Anger, Disappointment and Disgust: Reactions of Victims of a Telephone Investment Scam

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I didn't know there was a scheme or scam until it went into bankruptcy or whatever. I almost had a nervous breakdown. I have practically no income. I'm almost 71 years old and I borrowed from equity on my house. I owe almost US$75 000. The first mortgage was just paid off after 30 years.

It has totally caused a major loss of self esteem and realisation of victimisation. I considered suicide. I am losing my house.

(Victim reports of their reactions after learning that they had been duped by a telephone investment scheme.)

A great deal of research has focused on the physical and fiscal consequences of victimisation by street crimes, particularly by the crime of forcible rape (Burgess & Holstrom 1974). Such research typically portrays anger, long-term emotional trauma, self-blame, and anxiety about future safety (Greenberg & Ruback 1992; Karmen 1990). Much less attention has been paid to the consequences of victimisation by fraud and false pretences: this is an issue, as Levi & Pithouse (1992, p. 229) note, 'upon which no hard evidence has been collected . . . in the world.' It is sometimes maintained that the effects of fraud and of various kinds of white-collar offences are more devastating to their victims than street crimes. Street crimes, according to Durkheim's (1938, pp. 68-71) theme, unite 'decent folk' against wrongdoing and help to define permissible behaviour boundaries (Erikson 1966). White-collar offences, on the other hand, call into question basic values that victims have come to rely upon, most notably that those with whom they deal will be honest and trustworthy (Sutherland 1949, p. 13; Braithwaite & Pettit 1990, p. 188: Edelhertz 1970, p. 124).

We sought to examine these ideas by means of a survey of victims of a telecommunications fraud that primarily involved land leases for oil and gas prospecting and for conveyance of oil and gas, allegedly already pumped, through pipelines. There were about 12 000 investments in the program by approximately 9000 persons nationwide, none of whom recovered much money, and some of whom suffered severe financial losses. Investigators from the state of California contacted 8527 of the victims, who together were bilked out of US$125 851 462. It is estimated that the total loss inflicted by the fraud reached US$217 million.

Operating The Scheme

Deceptive claims that an investor could earn a profit of between 30 and 40 per cent a year by putting money into an oil and gas partnership lay at the heart of the earliest phase of the fraudulent solicitations. The major perpetrators were known as the 'two Daves'—David H. Bryant and David C. Knight. In the end they were charged in California with wilful misrepresentations, failure to disclose a previous cease and restrain order, and failure to tell potential investors of the 55 per cent commission and loading costs. They also did not inform investors that they were co-mingling funds, had an abysmal track regard in previous ventures, and that the actual control of the 187 or more business entities and limited and general partnerships for which they solicited funds all were under their own control.

Names of prospective investors in the schemes were secured from marketing firms which identify persons believed to have disposable income. Persons were cold-called, that is, telephone contact was made with individuals who had no previous relationship with the brokers. Those solicited were told to 'hurry' and make up their minds because others wanted to participate and there was room for only a limited number of investors. By the end of the scheme, more than 300 persons were pushing the offerings; salespersons retained 35 per cent of the amount they raised. Many of the sellers were recruited by Bryant, himself a recovering alcoholic, at Alcoholics Anonymous meetings.[1]

Possible investors typically were told on the telephone that there existed 'fantastic investment opportunities' in whatever enterprise the two Daves were pushing at the moment. Usually no attempt was made to solicit money on the initial call; the salesperson primarily sought to determine whether the person being called was financially capable of participating in the scheme. Elegant promotional materials then would be dispatched to those who seemed to be likely

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1 Is it merely a coincidence that the Home-Stake swindle in the 1950s and 1960s, an oil and gas investment scheme, also was operated by a man who found his foremost associate when both were in an alcoholic recovery program? (*see* McClintick 1977, p. 36).

targets. Before hanging up on the initial call, the broker told potential customers to write down any questions about the contents of the brochure and reports that they would receive: then these could be discussed during a subsequent call. About a week later, the salesperson called again. While each pitch varied somewhat, the sales staff worked from a script, which advised a friendly mix of warm greetings, contrived small talk, followed by a rundown about some ‘great acreage’ sitting on top of ‘huge oil reserves’. Returns to the investor within a few years were promised, with figures such as 15 to one or 37 to one often cited. The investor’s money, once secured by the promoters, often never reached the field project, where one existed. Delays in payoffs were explained by means of fabricated or embellished stories of unforeseen drilling expenses, poor weather, or equipment failures. When projects operated, other problems surfaced: leases were not properly negotiated, and the project often was acquired for substantially less than the investors had been led to believe. Full interest in the same asset often were sold to different investment groups. Toward the end of the scheme, the promoters began to push general partnerships which allowed them to further assess investors for ‘new’ expenses that ‘unexpectedly had arisen.’ Any token return that investors received almost invariably was less than five per cent of their investment. After a while, the promoters came to arrange loans through reputable banks for investors who were told that they could pay off their promissory notes from investment profits. The personal lives of the scheme operators was financed out of whatever company had money available at the time.

Ultimately, on 7 May 1991, the nearly-decade long scheme came to an end when a California court receiver, without warning, seized all of the two Dave’s assets to end, as a creditor’s attorney noted, ‘six years of their systematic and relentless stripping of assets from investors, partnerships and projects’ (Weisz et al. 1993, p. 97).

The Victims

From the base of 8527 identified investors, we sent questionnaires in January 1994 to randomly-selected victims. We received 152 completed questionnaires out of a possible 281. The respondents overwhelmingly were men: 124 males and 21 females, with four respondents indicating that their was a joint venture (though the husband in each case returned the questionnaire). The largest group of victims was between 53 and 62-years-old when they were solicited and were generally well educated. Most (33 per cent) lived in the suburbs of metropolitan areas, with 18 per cent residing in large cities (200 000 population and above), 23 per cent in medium-sized cities (50 000 to 200 000), 20 per cent in towns (2000 to 5000 population), and 7 per cent in rural areas. Reported yearly income (salaries plus other income) at the time they responded to the investment solicitation covered a wide range. Six of the respondents had an income of below US$25 000 while 14 took in more than US$100 000 a year.

For the 133 persons who supplied this information, 65 per cent invested less than US$30 000, 17 per cent between US$30 000 and US$74 999, with the remaining 18 per cent putting up more than US$75 000. The largest four investments were for US$160 000, US$200 000, US$280 000, and US$326 000.

The overwhelming reason why persons invested was the agent's persuasiveness (over 66 per cent) with the prospectus being noted as influential by fewer than 20 per cent of the respondents:

> *The promise of excellent returns and tax breaks. The representatives were very persuasive and well-trained. For every objection they had a ready answer.*
>
> *He seemed to believe in what he was doing. Prospectus seemed to be professional. I thought he was honest.*
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> *The note in the prospectus said they were risky investments, but I was told that they have to put that in all prospectuses and I believed him that they really weren't risky.*

Only one person felt compelled to offer as another reason for investing a pithy five-letter response: 'Greed'.

Reflecting on the experience, most of the respondents singled out the risk factor and the promised rate of return as the representations made to them that they now believe were false. There were also occasional inventive ploys to consummate sales. A respondent remembers, for instance: 'One phone salesman called me and told me he quit his job at blah-blah securities because he knew he was selling phoney and fictitious properties.'

Personal Reactions among Victims

A limited number of descriptors usually sufficed for the respondents to portray their reactions when, as the question asked, 'you learned that you would likely lose your investment in the scheme?' By far the two major reactions were 'anger' (with variants such as 'shocked', 'mad as hell', 'enraged', 'horrified', 'felt betrayed', and 'felt terrible') and disappointment and feeling 'sick' (with variants such as 'hurt', 'very upset', 'devastated', 'depressed', 'frustrated', and 'almost had a nervous breakdown'. 'Lying bastards!' one respondent scrawled. Only a few went beyond single-word descriptors to portray serious personal problems as a result of their experience. Among these was: 'It has totally caused a major loss of self-esteem and realisation of victimisation. Honest, I consider suicide; I am losing my house!!!' And only one victim expanded on the sense of betrayal. 'Pat [the saleswoman] had called so often and sounded so sincere', this respondent wrote, 'that she seemed like a friend. I couldn't afford to lose that much money'.

A small minority turned the blame inward rather than toward the perpetrators. One respondent wrote: 'I did not realise I was so stupid.' Two others, along much the same line, wrote: 'Very upset—lifetime savings gone. No way to recoup losses. Annoyed with myself for being so stupid and being taken in by this scam', and 'Disappointed about being gullible.' There were also details of more severe emotional traumas: 'Plagued with remorse and sleepless nights. Not only loss of investment, but I am billed quarterly for IRA [Individual Retirement Account] investment.' One respondent observed that his wife had continuously sought to dissuade him from putting his money into the scheme. His final reaction was: 'I had lost my credibility in front of my wife. I could not admit she was right. I agreed now that I'll not make any investment without her approval.'

Some of the respondents felt compelled to pay credit to the talents of fabrication displayed by the salespeople: 'I had been scammed by a very persuasive individual', one wrote, while another replied: 'I realised that I had been conned out of my money by good con artists.' Only a very few—less than a handful—took a nonchalant stance: 'Breaks of the game', wrote one such. 'Not all investments are successful after all.' 'Easy come, easy go', wrote another, while a third scrawled: 'There's a sucker born every minute.' And, inevitably, there was the upbeat pollyanna: 'I was very upset', he wrote, 'but as with all mistakes I try to make them a learning experience'.

Discussion

It is often suggested that crimes in which the victims' trust is traduced inflict greater injury than those in which harm is more physical and more impersonal. The present study provides a portrait of the victimisation of almost 9000 persons of US$217 million in what might be regarded as a very large but nonetheless commonplace telephone investment scam. The victims were in the main middle-aged and older middle-class investors looking for better-than-average profits and the prospects of the tax break granted for oil and gas programs. They were shamelessly cheated by scheme operators and solicitors who put together persuasive dramaturgy. Most of the victims apparently lost money that they could more or less afford, though some were placed in serious financial jeopardy by the scam.

How did they react? Our survey indicates strong personal distress among the victims, but there is no pressing of their laments to a larger stage, that is, to expressions of malaise with the society in general, the economic system, or cynicism about human nature. The respondents appear to have isolated the scam as an event in which they succumbed to slick pressuring and, on their part, inadequate resistance. The results often darkened their existence and they continue to hope against hope for some possible restitution that would put them back into the financial situation they enjoyed before they invested in the oil and gas swindle.

Years after the scheme, most victims continue to express strong feelings of anger and distress. These feelings, however, rarely fix on any particular person. Only a few focus their emotions on the salesperson, in part because, as some noted, they remain uncertain whether those who worked the telephone lines themselves were culpable or whether they were carrying out their assignment in good faith. The two Daves—the true villains in the scheme—remain too remote and invisible for the victims to draw the victims' fire. In this regard, there was no need for the fraud promoters to 'cool off the mark' (Maurer 1940; Goffman 1952), that is, to becalm the victims so that they would not turn on the perpetrators. These fraud victims see no reasonable personal retaliatory action that they might take; their hope lies with the authorities who, as is so often the case, are faulted for not providing much, if any, information to the victims on how the case is proceeding.

A telling point that can be gleaned from the responses is that, in this kind of fraud, the respondents can take at least some small comfort in the fact that they now have learned a tactic that will satisfactorily protect themselves from future similar victimisations. Hang up the phone when an alleged broker calls is what they overwhelmingly advise others—and, of course, themselves. A lesson that will satisfactorily suffice in the future has been learned. In this sense, at least certain forms of fraud and white-collar crime can be seen from a victimology viewpoint as self-contained episodes, perhaps awful in themselves, but limitable.

The data from the study reinforce the theme regarding the high fiscal price exacted by frauds and white-collar crime. The 9000 victims on the average invested about US$30 000 in the scheme. Very few burglaries and many fewer robberies come close to taking so high a fiscal toll on their victims.

Victims almost uniformly provided strong emotional expressions of outrage regarding what had happened to them: how much, if at all, stronger these expressions are by victims of other forms of criminal activity can be demonstrated only by a comparative study, well-controlled in terms of items such as demographics and harms. Such a study ought to have a high place on the research agenda of victimologists.

While the telephone scam had elements of betrayal and violation of trust it also possessed for the victims some remoteness: the perpetrators did not violate their personal space but rather carried out their ruse at a distance, in a faceless manner. The continuous litany of warnings by the victims responding to our questionnaire to others that they be on guard against telephone solicitors carries with it the message that none should be allowed to intrude into our privacy, even by telephone, unless they have proper credentials or, put another way, it conveys the rather sad lesson that human beings in today's world need to be wary of any stranger allegedly bearing gifts.

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