

CORPORATE ID FRAUD

Changing or stealing the identity of corporate property owners is commonly accomplished by filing a notice naming imposter directors and officers, using fake ID for the real directors and officers or changing the address of the registered office. The fraudsters then retain a lawyer to help sell or mortgage the corporation's property.



FRAUD WATCH



- ! If you aren't completely sure a matter is legitimate, terminate the retainer.
- ! If you've been asked to do something that seems irregular, ask questions.
- ! If it looks too easy or sounds too good to be true, it probably is.

SIGNS

- Notice of Change is filed after a long period without a change in control of the corporation – even where real owners or their agents regularly make corporate filings
 - Corporation has owned vacant land, disused or run-down property for a long time, without activity on title or visible use of land
 - Property may be in highly marketable or developing areas but subject to restrictive zoning, is environmentally sensitive, or lacking road access
 - Real directors/officers/shareholders are elderly, remote or otherwise vulnerable
 - Current officers and directors were appointed very recently (see “Date Began” in Corporate Profile Report). This may not be a concern by itself, but merits a query about the circumstances of the recent changes and any notes taken (especially if there are other red flags)
 - Corporation’s head office changed to non-existent or problematic address (such as a hotel – Street View on Google Maps may help determine this)
 - Corporate resolutions or minute book with obvious errors or typos, or simply not available
 - One lawyer retained to discharge an existing mortgage or file a Change Notice, but a different lawyer retained for borrower in the new mortgage transaction, or for corporation as vendor in a sale
 - Mortgage statement for discharge purposes shows much less than registered amount of mortgage
- Small encumbrance, such as a construction lien, recently registered and discharged from title (to give credibility to the fraudster’s claim to be legitimate owner of the corporation)
 - Client is new to you and documents show a different lawyer has acted for a corporation for years
 - Clients say that title insurance for new mortgage is not required
 - Client pushes for fast closing

TIPS

Check the Document Last Filed in the Corporate Profile Report. It will likely be an Annual Return, but could be a Form 1 – a possible red flag. A Corporate Document List search will disclose a history of the documents filed for the corporation. Ask for details of the change in control of the corporation, or permission to contact the corporation’s previous lawyer, agent, directors or officers.

Share this information with clerks and other law firm staff as they may be involved in parts of the transaction that you may not see.



If you suspect fraud, call LAWPRO at 1-800-410-1013 or 416-598-5899 and forward any suspicious emails and documents received to fraudinfo@lawpro.ca. Visit AvoidAclaim.com and click on “All Fraud Warnings” for a list of confirmed fraudsters.

© 2023 Lawyers’ Professional Indemnity Company.

LAWPRO is a registered trademark of Lawyers’ Professional Indemnity Company. All rights reserved. The material presented does not establish, report or create the standard of care for lawyers. The material is not a complete analysis of the topics covered, and readers are encouraged to conduct their own appropriate legal research.