



Scam: No Up Front Insurance Payments Necessary For Loans
05/13/2004

A new twist on an old scam has appeared for people trying to obtain loans over the Internet.

In this latest version of the scam, people applying for loans from companies over the Internet are told that the loan has been approved, but they need to take out an insurance policy on the loan. The scammer then asks the would-be borrower to pay a premium on an insurance policy. Once the borrower pays the premium, he never hears from the lender again.

As with many other scams, the scam artist relies on consumers' failure to look closely at what they buy and their willingness to place their trust in sources they do not know and have not checked out. Scammers will sometimes use the names of legitimate companies to encourage the victim's trust.

Consumers need to be aware that any legitimate company that makes loans may offer or require life and/or disability insurance on the loan. Usually, the premiums are added to the repayment schedule and do not need to be paid in advance. A request for an up-front payment should be carefully checked out before any money is paid.

Checking the legitimacy of the lender is an essential first step. The [Better Business Bureau](#) may be able to help with that verification. Before purchasing any insurance product in British Columbia, consumers should also ensure that the vendor has clearly identified the insurance company that will ultimately pay a claim against the policy. The purchaser can then review FICOM's [list of authorized insurance companies](#) or [contact FICOM](#) to confirm that the insurance involved is issued by an insurance company that is authorized to sell insurance in British Columbia.

The prudent consumer could also check with the insurance company to confirm the legitimacy of the selling agent and the insurance product. FICOM staff will be happy to provide contact information for the insurance company's head office.

The Financial Institutions Commission (FICOM) is a provincial regulatory agency and reports to the Minister of Finance for British Columbia. FICOM regulates insurance companies, credit unions, trust companies, mortgage brokers, and pensions.