



Fraud scam alert

Two fraud scams that LAWPRO learned about recently bear a striking resemblance – even though one was attempted on the east coast and the other south of the border. They both involve offshore “clients,” unusual instructions and aggressive stances once the lawyers involved started asking questions.

The suspect purchaser

Deborah Gillis, Risk and Practice Management Advisor with the Lawyers' Insurance Association of Nova Scotia warned practitioners in her jurisdiction about the following scam:

A vendor listed his property for sale on the Internet. A person posing as a U.K. businessman offered to purchase the property directly from the vendor. There were a series of e-mails and phone calls between the vendor and the interested "purchaser" discussing the transaction. The vendor requested a non-refundable deposit of \$62,500 from the "purchaser".

The "purchaser" couriered the vendor a "certified cheque" in the amount of \$82,500. The cheque was drawn on an account purportedly held by a legitimate company at an Alberta branch of a nationally recognized bank. Addresses and phone numbers for the payer and the bank were included on the cheque.

When the vendor attended at his bank to deposit the cheque his banking officer called the number indicated for the Alberta bank to inquire about the authenticity of the cheque. The banking officer was told that it was "as good as gold" and that there were sufficient funds on account for the cheque to clear. The cheque was deposited and the vendor considered the funds certified.

In e-mails sent after the cheque was deposited, the "purchaser" explained to the vendor that he had received a loan from the company for this deal, as well as other transactions the "purchaser" had in process; hence it had to be in one lump sum from the loan company. The "purchaser" requested that the vendor accept \$40,000 as the deposit, instead of \$62,500 as the purchaser now needed the balance (\$42,500) to complete another deal in Japan. He asked the vendor to wire the \$42,500 to a bank account in Japan.

When the vendor began receiving these e-mails from the "purchaser" to wire \$42,500 to Japan, he contacted a local lawyer. His lawyer contacted the "broker" who had been identified as the "purchaser's mortgage broker" in Ontario. The broker was evasive and wouldn't provide the lawyer with the "purchaser's" name or contact information. The broker eventually said he would have the "purchaser" contact the vendor's lawyer. When the "purchaser" did contact the lawyer, he said he was a 32-year-old U.K. businessman. After speaking to him, the vendor's lawyer doubted this was true. The conversations the lawyer had with the broker and the purchaser, combined with the poor grammar and spelling in the "purchaser's" e-mails, raised red flags in the mind of the vendor's lawyer. He advised his client not to return any funds.

When the vendor did not wire funds to the Japan account, the e-mails to him from the "purchaser" became aggressive and the vendor was threatened with a lawsuit. On his lawyer's advice the vendor continued to resist returning funds to the "purchaser." The "purchaser" persisted in attempting to convince the vendor to wire funds.

After the vendor's lawyer had personally spoken with the "purchaser" and "mortgage broker", the vendor received a waiver from a director of the non-existent company which appeared to authorize the release of the funds to Japan. Again, the document contained spelling errors, was not on letterhead, and in general, was suspicious.

Within days of the vendor depositing the \$82,500 cheque to his account, the lawyer and his client discovered that the "good as gold" cheque was, in fact, worthless and part of a fraudulent scheme. Phone numbers for the bank and payer which were on the cheque had been ringing through to bogus representatives, who then confirmed the legitimacy of the payer, the cheque, and the availability of funds.

One of the most concerning aspects of this scheme from the vendor's lawyer's perspective was that there were actually valid phone numbers for the non-existent company and bank branch and that individuals at these numbers were receiving and responding to calls and holding the bank and payer out to be perfectly legitimate. The fraudsters were described by the lawyer as very bold and the scheme elaborate.

The fictitious divorcee

The following appeared on an American Bar Association (ABA) listserve for solo and small firm practitioners. It is reproduced with permission of the ABA.

"I was contacted via e-mail by a potential client who wanted me to represent her in a divorce action. ... I sent, via e-mail, my retainer agreement that she was to return to me, signed, with the retainer cheque.

When she sent the (less-than-agreed upon) retainer check via UPS, she included instructions to wire a portion to a travel agent. At this point, bells went off in my head. I started digging and found out that the UPS package was sent from Oregon when she was supposedly in the U.K. (as was the travel agent). Also, the cheque was computer-generated (not that unusual for me to see) but from a company in Alexandria, VA. The address on the package was also from Virginia.

Then the phone started ringing. "Why haven't you sent the money?" The phone calls were not from the potential client but from the supposed travel agent. Several such phone calls came, all in a short period of time. The phone number did not show up on caller ID, but the calls were coming through the switchboard which is unusual for most phone calls to this office. ... today there was an e-mail from the potential client (in which) she was for the first time indicating some type of physical or emotional abuse, although she did not say that outright. The e-mail also said that she was in a hurry to get everything started.

Needless to say, the money was not wired to the travel agent and thus far the cheque has not been deposited into my accounts. I am pretty sure that the cheque would be dishonored."