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Beware of Gift Card Fraud: A Red Flag for Scams

Gift cards are a convenient way to celebrate special occasions, but they are also a favored tool for fraudsters. When someone asks you to pay for a product, service, or debt with a gift card, it's a major red flag for fraud.

Fraudsters often pressure victims to purchase gift cards, claiming it's the quickest way to settle a debt, pay a fine, or avoid legal trouble. Once you share the card numbers and PIN, the scammer drains the funds, and recovering the money becomes nearly impossible.

"I was standing in line at a local retailer behind someone who was requesting a very large amount of their gift cards to make a payment," stated Chris Mueller, VP / Compliance Officer at Forward Bank. "The service desk staff did their best to persuade them not to send out the cards, and I did my best to help them get this across. It's not easy to stop this from happening."

One common scam is the "imposter scam," where fraudsters pretend to be someone you trust—a government official, family member, or even a tech support representative. They claim an urgent situation, such as unpaid taxes or a loved one in need, then demand immediate payment through gift cards.

According to the Federal Trade Commission (FTC), scammers most commonly requested cards from major retailers like Target, Amazon, and Google Play.

Examples of Known Scams

1. **IRS Impersonation:** Fraudsters call pretending to be from the IRS, threatening legal action unless the victim pays back taxes using prepaid gift cards.
2. **Tech Support Scams:** A scammer claims your computer has a virus, offering to fix it if you buy gift cards as payment.
3. **Grandparent Scam:** An imposter calls, pretending to be a grandchild in trouble, asking for money in the form of gift cards to cover emergency expenses.

“Many of these scams listed are targeting our senior population,” commented Natalyn Jannene, Assistant Vice President of Marketing at AbbyBank. “They are playing on an individuals love for their family members or lack of confidence in technology issues. Family can pull together and watch out for each other to prevent the scam itself or the gift cards from being sent.”

Protect Yourself

If anyone asks for payment via gift cards, it’s almost certainly a scam. Report such instances to the FTC immediately and contact the retailer to see if they can freeze the card’s funds before they’re used. Be skeptical of urgent requests involving gift cards, and always double-check with trusted sources.

Other common scams occurring throughout the year are tech support scams. These could lead to gift cards being requested as payment.

If a caller says your computer has a problem, hang up. A tech support call you don’t expect is a scam—even if the number is local or looks legitimate. These scammers use fake caller ID information to look like local businesses or trusted companies.

If you get a pop-up message on your device to call tech support, ignore it. Some pop-up messages about computer issues are legitimate, but do not call a number or click on a link that appears in a pop-up message warning you of a computer problem.

“By raising awareness, we can help prevent more people from falling victim to this growing form of fraud,” stated Andrew Henning, AVP – Compliance at Northwestern Bank. “Stay informed, stay vigilant, and protect your money.”

For more information on how to avoid scams, visit the Federal Trade Commission’s Consumer Protection website (<https://www.consumer.ftc.gov>).

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