

SCAM IMPACTS: BETRAYAL AND DAMAGE

Scams are a global issue impacting individuals, businesses and organizations, with reported [losses in the billions of dollars](#). The true total is challenging to quantify given prevalent underreporting of scam attempts and losses. Although millions of people report scams each year, others do not report due to victims' embarrassment and their lack of knowledge about where and how to report scams. However, anyone can be a victim, as the deception and manipulation used in these devious approaches and schemes is both sophisticated and effective.

Financial losses due to scams can have devastating impacts.

Financial impacts to individuals:

- Inability to pay living expenses due to scam losses
- Drained savings, including investment and retirement funds
- Loss of assets: victims may be compelled to sell homes, vehicles and valuables
- Debt accumulation: victims take on debt from credit card charges, loans and home equity lines of credit
- Personal bankruptcy that decreases individuals' credit scores

Financial impacts for businesses and organizations:

- **Financial:** Losses from authorized payments or from providing bank account details that result in account takeovers
- **Operational:** Losses may affect a business' ability to pay their employees, vendors or other operating expenses; disrupt service or reduce service levels. In extreme cases, this may cause a business to declare bankruptcy or shut down.
- **Loss of Trust:** If a scam loss becomes public information, negative media coverage and word-of-mouth comments could cause customers and investors to lose confidence in a business.
- **Legal and Compliance:** Legal expenses may be required to resolve scam claims or disputes.



SCAM IMPACTS: BETRAYAL AND DAMAGE

Emotional impact on individuals:

The emotional and psychological effect on individuals who have been scammed can cause them a range of negative emotions, including long-term trauma. These may include:

- **Anger:** lashing out at others, questioning their judgment and replaying how they were manipulated
- **Anxiety:** worrying about whether they can pay bills, if they can recover their money, if anyone will help them and whether the criminals can cause additional damage to their lives (e.g., identity theft, new account fraud)
- **Embarrassment and shame:** prevents some victims from reporting scams or asking for help
- **Guilt:** may feel guilty about the loss of money needed to pay living expenses or planned for other uses
- **Desperation:** causes individuals to be re-victimized based on their need for money or when trying to replace the lost funds
- **Denial:** some victims cope with loss by refusing to recognize the situation, denying it was a scam and refusing to face the emotional impacts



Emotional impacts for businesses and organizations:

Employees of a business may experience the same emotional impacts, such as anger and anxiety. However, the emotional impacts that occur within businesses or organizations also may differ:

- **Stress:** Business leaders and employees may question their abilities and acumen, as well as feeling emotional strain and tension.
- **Employee morale:** Productivity may decrease, along with trust that a business' leaders and coworkers can protect the organization from scams.
- **Business culture:** Scam loss(es) may cause employees to have negative feelings and emotions about their organizations, leaders or coworkers.

CONCLUSION

Scams can significantly impact individuals and businesses. Victims may experience a wide range of negative emotions and suffer from long-term financial instability. It is critical to be aware of scams, including understanding their serious financial and emotional consequences.

The scams mitigation toolkit was developed by the Federal Reserve to help educate the industry about scams and outline potential ways to help detect and mitigate this fraud type. Insights for this toolkit were provided through interviews with industry experts, publicly available research, and team member expertise. This toolkit is not intended to result in any regulatory or reporting requirements, imply any liabilities for fraud loss, or confer any legal status, legal definitions, or legal rights or responsibilities. While use of this toolkit throughout the industry is encouraged, utilization of the toolkit is voluntary at the discretion of each individual entity. Absent written consent, this toolkit may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.