

## **Fraud alert for all Ontario lawyers**

### **LAWPRO E-Bulletin: Business loan scam now in high gear**

Since our first fraud alert went out a week ago, we have received many calls and emails from lawyers questioning files related to small business equipment loan matters. Together we have identified close to 20 matters where we believe fraud claims have been avoided. Before you release funds from your trust accounts, make sure you are not being caught up in a fraud scam. We encourage you to wait for the second bank-to-bank verification before issuing funds from your trust account (see below for more on this point).

The scenario reported works as follows:

1. a previously unknown client may have asked you to act on an incorporation recently;
2. the client presented realistic looking photo ID (a newer Ontario driver licence and/or SIN card);
3. the client recently asked you to act on a business loan or equipment purchase matter; loan amounts in subject files vary but most are in the \$250,000 to \$400,000 range;
4. loan proceeds are to go to a third-party corporation often a numbered company (not the client's new corporation);
5. you will receive a forged, certified cheque or bank draft that likely will look normal;
6. after depositing the forged document in your trust account, you disburse good funds as instructed, and are left with a shortfall in your trust account.

We are hearing the following names frequently in the subject files:

- First Choice Venture Capital (ostensibly a Halifax company)
- Montreal Venture Management Solutions
- First Choice Venture Management Solution Inc.

#### **Red flags**

The subject files have many similarities that are indicia for fraud:

- the client paid cash for the incorporation
- the client and corporate addresses were the same;
- a brand new corporation with no apparent purpose is to get a loan in this amount;
- the only security for the loan was a promissory note or GSA;
- the client had only a cell number or the home phone number given was not working, and the address on the driver's licence is not a real one;
- the client is pushing to have the loan completed as quickly as possible.

These files appear to be attempts at very sophisticated frauds. The lawyers who have contacted us say these clients are often very persuasive. The letters and other documents provided by the client and the certified cheques or money orders received from the lender will look legitimate - but will likely turn out to be counterfeit. Searches on the names, addresses, serial numbers or other information in the documentation indicate the information provided may be false.

**Protect yourself when dealing with the bank**

Don't rely on oral confirmation from your bank at time of deposit that the cheque is good. Don't disburse funds immediately - **EVEN IF YOUR CLIENT IS PUSHING!!!** Wait until the second bank-to-bank verification before issuing funds from your trust account. Wait at least 2-3 banking days to do so. See Show Me the Money article on funds transfers (Summer 2008 LAWPRO Magazine at <http://www.practicepro.ca/LAWPROMag/LawproMagArchive.asp>)

Please read LAWPRO's new Fraud Fact Sheet at <http://www.practicepro.ca/practice/pdf/FraudInfoSheet.pdf> to learn more about the red flags to look out for.

Or see the practicePRO Fraud page at <http://www.practicepro.ca/fraud> for information on fraud and how to avoid it.

Please call LAWPRO at 1-800-410-1013 (416-598-5899) if you suspect you have completed or are acting on a matter that, based on this information, causes you concern. If you have or come into the possession of a fraudulent cheque or bank draft, please carefully place it in an envelope so that an attempt to recover finger prints from it can be made.

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