

## The Lived Experiences of victims of Pyramiding schemes

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**ABSTRACT :** This study focuses on the lived experiences of individuals who have fallen victim to pyramid schemes, a prevalent form of financial fraud impacting people globally. Focused on Region 11, Davao City, Philippines, the study engaged seven participants selected through purposive sampling. Through in-depth interviews and thematic analysis, the study shed light on the factors contributing to their victimization, their experiences, and their advice to prevent others from becoming victims, drawing from lessons learned. Results revealed that while participants generally understood the fraudulent nature of pyramid schemes, their willingness to take risks led them to invest, resulting in financial losses. The main factors contributing to their victimization included the pursuit of larger financial returns, excessive trust in family and friends, and joining out of individual necessity. The victims offered valuable advice to prevent others from falling into similar traps, such as utilizing government resources and scrutinizing whom and what to trust. Victims emphasized the importance of government intervention and regulatory measures to safeguard against pyramid schemes, advocating for educational initiatives and stricter enforcement of existing laws. These insights deepen our understanding of pyramid schemes and provide actionable strategies to protect individuals from financial exploitation.

**KEYWORDS** – criminal justice, pyramiding scheme, investment scam, phenomenology, Philippines

### I. INTRODUCTION

Pyramid schemes are a serious threat to both economic stability and individual financial well-being, as they erode trust in legitimate financial systems and worsen poverty levels. This fraudulent scheme makes big promises of high money returns, tricking people into thinking they would get rich quickly and be financially secure. However, a dangerous trap lurks beneath the surface of obvious success, preying on the hopes and dreams of people who aspire to financial success. New entrants must pay to participate in this fraudulent investment model, where they are recruited to invest money in a scheme promising high returns. They also need to recruit others to cover their investment and get a chance to profit from the setup (Greenman et al., 2022).

As the scheme grows, the structure takes on a pyramid shape, with early investors at the top and later recruits forming subsequent tiers below. While aware that their actions might be part of a pyramid scheme, certain participants believe they can draw in numerous individuals to become part of it (Hidajat, 2018). Regulatory authorities worldwide have taken measures to combat pyramid schemes by implementing laws and regulations that make them illegal. Despite these efforts, pyramid schemes emerge in various forms, sometimes disguised as legitimate businesses or investment opportunities. The issue highlighted in this study is that although certain participants recognize that their actions may involve a pyramid scheme, they still end up being victimized by it.

Participants from different occupations, including both the affluent and the underprivileged, are easily deceived into taking part in these schemes. It shows that a substantial number of people fail to acknowledge that they have fallen prey to pyramid schemes, and a considerable portion of these victims choose not to report their experiences to law enforcement agencies. Assessing the scale of pyramid schemes, like many intricate economic crimes, is difficult due to numerous factors, including the scarcity of dependable data and the clandestine nature of the issue (Hock & Button, 2023). The common factor driving people to join these pyramid schemes appears to be the belief that they can become wealthy quickly, fueled by the allure of false promises. Some individuals invest their life savings, seeking an effortless path to financial security or greater wealth.

Despite knowing the illegality of the scheme, some still opt to invest, hoping for quick returns before its collapse (Madiba, 2018). In countries facing significant societal strain and rapid economic and political changes, like South Africa, Romania, and Russia, the emergence of pyramid schemes has resulted in severe negative societal effects. These effects encompass psychological impacts such as shame, embarrassment, self-blame, medical issues, and negative behavioral disruptions in nature (Hock & Button, 2023). Pyramid schemes have many negative consequences for society and individual victims.

The importance of this study is to understand deeply the traumatic experiences of victims, focusing on the psychological, financial, and social effects of victims of pyramid schemes. Victims of pyramid schemes continued to suffer significant financial losses for themselves and their families in the absence of appropriate support and intervention. Victims continue to suffer severe emotional and psychological distress, leaving long-lasting emotional scars that impair their ability to trust others and engage in future financial endeavors. Pyramid schemes not only injure consumers, but the sad thing is that many investors, as victims of these tricky schemes, are well-educated people (Hidajat, 2018).

This study examines the importance of identifying the characteristics and tactics of pyramid schemes for regulatory and law enforcement purposes, raises public awareness, empowers making informed financial decisions, and contributes to the academic understanding of fraud and financial crimes. Some areas have yet to be thoroughly investigated, such as the experience of being separated from society, which leads to emotions of lack of norms and vulnerability, as well as people's trust in major institutions (Damulis, 2021). Investigating the lived experiences of victims of pyramid schemes is crucial to comprehend how these people are targeted and exploited. This study provides insights into areas where the legislation may need to be improved or altered to better protect people from pyramid schemes, as well as help design early warning systems and preventive actions to reduce the occurrence of pyramid schemes.

### 1.1 Research Objectives

The primary goal of this study is to provide insight into the lived experiences of victims of pyramid schemes. Specifically, it aims to answer the following: (1) to identify factors of their victimization; (2) to investigate the lived experiences of victims of pyramid schemes and how they deal with the aftermath; (3) to solicit advice from them to prevent others from falling victim based on the lessons that can be inferred from their experience.

### 1.2 Theoretical Framework

This study draws its foundation from Marvin Wolfgang's Victim Precipitation Theory (1957), which states that victims may actively or passively assist at the beginning of a criminal act. This theory calls into question the widely held belief that victims are completely passive, and it suggests that some victims may have contributed to the conditions that led to their victimization. Victim precipitation theory is used to explain how individuals may, knowingly or unknowingly, contribute to their victimization in pyramid schemes as victims of pyramid schemes may, in certain situations, neglect to exercise due diligence in their financial transactions. This could be failing to protect individual financial information properly, failing to recognize warning indications, or failing to confirm the legitimacy of investment opportunities. Victims who actively engage in risky financial behaviors, seeking quick and high returns without considering the associated risks, may be more prone to financial fraud victimization.

The supporting theory of Dr. Donald Cressey's Financial Fraud Theory (1953) provides a strong theoretical basis for analyzing the lived experiences of people victimized by pyramid schemes. This theory states that fraud happens when opportunity, pressure (or motivation), and rationalization come together (Cressey, 1953). In the case of pyramid schemes, opportunity results from the false promise of substantial financial rewards with little or no risk, frequently taking advantage of the victims' financial weaknesses and desires for riches. This perceived opportunity plays a key role in drawing people into schemes by portraying beginning contributions as doors leading to big profits, strengthening the scheme's credibility.

The pressure aspect of the Fraud Triangle Theory is particularly relevant to the experiences of individuals who fall victim to pyramid schemes. Many of these victims are under significant financial strain, facing challenges such as debt or inadequate savings, which make the promise of quick and substantial returns even more enticing (Cressey, 1953). The Fraud Triangle Theory's rationalization component helps explain how victims of pyramid schemes justify and excuse their involvement. People engage in mental processes to reduce feelings of guilt or suspicion as they get increasingly emotionally and financially entangled in the plan (Cressey, 1953). These justifications frequently entailed downplaying the risks, attributing potential failures, or clinging to the hope that the promised benefits would eventually pass. This psychological process kept victims loyal to fraud despite accumulating data that doubted its legitimacy.

### 1.3 Significance of the study

The following entities benefit from this study: the victims, the community, the policymakers, the social and news platforms, and the future researchers:

First, the study offers a platform for the victims to validate their experiences and share their stories. This validation allows victims to feel heard, which can help reduce feelings of shame and isolation commonly associated with victimization. Provides valuable insights into the emotional and psychological impact of pyramid schemes on victims, including stress, anxiety, and loss of trust. By understanding these effects, the study contributes to our comprehension of how victims navigate the aftermath of financial fraud.

Second, the community is better informed about the existence and dangers of pyramid schemes; by sharing the testimonies of victims, the community can recognize the red flags of dubious investment schemes, protecting members from potential exploitation.

Third, this study has significant implications for policymakers by providing crucial information that can aid in pursuing justice and preventing financial fraud. It offers essential data, equipping law enforcement agencies with the tools to uncover pyramid schemes and protect the public from financial fraud.

Fourth, social and news media platforms would have an opportunity to leverage the study's findings to enrich their content. They can achieve this by sharing genuine narratives and firsthand accounts of individuals falling victim to pyramid schemes. By doing so, these platforms can establish themselves as reliable sources of information. This approach helps users identify red flags and reduce the likelihood of financial fraud. Additionally, platforms can enhance their community involvement and social influence by facilitating discussions, providing support resources, and connecting victims with relevant organizations or services. These efforts contribute to a more knowledgeable and empowered user base, fostering a safer online environment and raising awareness about the dangers associated with pyramid schemes.

Lastly, for future researchers, this study, "The Lived Experiences of Victims of Pyramiding Schemes," is a valuable resource and a source of inspiration for future studies. It provides a foundation of information, research techniques, and data to direct and enlighten subsequent studies in victimology, criminology, psychology, public policy, and related domains. This study serves as a vital tool for policymakers in the development and enhancement of laws and regulations aimed at detecting and prosecuting pyramid scheme operators. Furthermore, it informs the development of preventative and intervention strategies, fosters international collaboration in combating cross-border pyramid schemes, and provides insights into the psychological vulnerabilities that render certain populations more susceptible to such schemes, thereby assisting in formulating targeted educational and preventive initiatives.

### 1.4 Related Literature

In financial deceit, pyramid schemes arise as complex systems that attract unsuspecting individuals with the promise of wealth, subjecting them to the harsh consequences of financial ruin. This literature examines the firsthand experiences of individuals who have fallen victim to pyramid schemes. Burke, Kieffer, Mottola, and Perez-Arce (2021) conducted research to answer the question, "Can educational interventions reduce susceptibility to financial fraud?" The research investigated whether people who obtain financial education, which aims to improve financial literacy and raise awareness of prevalent fraud, are less likely to become victims of financial fraud. In this finding, quick financial education programs significantly reduce vulnerability to financial fraud. However, it does not extensively explore the victims' experiences or delve into why victims chose to participate (Burke et al., 2021).

The study entitled 'Who is Next?' by Kadoya, Khan, Narumoto, and Watanabe (2021) evaluated the socioeconomic and psychological features of victims of trending and financial fraud in their study on victims of financial fraud in Japan. Based on the study, the profiles of financial fraud victims differ at both the general and specialized levels. Furthermore, the data show certain similarities in the profiles of the victims. Their research is related to this study since it tries to identify common victims of financial crime, such as individuals involved in pyramid schemes. It is important to highlight that this study is limited to Japan, and we believe that it would be equally important to do a study here in the Philippines (Kadoya et al., 2021). It is crucial to possess and apply financial knowledge in everyday life, as Leila Izadian's work on Financial Literacy (2021) emphasizes. Financial literacy involves understanding individual finances and their practical application. There is a widespread belief that greater financial education leads to better decision-making in financial matters (Izadian et al., 2021). Thus, financial literacy is crucial groundwork for making well-informed and sustainable financial choices.

In pyramid schemes, victims are often drawn in by the allure of quick, substantial returns, trapping them in risky financial setups. However, being financially literate is a protective shield. Those with financial knowledge can identify warning signs, grasp potential risks, and make informed choices. The pyramid of

financial literacy rests on education, awareness, and prudent decision-making, ensuring individuals are not trapped by schemes promising wealth but resulting in financial devastation.

Cognitive impairment and lack of social contact increase the likelihood of being a victim of fraud, as they are linked to biological, economic, sociological, and psychological aspects (Lee & Soberon-Ferrer, 1997). Cognitive impairment is a person's inability to understand information, making them more susceptible to becoming victims. The aging process, people's comprehension, and how they have lived all impact their mental capacities. People become more susceptible to becoming victims when they lack social connection, whether because of lifetime social isolation or a traumatic incident. Furthermore, psychological isolation is more significant than physical separation in this process (Bar-Lev et al., 2022).

In *Financial Fraud's Victim Profiles in Developing Countries* by Eldad Bar-Lev, Liviu-George Maha, and Stefan-Catalin Topliceanu (2022), the authors stated that when comparing victims and non-victims in terms of susceptibility to falling prey due to poor judgment, researchers found that victims tend to demonstrate poorer judgment than non-victims. Consequently, the authors concluded that victims display susceptibility to persuasion, irrespective of the specific type of fraud they encounter. They outlined various traits associated with poor judgment in financial fraud and grouped them into two categories.

The first category comprises motivational factors, including basic human needs and desires such as fear, greed, visceral influences, the pursuit of excitement through risk-taking, lack of discipline, disinterest in processing information, reciprocation, commitment, and consistency. Scammers exploit these characteristics by enticing victims into engagement before persuading them to invest money. The second category involves mental factors, such as positive self-illusions, valuing one's capabilities, perceived expertise, overconfidence in decision-making, reduced mental abilities, especially among older adults, social proof, employing rules for conduct such as reaching out to others and behaving politely, authority as a tendency to accept authority (Bar-Lev et al., 2022).

An unusual scenario involving individuals engaged in pyramid schemes is examined in Hock and Button's (2023) study; despite significant societal issues, these schemes often receive minimal attention. The lack of comprehension and awareness stems from diverse interpretations of pyramid schemes, misunderstandings in terminology, and ineffective law enforcement interventions. The study develops a classification system for both victims and perpetrators of pyramid schemes, considering the core features of these schemes and the concepts of "ideal victim" and "non-ideal victim."

This classification not only delineates various illegal behaviors but also identifies the characteristics of individuals involved in this domain. The study delineates standards of culpability necessary for analyzing participants in pyramid schemes, evaluating seven distinct groups based on their awareness, involvement, and victimization. This significantly impacts the approach to combating pyramid schemes, ensuring adequate victim protection, and enhancing our understanding of the intricate dynamics between victims and criminals within economic crime. Further research addressing the needs of these individuals, often overlooked by criminal justice systems, remains imperative.

Most literature on pyramid schemes focuses on quantitative aspects, regulatory frameworks, or scheme mechanics, often overlooking the nuanced experiences of victims. There is a notable absence of comprehensive qualitative study that explores victims' lived experiences, psychological impacts, and broader societal implications. Conducting such studies is crucial for understanding why individuals become victims, how they cope with financial losses, the strategies for rebuilding financial stability, and the long-term economic impacts. Addressing these gaps enhances financial guidance and support systems, contributing to a deeper understanding of victims' experiences and vulnerabilities and informing preventive measures against pyramid schemes while aiding victims in their recovery efforts.

## II. METHODS

This section provides the methodologies used by the researcher to obtain and analyze the data, which includes the study participants, materials and instruments, and design and procedure.

### 2.1 Study Participants

In the study, seven (7) participants from Davao City, Philippines, ages eighteen (18) and above were chosen to participate. The participants had personally encountered pyramid schemes resulting in monetary loss or emotional distress. The researchers employed purposive sampling using their expertise to select specific participants that aligned with the study's objectives. This technique was used in qualitative research to intentionally choose a particular group of individuals or units for analysis rather than through random selection (Heath, 2023).

## 2.2 Materials and Instruments

The researchers developed an interview guide questionnaire for data collection aligned with the study's objective. This questionnaire underwent validation, with the research adviser reviewing and refining it and panel members confirming its effectiveness. The interview guide includes three (3) main questions, each accompanied by probing questions to delve into specific details. To accomplish this, the researchers conducted face-to-face interviews with the participants, allowing the researcher to contextualize the victims' narratives. In-depth interviews allow the researcher and participant to build trust and collaboration beyond establishing a good rapport; it involves the joint construction of the participant's story with the researcher (Haydon et al., 2018). The researchers carefully documented and transcribed all the participants' responses onto paper to ensure the study's accuracy and impartiality.

## 2.3 Design and Procedure

The researcher utilized a qualitative case study research design, examining an individual, group, community, or institution. This approach often involves a bounded theory perspective, narrowing the case study's focus regarding time or space. The case study entails gathering data from various sources like observations, interviews, and documents. All participants chosen for the study must possess a shared attribute, whether directly or indirectly linked to the research question or the subject being investigated. Once the data is gathered, the researcher analyzes it to identify recurring or prominent themes (Hoover, 2021).

The researchers sent a letter of permission to the Dean of the Criminal Justice Education of the University of Mindanao, requesting consent to conduct the research study titled "The Lived Experiences of Victims of Pyramiding Schemes," outlining the steps and procedures involved. The researchers proceeded to locate participants and obtain a letter of permission, ensuring each participant provided informed consent to participate in the study.

After obtaining approvals, the researchers conducted one-on-one interviews tailored to the participants' preferences and comfort levels. The interview technique involved in-person meetings lasting between 60 minutes, allowing participants sufficient time to share their experiences in detail. Participant identities were held strictly confidential, with pseudonyms in all research materials to safeguard their privacy. These interviews commenced using a validated interview guide, with all the participants' words transcribed in writing.

During the interview, researchers used audio recordings to help with data collection. After gathering data, the researcher transcribed and translated all the information collected from the interviews. The researchers worked closely with the data analyst to systematically organize the data, aiming to gain meaningful initial insights into the phenomenon. The data analyst also analyzed the data to identify patterns by scrutinizing, combining, contrasting, and connecting them.

The study used thematic analysis, a qualitative research technique, to carefully organize and examine the complex data sets. This process involves identifying themes that capture the narratives in the dataset by thoroughly reading and re-reading the transcribed data (Dawadi, 2020). Furthermore, the researchers carefully refined, evaluated, and defined these patterns, using them to develop conclusive analyses and draw conclusions.

## III. RESULTS AND DISCUSSIONS

### 3.1 Factors of Victimization on pyramid scam

From the collected data based on the challenges of the participants shown in Table 1, there were three major themes: (1) Interest in Bigger Financial Returns, (2) Trust in Family or Acquaintances, and (3) Personal Needs.

TABLE 1 Essential themes on the factors of victimization on pyramiding scam

Themes	Core Ideas
Interest in Bigger Financial Returns	They said that if you invest a certain amount, you will see a substantial return after a few weeks. I initially invested because of the promise of a return on investment. The interest you earn increases as your money grows. Kapa and Rigen, it seemed like a gamble because they claimed it would double.



Trust in Family or Acquaintances	Some other relatives have conducted a money renewal, and they got it. So, they testified that it was true. I am confident I will not be betrayed because we are friends and family. I was deceived by my boss.
Personal Needs	I thought it could help with my business. To grow my vacation money. My vacation money was twenty thousand, but when I returned, I would have forty thousand. I want to buy personal things like bike parts.

### 3.1.1 Interest in Bigger Financial Return

Pyramid schemes rely on attracting an increasing number of new customers and offering attractive returns to previous depositors, utilizing funds from new investors. All participants were exposed to the same fraud offer; they could either keep a certain amount of money or invest it in a gamble (Bosley et al., 2019). Victims find themselves swayed by the promise of higher financial returns on their investments. This observation of the behavior and decisions of individuals in an experimental investment project relates to the main characteristics of Ponzi schemes; these characteristics include an unrealistically high interest rate, the possibility of keeping the scheme alive by using invested funds to pay interest, and an increasing probability of bankruptcy as time passes (Sadiraj & Schram, 2018). Most frauds are related to the Ponzi scheme, which offers substantial returns to investors but relies on funds from new investors to pay interest and short-term high returns to previous investors. With the advent of blockchain technology, a new type of intelligent scheme has emerged, resulting in significant losses for investors (Wang et al., 2021).

As we deep dive, the participants expressed their notions and thoughts about the factors contributing to their victimization in pyramid schemes. In which most of the participants stated that:

*"I was attracted to invest, among pangalan nitong Rigen. To invest doon sa reign because of the promise of a big return of investment so nandiyan kasi yung sabihin nila na mag invest ka ng ganito na amount then after how many weeks the return of an investment will be huge, so initially that was the reason I invested because of the promise of a return of investment." (P1).*

I was drawn up to invest in something called "Rigen" because of the promise of significant returns on investment. They said that if you invest a certain amount, you will see a substantial return after a few weeks. I initially invested because of the promise of a return on investment.

Moreover, most of the participants were lured because of the higher returns and as they expressed that it seemed like a gamble, quote:

*"Kana daw interest sa kapa, taas ang interest na makuha, murag kuan ba gadako ki dako ang imohang kwarta. Kapa og Rigen, murag sugal lang man gud to sya dong, murag sugal ba, o, madala ta sa mga kauban rapud nimo ba nga pag butang daw nila didto nag times two ana, kadugayan nadala ka, pag butang nimo didto na times two tinood, pagkaduha wa nimo gikuha gi bilin nimo kay unsa daw to ilang ingon na modako pa nya pag abot jud sa punto na nawala gyud sila. Ingato jud ang nahitabo ato, pero ginagmay ra hinuon to." (P2)*

The interest in Kapa is high, so the interest you earn increases as your money grows. Kapa and Regen, it seemed like gambling; we were drawn into it by others who believed in putting money there because they claimed it would double. It eventually led to disappointment, but it was a small amount.

### 3.1.2 Trust in Family or Acquaintances

These frauds frequently enlisted the help of family members, acquaintances, or trusted individuals to connect partners to a lucrative business opportunity (Hock & Button, 2023). Victims testified that they decided to invest in financial schemes based on a combination of financial, family, and psychological circumstances at the time of the fraud (Bar-Lev et al., 2022). Victims continue to suffer severe emotional and psychological distress, leaving long-lasting emotional scars that impair their ability to trust others and engage in future financial endeavors. Pyramid schemes not only injure consumers, but the sad thing is that many investors, as victims of these tricky schemes, are well-educated people (Hidajat, 2018).

As we deep dived, the participants expressed their notions and thoughts about the factors contributing to their victimization, such as placing trust in family or acquaintances. In which most of the participants stated that:

*“Kapa and Rigen, some other relatives na naka conduct na sila ug renewal of money nakakuha na sila ba, so sila nagpamatood na tinood siya naay kwarta na madawat ug mutubo siya in one week.” (P4).*

Kapa and Rigen and some other relatives have conducted a money renewal, and they got it. So, they testified that it was true: there was money to receive, and it would grow within a week.

Many expressed that one of the factors that made them decide to invest is because of their close friends and relatives. As P5 recounted:

*“...Number one is money and confidence; we are close and confident that you won't be betrayed because we are friends and family” (P5).*

*“I was deceived by my boss.” (P6)*

### 3.1.3 Personal needs

Certain prerequisites for deception may arise from the individual circumstances of potential victims, such as limited time to evaluate the offer or specific individual needs that the offer addresses. Fraudsters exploit these basic needs and desires by presenting opportunities that promise slightly higher returns on the effort invested. Once the offer is perceived as credible, victims may quickly decide to participate due to various mental factors, such as impulsiveness or susceptibility to persuasion. These factors impair the victim's ability to accurately assess the situation, increasing the likelihood of investing in fraudulent schemes (Bar-Lev et al., 2022). Dr. Donald Cressey's Financial Fraud Theory (1953) case of pyramid schemes, opportunity results from the false promise of substantial financial rewards with little or no risk, frequently taking advantage of the victims' financial weaknesses and desires for riches.

As we deep dived, the participants expressed their thoughts and beliefs regarding the factors and expectations that drove the victims to pursue their individual needs despite falling prey to pyramid schemes. In which most of the participants stated that:

*“Nag huna-huna ko na makatabang siya sa akoang pang negosyo, ang uban gud nakita nako nga murag man gud silag ni angat gud kay bisag five months lang ka maka kubra ato gud mo times two ang interest man gud siya kaya mabawi nimo.” (P2).*

I thought it could help with my business. I have seen others doing well because, in just five months, they can double their earnings with interest.

Participants also see opportunities in these investments to grow their savings and passive income. P7 expressed:

*“Para mutubo ang akong vacation money kay naa man ko sa abroad that time so kung naa man, kintahay akong vacation money was twenty thousand, naa koy forty thousand pag uli.” (P7).*

I want to grow my vacation money because I was abroad then. So, if I had any, my vacation money would have been twenty thousand, and when I returned, I would have forty thousand.

If the targets' current needs and desires align with the promises made by the persuader, they are more likely to respond (DeLiema, 2022). The desire to improve their current situation often makes fraudulent offers more appealing, leading to hasty decisions without thorough reflection (Dove, 2020). Just like what P7 lamented:

*“I want to buy personal things like bike parts (P7).*

This perceived opportunity plays a key role in drawing people into schemes by portraying beginning contributions as doors leading to big profits, strengthening the scheme's credibility. Many of these victims are under significant financial strain, facing challenges such as debt or inadequate savings, which make the promise of quick and substantial returns even more enticing.

### 3.2 Lived Experiences of Victims of Pyramiding Scam

The collected data based on the participants' challenges in Table 2 showed two major themes: (1) Regrets and Sadness About the Incident and (2) Lack of Personal Action or Response to the Scheme.

TABLE 2 Essential themes on Lived Experiences of Victims of Pyramiding scam

THEMES	CORE IDEAS
Regrets and Sadness about the Incident	The impact is mostly psychological, knowing I deceived myself and risked them on something I already knew was a scam. It was very painful. Instead of fulfilling their promises, we were left with nothing. I have nothing left
Lack of Personal Action or Response to the Scheme	We decided not to pursue it anymore because it involves a complicated process. I did not bother retrieving the money anymore because I voluntarily invested it. No, because I know I took a risk with that money.

#### 3.2.1 Regrets and Sadness about the incident

Participants consistently reported that the most significant impact of the fraud was psychological. The realization that they had deceived themselves by believing in fraud, despite having doubts, led to intense feelings of regret and sadness. This self-deception aggravated their emotional distress, as they struggled with the knowledge that they had risked their own well-being. The pain of being left with nothing, despite the promises made by the scammers, compounded their sense of loss and betrayal. The findings indicate that victims of financial fraud have greater mental health needs and poorer health-related quality of life than those who have not been defrauded (Sarria et al., 2019). In which most of the participants stated that:



*“The effect is more on psychological knowing na naloko ako na may prinsipyo ako then nilunok ko yung prinsipyo ko, sinugal ko, doon sa alam ko naman na scam.” (P1)*

The impact is mostly psychological, knowing that I deceived myself into thinking I had principles, I went against those principles and risked them on something I already knew was a scam.

Additionally, it found that victims often experience sleepiness, distraction, mental deficits, and difficulty with systematic processing while being deceived (Wen et al., 2022). The reluctance to share their experiences due to fear of judgment, embarrassment, anger, and shame further isolates victims, intensifying their psychological distress (Buse et al., 2023).

*“Murag grabe jud ka pait labi nag imbes ma bawi na unta nimo imong gipasalig sa ilaha kay gipundo raman nimo kay mag dako mag dako mag dako, nya gi pundo sa nimo pildi na kaayo ka kay wa paman nimo to nabawi imong kapital pag pundo hantod nga nawala nalang sila. Wala najud koy na paabot” (P2).*

It was excruciating. Instead of returning your investment, you made a large profit. I lost everything as you invested your money again without receiving your capital back. I am hoping for nothing now.

Marvin Wolfgang's Victim Precipitation Theory (1957) can be connected here, as it suggests that the victim's behavior or actions can contribute to their victimization. In this case, the victims' initial trust and subsequent self-deception played a role in their psychological suffering, further underscoring the complex interplay between victim behavior and the emotional impact of fraud.

### 3.2.2 Lack of Personal Action or Response to the Scheme

Participants consistently reported a lack of individual action or response following the scheme incident, often attributing their inaction to the perceived complexity of pursuing legal remedies and accepting individual responsibility for their investment decisions. In which the P2 and P1 stated:

*“Wala nalang dako na kaayong proseso ato nIya tapos gamay raman tong amo gi invest, og ni invest kag minilion siguro kana mangaita jud ka kaso ginagmay lang man” (P2).*

We decided not to pursue it anymore because it involves a complicated process, and we only invested a small amount. But if you invest a million, we will seek help, but for a small amount like ours, we did not.

*“When I gave my money to the collector ng Rigen nayan, after one month, there was this news na Rigen already stopped its operation then may mga kaso daw, wala na, hindi nako naghanap ng paraan na habolin ko pa yung pera kasi nga kung tutuusin ako naman ang voluntaryo yung pag invest. The person na binigyan ko ng pera sinabi niya talaga na “sugal yung ginawa namin at ganito ang nangyari sa investment natin, ang Rigen ay naghinto na yung operation at may mga kaso” sabi niya, but ako hindi na ako gumawa ng paraan para ma recover yung pera.”*

When I gave my money to the collector of Rigen, after one month, there was news that Rigen had already stopped its operation and there were cases. I did not bother trying to retrieve the money anymore because I voluntarily invested it. The person I gave the money to even said, "What we did was gambling, and this is what happened to our investment. Rigen has ceased its operation and there are cases." But I did not take any action to recover the money.

Individuals may recognize the risk of online fraud but fail to adopt protective behaviors due to low efficacy and limited knowledge of fraud protection tools (Hassan et al., 2023). Decision-making leading to action or inaction affected the intensity of regret, with forced choices eliciting more intense regret even with positive outcomes, whereas freely made choices with positive outcomes resulted in less regret (Matarazzo et al., 2021).

*"No, because I am aware that I took the risk with that money." (P7)*

Furthermore, victims of investment fraud often feel they have engaged in morally questionable pursuits, such as seeking quick financial gains, which may further contribute to their reluctance to pursue restitution or share their experiences publicly (Hansen, 2024).

### 3.3 Measures to prevent scam

The collected data based on the participants' challenges shown in Table 3 showed two major themes: (1) Tapping Government and Utilizing Their Initiatives and (2) Scrutinizing Who and What to Trust.

TABLE 3 Essential themes on measures to prevent scam

THEMES	CORE IDEAS
Tapping Government and Utilizing Their Initiatives	In our law enforcement agencies, particularly the NBI, PNP, and government regulatory agencies, their role is to check whether the permits they issue to these organizations are for legitimate activities. Some scammers and pyramid schemes have permits from the Securities and Exchange Commission (SEC), claiming their work is legitimate.
Scrutinizing Who and What to Trust	People should not trust you too easily; if someone tries to get you involved in such schemes, it is best to avoid it. A warning to others: Do not trust easily.

#### 3.3.1 Tapping Government and Utilizing Their Initiative

Many victims voiced a desire for further government involvement and regulation to protect others from becoming victims of pyramid schemes. Participants stressed the significance of government agencies implementing educational programs and awareness efforts to educate the public about the risks of such fraud. They emphasized the need for stricter implementation of current laws and regulations to combat this criminal activity. In which P8 stated that:

*"Role sa ating law enforcement agencies, particularly NBI, PNP, and government regulatory agencies ng ating gobyerno to monitor or bantayan nila kung yung ini issue ba nila na mga permit sa mga organization na ito ay yung activities ba ng mga organization ay legitimate ba kasi yung mga iba sa mga scammers na ito, mga pyramiding schemes na ito, may permit yan sa the Securities and Exchange Commission (SEC) pero ang permit ang ni*

*declare nila na trabaho is legitimate then nakalimutan ng SEC na imonitor sila yun pala gumagawa na sila ng mga schemes” (P8)*

In our law enforcement agencies, particularly the NBI, PNP, and government regulatory agencies, their role is to check whether the licenses they issue to these organizations are for legitimate activities. Some scammers and pyramid schemes have licenses from the Securities and Exchange Commission (SEC), claiming their work is legitimate, but the SEC forgets to check them, unaware that they are already engaging in schemes.

The victim frequently experiences increased distress because of authorities' perceived lack of interest and reluctance or inability to thoroughly investigate and prosecute fraud crimes (Dove, 2020). This perception significantly limits victims' ability to find closure, as they may refrain from reporting fraud due to embarrassment or skepticism about the effectiveness of government responses. Meanwhile, law enforcement faces ongoing challenges in keeping up with rapid technological advancements over the last three decades, which have fundamentally altered the landscape of crime prevention (Korsell, 2020).

### 3.3.2 Scrutinizing Who and What to Trust

Many victims emphasized the importance of scrutinizing who and what to trust to prevent falling victim to pyramid schemes. Participants consistently pointed out that people should not trust too easily and exercise caution in their interpersonal and financial interactions. Some victims exhibited a high level of trust in interpersonal communication, often believing what others said without sufficient skepticism (Wen et al., 2022). This tendency can make individuals susceptible to fraudulent schemes, especially when the opportunity appears to be backed by people within their social circle (Dove, 2020).

*“Siguro warnings sa iba wag kayong basta-bastang magtiwala ng mga ganyan kasi common sense na ang mga ganyan sabi nila “investment” from the beginning this word is sign as a scam and to scam people sa una malaki ang investment so nag invest ka binigay sayo at tinanggap naman. So pag mag invest kayo babalik sa inyo, kayo unang nag invest nakatanggap kayo, ngayon kaibigan ko kayo ikukwento ninyo sa akin “mag invest kana kasi kami nga nag invest kami nakakuha namain kami” so yung nangyari sa akin kasi mismong kasamahan namin sa trabaho. The warning is hindi tayo basta- bastang maniwala, maraming manloloko sa mundo kung hindi magpaloko.” (P1)*

Perhaps warnings to others: Don't easily trust such things because it's common sense that when they call it an 'investment,' it's a sign of a fraud from the start. These schemes require a large initial investment, so when you invest, they give it to you and you accept it. When you invest, it returns to you; you're the first to invest and receive. Now, as friends, you might tell me, 'Invest because we invested and gained something.' That's what happened to me, even with our colleague at work. The warning is not to believe easily; there are many deceivers in the world, and there won't be deceivers if we don't get deceived.

Knowing that an offer is endorsed by familiar individuals can significantly increase one's likelihood of committing to a fraudulent proposition. It further elaborates that scammers often build trust by initially making small payouts, which convinces victims of the scheme's legitimacy, leading them to invest larger sums eventually (Buse, 2023).

*“Dili jud dapat ta mag tuo-tuo, og naay mo recruit sa imoha og mga ani, kay walay negosyo nga ato ang mga style” (P2)*

People shouldn't trust you too easily, and if someone tries to get you involved in such schemes, it's best to avoid them because They are not real businesses.

To mitigate these risks, it is crucial for individuals to adopt a more critical approach, thoroughly researching and verifying the legitimacy of any opportunity before committing their resources. Enhancing public awareness about the tactics used by scammers and promoting a culture of healthy skepticism can significantly reduce the incidence of pyramid scheme victimization.

#### IV. IMPLICATION AND CONCLUDING REMARKS

In this comprehensive study, the researchers explored the factors of victimization and the lived experiences of victims of pyramid schemes and identified the measures to prevent schemes. The study objective aimed to identify victims of pyramid schemes and understand the impact of their experiences to comprehend the effect on their lives. It also provides recommendations regarding the experiences of individuals involved in pyramid schemes and their demanding situations.

##### 4.1 Implication for practice

This study offers victims a platform to validate their experiences and share their stories, which may help alleviate the shame and isolation often associated with victimization. By highlighting the emotional and psychological impacts of pyramid schemes, such as stress, anxiety, and loss of trust, the study enhances our understanding of how victims cope with the aftermath of financial fraud. This understanding is crucial for developing targeted support services and treatments that address their specific needs, ultimately aiding in recovery and fostering resilience in the face of exploitation.

This study offers critical insights to the community by providing a deeper understanding of the vulnerabilities that expose people to pyramid schemes. Identifying factors contributing to victimization, such as the pursuit of bigger financial returns, misplaced trust in family or acquaintances, and individual needs, sheds light on the complex dynamics of pyramid schemes. Additionally, the exploration of victims' lived experiences, characterized by feelings of regret, despair, and powerlessness, underscores the emotional toll of falling victim to financial fraud. Moving forward, the community must prioritize educational activities to increase awareness about the risks associated with pyramid schemes and empower making sound financial decisions. Establishing dedicated support networks to assist victims in coping with the aftermath of financial victimization and facilitating their recovery process is crucial. Furthermore, initiative-taking measures, including collaboration with government agencies and tightening regulations, are essential to prevent future victimization. By collectively addressing these recommendations, the community can work towards creating a safer and more resilient environment where individuals are empowered to protect themselves and others from the devastating consequences of financial fraud.

To the policymakers, the findings of this study indicate the critical need for enhanced government involvement and regulatory actions within the criminal justice system to address victimization caused by pyramid schemes. Victims of such schemes strongly desire increased government participation and regulatory actions to avoid further victimization. Participants emphasized the critical role that governments can play in minimizing the incidence of pyramid schemes by implementing extensive educational programs and awareness campaigns. These activities are crucial in providing the public with the knowledge and awareness required to detect and prevent fraudulent schemes.

Additionally, there is a strong demand for excellent enforcement of current laws and regulations, highlighting the urgent need for a proactive approach to prevent financial exploitation. To enhance these efforts, it is recommended that every city and region in the Philippines establish specialized agencies like the Davao City Anti-Scam Unit. This agency, under the office of the city mayor, works alongside the Securities and Exchange Commission (SEC) and has the primary duty of receiving complaints related to any dealings or business transactions alleged to involve fraud. It also assists victims of fraudulent business transactions. By replicating this model nationwide, the government can ensure a more robust and coordinated response to financial fraud, offering better protection and support to potential and existing victims.

To social and news media platforms, the study offered an understanding of the lived experiences of victims of pyramid schemes. These insights presented an opportunity to enrich content by sharing honest narratives and firsthand accounts from those affected. By doing so, platforms could establish themselves as trustworthy sources

of information, helping individuals recognize red flags and reduce the likelihood of victimization. Additionally, enhancing social influence and community involvement through guided discussions, support materials, and connections to relevant institutions or services resulted in a more informed and capable user base. These initiatives increased awareness of the risks associated with pyramid schemes and promoted a safer online environment. Moreover, this strengthened the platforms' reputation and reliability as key players in the fight against financial fraud, furthering their goal of educating and safeguarding the public.

#### 4.2 Implication for future research

To future researchers, the findings of this study offer valuable insights into the current lived experiences of victims of pyramid schemes, illuminating both the factors contributing to victimization and potential proactive preventive measures. The identified factors, including a desire for higher financial returns, trust in family or acquaintances, and individual needs, provide a more comprehensive understanding of the vulnerabilities that perpetrators of financial fraud exploit. Additionally, victims' lived experiences, characterized by emotions of regret and sadness, as well as a lack of individual action or response to the scheme, underscore the severe emotional and psychological impact of such schemes. Given these findings, future research efforts might focus on investigating the interplay of these characteristics and designing tailored interventions to reduce the likelihood of victimization. Furthermore, ongoing studies tracking the long-term impacts of victimization and the effectiveness of preventive interventions would contribute to a more thorough understanding of the dynamics surrounding pyramid schemes. Future researchers could build upon the findings of this study to inform policy and practice within the criminal justice system, thus better protecting individuals from financial exploitation.

#### 4.3 Concluding Remarks

Based on the study results, it is concluded that pyramid schemes significantly impact the lives of victims. Not only are they deceived, but they also experience financial losses that affect their well-being, family, and finances. First, in Interest in Bigger Financial Returns, participants highlighted that their actions may involve a pyramid scheme, but they still end up being victimized by it. Second, Trust in Family or Acquaintances, the participants highlighted that their trust in family, friends, or acquaintances were the ones responsible for their victimization, as they had entrusted them with their money for the investments in question. Everyone should learn to think about the impact of their decisions on their well-being when trusting someone in any investment endeavor. Third, Personal Needs, participants acknowledged that their primary investment goal was to meet their individual needs easily. However, they came to realize that relying solely on the easiest path might not be prudent. It became evident that individuals should exert effort in pursuing their goals rather than solely relying on convenience, as the outcomes could either be beneficial or detrimental to them.

The victims face various challenges, and regrets may linger, like shadows, casting doubt upon their choices and actions based on the insights and lessons learned from the victims' experience. First, Regrets and Sadness about the Incident: victims often find themselves filled with regret for their decisions and actions, failing to consider the pros and cons before engaging in such investments. This victimization not only entails visible financial losses but also inflicts emotional devastation, characterized by profound regret and sadness among those traps. Second, participants highlighted a lack of personal action or response to the scheme, emphasizing their lack of comprehension and awareness. This stemmed from diverse interpretations of pyramid schemes, misunderstandings in terminology, and ineffective law enforcement interventions. Victims often refrain from seeking help or responding to assistance, as they believe they brought the situation upon themselves, leading to their deception.

It was also discovered that the government should consider utilizing measures to prevent such schemes. First, in Tapping the Government and Utilizing Their Initiatives, participants emphasized this significance because many victims called for stronger government intervention and regulation to protect people from pyramid schemes. They emphasized the importance of government agencies establishing educational programs and awareness efforts to educate the public about the risks connected with pyramid schemes. Participants underlined the importance of stronger enforcement of current rules and regulations to successfully combat criminal behavior. This highlights the potential importance of government policies in protecting citizens against financial exploitation. Second, scrutinizing who and what to trust emerged as an important theme. Participants related their stories of being duped by seductive sales tactics and bogus promises of large profits. They emphasized the significance of being cautious and skeptical while analyzing investment opportunities, particularly those that appear too good to be true. This underscores the importance of teaching people how to spot warning indicators and evaluate the legitimacy of investment opportunities before they commit their money.



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