

Cracking the code: Examining why people fall for scams

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Australians lost a staggering \$3 billion to scammers last year, surpassing any previous year. That's equivalent to the cost of rebuilding three new hospitals. The latest Targeting Scams report from the Australian Competition and Consumer Commission (ACCC) highlights the urgency of the issue.

In 2022, investment scams accounted for the highest losses at \$1.5 billion, followed by remote access scams (\$229 million) and payment redirection scams (\$224 million). Small and micro businesses experienced a substantial 95 percent increase in losses, reaching \$13.7 million, primarily due to payment redirection scams. Overall, there was a 73 percent rise in [scam](#) losses across the Australian business community, totalling \$23.2 million, underscoring the urgency to understand the reasons behind scam victimization and implement proactive measures against fraud.

In an interview with the UNSW Business School, Dr. Kam-Fung (Henry) Cheung, Lecturer in the School of Information Systems and Technology Management (ISTM), and Shesha J. Maheshwari, a research student in the School of ISTM, emphasize the importance of understanding the psychological factors that make people vulnerable to scams. The experts say financial desperation and a lack of awareness about evolving scam techniques contribute to why many individuals today are being taken in by scams.

Why do people fall for scams?

According to Dr. Cheung and Ms Maheshwari, there are six key reasons people fall victim to scams.

1. Financial desperation: This is a significant factor. When faced with [financial difficulties](#) or a desire for quick financial gains, people become more vulnerable to scams promising easy money or high investment returns. In such circumstances, the desperation to improve one's [financial situation](#) can cloud judgment and lead to susceptibility to fraudulent schemes.
2. Social engineering: Scammers excel at social engineering, exploiting [personal relationships](#) and connections to manipulate victims. By leveraging information gathered from social media

- and other sources, scammers personalize their scams, making them appear more legitimate and trustworthy. Victims deceived by this false sense of trust are likelier to fall victim to scams.
3. Lack of awareness: Scammers employ sophisticated tactics to deceive their victims, and many people are simply unaware of the various scams. A lack of awareness regarding evolving scam techniques, such as those involving cryptocurrencies and blockchain, makes individuals more vulnerable. People inadvertently increase their chances of falling victim to scams by staying uninformed.
 4. Emotional triggers: Scammers frequently exploit emotional triggers to manipulate their targets. By creating a sense of urgency, fear, or excitement, scammers impair rational thinking and compel individuals to make impulsive decisions. Heightened emotions make it difficult for victims to evaluate the situation objectively, leading to unfortunate outcomes.
 5. Trust and authority: Masquerading as trusted individuals or authoritative figures is a common tactic employed by scammers. By posing as [government officials](#), company representatives, or law enforcement officers, scammers exploit trust to convince victims to share [personal information](#), provide access to financial accounts, or make financial transactions. Trusting these impostors increases the risk of falling victim to scams.
 6. Lack of vigilance: Busy lifestyles and constant distractions contribute to a lack of vigilance, causing individuals to overlook warning signs or suspicious behaviors. Neglecting to conduct proper research, failing to verify the authenticity of communications or offers, and inadequate protection of personal information can leave individuals vulnerable to scams.

Cheung explains that awareness is a shield against scams that equips individuals with the knowledge to identify and avoid fraudulent activities. "It promotes a vigilant mindset that is essential in today's

world where scams continue to evolve and adapt to changing circumstances," he says.

But it is also crucial to remember that anyone can fall victim to a scam regardless of their age, education, or background, adds Ms Maheshwari, whose work focuses on [phishing attacks](#) with a particular focus on smishing attacks—a type of phishing attack that is conducted via Short Message Service (SMS) or instant messaging on a mobile device.

"Scammers are skilled at exploiting vulnerabilities and manipulating people's emotions and trust," she says.

Maheshwari also notes she has observed younger generations, driven by curiosity and a propensity for risk-taking, often hold the belief that scams will not affect them personally, which renders them more vulnerable. To promote online safety, she suggests a shift in mindset from "it won't happen to me" to "it could happen to me, so I must remain aware and vigilant."

She says, "Awareness and vigilance play an important role in safeguarding against frauds and scams. Staying informed and maintaining a skeptical mindset empower individuals to make informed decisions and protect themselves from falling victim to scams."

How to avoid falling victim to scams

According to Cheung and Maheshwari, falling victim to scams does not reflect personal weakness or naivety, as scammers are highly skilled manipulators, capable of deceiving anyone. And to better protect themselves against potential scams, individuals can take the following precautions.

1. Stay informed: Educate yourself about common scam tactics, emerging fraud schemes, and evolving technologies used by

scammers.

2. **Maintain skepticism:** Approach unexpected or unsolicited offers with caution. Question the legitimacy of claims or promises that seem too good to be true. Avoid clicking on suspicious links, even if they appear to be from a "legitimate source."
3. **Scrutinize emails:** Be vigilant when handling emails, particularly those from unknown senders or requesting personal or financial information. Watch out for spelling errors, suspicious links, and email addresses that don't match the claimed source.
4. **Guard personal information:** Be cautious about sharing personal information online or over the phone. Only provide sensitive details to trusted and verified sources. Enable multi-factor authentication for accounts that offer this feature, and change passwords regularly for added security. Verify the websites before entering login details and consider using a longer passphrase instead of passwords.
5. **Exercise caution with financial decisions:** Conduct thorough research before making any financial decisions. Seek advice from trusted professionals and verify the legitimacy of investment opportunities. Never give out personal information, including bank account details, passwords, or OTPs, over email or phone. Legitimate financial institutions do not ask for personal information via these channels and usually communicate through secure portals.

How do I report being the victim of a scam?

In addition to these proactive measures, the Australian government and ACCC have taken steps to address the issue of scams. Establishing the National Anti-Scams Centre, launched July 1, 2023, is a significant initiative to combat scams. Over the next three years, the center will build its information-sharing capabilities and bring together government and private sector experts to tackle harmful scams head-on.

Finally, Dr. Cheung and Ms Maheshwari reiterate that falling for a scam doesn't reflect a personal weakness or naivety. "Highly skilled scammers are manipulators who exploit psychological vulnerabilities and use sophisticated tactics to deceive people from all walks of life, including highly educated and cautious individuals."

"Acknowledging this fact can help victims overcome any feelings of self-blame or shame and instead focus on reporting the scam, seeking support, and learning from the experience to prevent future occurrences."

Provided by University of New South Wales

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