemented, how mistakes were approached, how backlogs were cleared and so on.

Suspicious signs you should watch for in similar cases include:

- ***Very little information about the company*** – Anyone can set up a P.O. Box or headquarters at a virtual address, and if a company is not willing to provide its contact details, it is a clear warning.
- ***Far too cheap and vague offers*** – An honest supplier that wants to win a tender will dedicate enough time to making a detailed offer including all the information the client needs to assess it.

- **Attempts to force you to conclude the deal with threats or blackmail** – It can actually be a very subtle form of manipulation. A representative of a dishonest company may, for instance, enumerate risks only they can protect you from. Or they may try to convince you to make a quick decision using various explanations, as they want to prevent you from checking them out or thinking about their offer.
- **The advance payment is too high** – Such an offer is always suspicious. You can get an idea of what an adequate advance payment should be by comparing it with offers from other suppliers. However, an ideal situation is when a supplier builds and covers the costs using their own resources and the client pays in instalments (after certain milestones are reached or upon handing over the completed work).

Nevertheless, it should be noted that even the conduct of honest suppliers may sometimes seem slightly suspicious. You can only find out the truth by checking them out. It is always better to be overly cautious than to be sorry later.

Remember that an extremely favourable offer is always fishy. It doesn't necessarily have to be like the case described above, where a phony company disappears with the advance payment. It could also be a problem where a supplier wins after submitting the best offer but then fails to deliver in practice. (It is not without reason that they say 'don't believe everything you read'.) Such a supplier may claim extra work that amounts to so much money that the final sum exceeds even the highest offer presented by the competition. Entrepreneurs who want to have construction carried out in a short time period often agree to anything, just to get the building completed so that they can focus on their business. They don't realize that the construction company is simply trying to take them to the cleaners.

Remember...

- ▶ **Check all the companies that participate in your tender. Don't restrict your research to just whether or not they are listed in a commercial register, but find and check their references as well.**
- ▶ **Don't get lured in by an offer that is too vague. Every time something is not stated or specified, it leaves room for an undesirable surprise later on.**
- ▶ **Watch out for extremely favourable offers that promise to deliver work for very little money or deviate widely from what others are offering.**

Chapter 2

PHONY SERVICE PROVIDERS



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Too high a price for an estimate

This type of fraud is aimed particularly at entrepreneurs who want to sell their real estate together with their company and business plan. The cheaters in these scenarios base their behaviour on the presumption that an entrepreneur is looking for a buyer. They wilfully pretend to be interested in buying, while they cooperate with another person who falsely claims to be an assessor. Together they steal big money from entrepreneurs. This is exactly what happened to an antique shop owner in the following story.

Sometimes, one cheater can even play both parts. After all, cheaters are quite motivated as they usually succeed in getting a 'reward' of between 7,000 and 15,000 pounds (or more) for their effort.

Place: **United Kingdom**

Main characters:

Victim – **Sharon**,
the owner of a shop called The Good Old Days

First cheater – **Neil**,
who pretends to be
a real estate agent

Second cheater – **Neil's
brother** who pretends to
be a real estate assessor

Let's drive the price sky high

Sharon owned a small antique shop called The Good Old Days. She loved her shop, but her husband, a professional soldier, was transferred far away and the family had no option but to follow him.

Sharon came to terms with having to sell her shop. As her husband's transfer was not definitely confirmed, she decided not to go to a real estate agency, but only to place an ad in a local newspaper. She was secretly hoping for a local buyer who would carry on running it.

One day, when Sharon arrived at work, she found a message in her mailbox. It was written on headed paper by a man called Neil, who claimed to work for a real estate agency focused on selling companies, and he wrote that he would like to help her sell her shop. He emphasized that he was not after a fat brokerage fee, but that he had several people seriously interested in Sharon's antique shop and he wanted to satisfy their demand.

Sharon called him without much hesitation. He immediately answered the phone and when he heard who was calling he told Sharon avidly that he had three entrepreneurs who wanted to buy her shop. 'Do you know what that means? We can drive the price really high!' Sharon paused. She had plenty of thoughts running through her head. Some extra money would certainly come in handy. She could open a new shop in the town they were about to move to. As she liked this idea, she accepted Neil's offer. He had prospective buyers, so from that moment on everything should go smoothly.

I know of a great assessor

Neil reassured Sharon that she had made the right decision and that together they would make a great deal. First of all,