

Frauds targeting lawyers in 2010: An update and a warning

Not a month went by in 2010 without news of one or more new fraud scams targeting lawyers. Activity seemed to peak at year end when we got wind of – and advised lawyers of – six fraudsters who were attempting to dupe lawyers in November/December alone.

Our fraud warnings – posted on our [AvoidAClaim](#) blog, emailed to lawyers through our electronic newsletters and relayed through our publication, [LAWPRO Magazine](#) – generated more than 500 calls and emails from lawyers seeking guidance or advising us of yet another variation on the fraud scheme.

Most of the fraud attempts we saw in 2010 were bad cheque frauds.

At their simplest, these bad cheque frauds all work the same way. The fraudsters retain the lawyer to act on an otherwise legitimate-looking legal matter that creates circumstances to dupe the lawyer into quickly disbursing funds on a counterfeit certified cheque, bank draft or cashier's cheque that was deposited into the lawyer's account. The fraudster gets real money and the lawyer is left with a shortfall in the trust account.

In 2010 the most common bad cheque fraud scenarios we at LAWPRO saw were:

- a payment from an ex-spouse on a spousal-support collection further to the terms of a collaborative family law agreement (by far the most common);
- a payment from the debtor on a business debt collection;
- a loan advance from a sham lender on a business loan or inventory purchase loan; and
- a bad cheque given as a deposit on a real estate deal that ends up being aborted, triggering a request to pay the deposit back to the purchaser or to a third party.

Some of the fraud attempts LAWPRO saw in 2010 sent up red flags: poor spelling, bad grammar and/or completely untenable fact circumstances (e.g., multi-million dollar lottery wins or inheritances).

However, frauds are getting more sophisticated and the fictitious scenarios can look like legitimate legal matters. Both new

and experienced lawyers were fooled into working through file opening and the initial stages of matters before they had suspicions or determined they were the target of a fraud. Some Ontario lawyers were duped.

Ontario lawyers should not be complacent. These fraudsters go to great lengths to create scenarios that otherwise appear to be legitimate legal matters. Clearly, groups of people are collaborating on these fraud attempts. They are prepared to engage in extensive and ongoing communications over weeks and even months, usually by email, but also by phone, and on occasion, even in person.

The initial contact is frequently by email, but may also be a typed or handwritten note delivered by regular mail. It can be a short message of only a few sentences with virtually no details about the matter or a detailed message with extensive background information. Initial contact messages are usually generically addressed (e.g., “Dear attorney” or “Attention counsel”) as they are sent to many people via BCC, but they can be personalized and include a lawyer's first and/or last names.

We saw instances where the fraudsters were clearly taking steps to appear to be coming from a trusted referral source. Most frequently this is another local lawyer or real estate agent. Some initial contact messages claim to have found contact information on bar association or other online listings.

The fraudsters provided legitimate-looking fake identification, including foreign passports, U.S. state or other foreign country issued birth certificates or drivers' licences. On a few occasions we saw notarized documents from a non-existent lawyer at a real law firm in the United Kingdom falsely verifying identity information.

The fake cheques and bank drafts are of very high quality – even bank staff have been fooled. They are printed on high quality paper and can have watermarks, embossing and holographs.

To help Ontario lawyers recognize attempted frauds, LAWPRO is posting examples of the initial contact messages and back-and-forth communications on the [AvoidAClaim.com](#) blog. In 2010, we posted 15 separate fraud updates – many of which included images of the fake supporting documentation the fraudsters

are supplying, including identification, bad cheques and bank drafts, and fabricated collaborative family law agreements and divorce decrees.

Remember that the essence of these frauds is to dupe you into refunding or disbursing money before a counterfeit payment has cleared the banking system. Tell all new clients that you have policies in place which govern the form of funds you will accept and the timeframe that will be applied to any refund requests – and hold firm, no matter how compelling the fraudster's story. Coming up with a convincing story is a core competency of a fraudster.

Additional fraud-prevention information and resources are available on the practicePRO Fraud page (www.practicepro.ca/fraud).

To receive immediate updates on fraud and claims prevention by email or RSS feed, go to LAWPRO's AvoidAClaim blog (www.avoidclaim.com)

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How to handle a real or suspected fraud

If you have been targeted by a fraud, please forward any of the emails you have received to fraudinfo@lawpro.ca.

For more immediate updates on fraud and claims prevention, subscribe to the email or RSS feed updates from LAWPRO's [AvoidAClaim](http://www.avoidclaim.com) blog.

If you are a LAWPRO insured, please call LAWPRO at 1-800-410-1013 (416-598-5899) if you suspect you are acting on a matter that appears to be a fraud. We will talk you through the common fraud scenarios we are seeing and help you spot red flags that may indicate you are being duped. This will help you ask appropriate questions of your client to determine if the matter is legitimate or not. If the matter you are acting on is a fraud and there is a potential claim, we will work with you to prevent the fraud and minimize potential claims costs.

If you have been successfully duped, please immediately notify LAWPRO as there may be a claim against you. For information on how to report a claim, please go to: www.lawpro.ca/insurance/online_services/Report_Claim_01.asp.

Further fraud prevention information and resources are available on the practicePRO Fraud page (www.practicepro.ca/fraud), including the Fraud Fact Sheet, a handy reference for lawyers and law firm staff that describes the common frauds and the red flags that can help identify them.

