

BC Crime Prevention Association – FRAUD ALERT

Cheque overpayment schemes

Subject: **A business offer that is too good to be true!**

Type of Fraud: **A business deal with promises of huge profit and pitched in such a manner that a business owner's guard is down, leaving them at high risk of being defrauded. A cashier's cheque for a large sum is advanced to lay the foundation for the fraud. The fraud can be successful because it is based on the premise that a cashier's cheque (equivalent to a Canadian bank draft) is issued by a financial institution and payment is therefore guaranteed. Modern computer technology makes it easy for a fraud suspect to scan, alter and reissue an original (genuine) cashier's cheques that can pass inspection by bank staff and equally impress a target business.**

Purpose of fraud:

- **To impress and excite businesses with promises of very high profit potential**
- **To eliminate or reduce any suspicions about the legitimacy of the transaction**
- **To provide a plausible excuse requiring the business to return funds**
- **To legitimize a request for advance payment to a third party before the principal funds have cleared the bank**
- **To entice the business into sending refund cheques to the customer prior to the advance payment cheque clearing the bank.**

Red flags for this fraud:

- **Customer creates in the mind of the business owner the picture of a wealthy individual located in a rich country – the level of the investment is designed to match and is not inconsistent with the customer's personal standard of living**
- **Talk of potentially very high expenditure – the amount is intended to impress**
- **Carefully selects a victim business that has a reputation for handling similar large-scale business propositions such that the fraudulent offer appears totally in context with that businesses' typical operations**
- **Request for the business to advance funds to a third party as a condition of that party's participation in the business transaction – an implied threat that the entire deal could collapse if the business does not comply**

Precautions for businesses:

- **Even though a cashier's cheque purports to be issued by a bank and historically has been deemed as good as cash, in the case of overseas cheques businesses should contact the issuing bank and fax a copy of the instrument to seek confirmation of the cheque's authenticity**
- **It is timely to remind business owners that when their local bank lifts a "hold" on a deposited cheque, that does not mean that the cheque is legitimate**
- **Don't allow a dazzling business prospect to cloud your judgment**
- **Make it clear to prospective customers that the terms under which both parties can consummate the deal require that all cheques deposited be fully cleared before funds will be applied**

Remember: **Know WHO and WHAT you are dealing with!**

For more info about frauds and scams, visit:

www.bccpa.org