



Public Advisory: Special Report on COUNTERFEIT CHECKS AND MONEY ORDERS



Summary

Recently, law enforcement and regulatory authorities in Canada and the United States have seen a substantial increase in the number of counterfeit checks and money orders that are being sent to consumers in connection with various fraud schemes. The Department of Public Safety and Emergency Preparedness Canada and the United States Department of Justice are jointly issuing a Public Advisory to warn the public about the growing use of counterfeit checks and money orders.

This Public Advisory informs consumers about the risks of accepting and depositing counterfeit checks and money orders in their bank accounts, and the steps that they should take when they receive communications offering to send them a check or money order.

Facts

Recently, law enforcement and regulatory agencies in both Canada and the United States have seen a substantial increase in the number of counterfeit checks and money orders that are being sent to consumers in connection with various fraud schemes. In the United States, the number of Federal Deposit Insurance Corporation special alerts on counterfeit checks, bank drafts, and money orders has increased dramatically in recent years: 50 in 2003, 75 in 2004, 168 in 2005, and 259 in the first three quarters of 2006 – an increase of more than 500 percent in less than four years. The FBI, in fact, has cited “the pervasiveness of check fraud and counterfeit negotiable instrument schemes” as a leading factor in the growth in external bank fraud, which has “replaced bank insider abuse as the dominant [financial institution fraud] problem confronting financial institutions.”

- Counterfeit checks and money orders are found in a growing array of fraud schemes. These include –

- Internet fraud schemes, in which legitimate Internet users are selling valuable items, such as cars, online, posting their resumes on employment-related websites, or visiting websites that appeal to people who are seeking roommates or have romantic interests.
- Advance-fee schemes, in which consumers are contacted by people who purport to need assistance in moving money out of an African country or to offer an inheritance or lottery winnings.
- Telemarketing fraud schemes, in which consumers are offered a check as supposed payment of a prize or lottery winnings.

What Risks Do Consumers Face If They Deposit Counterfeit Checks or Money Orders in Their Bank Accounts?

Consumers who accept and deposit counterfeit checks or money orders in their accounts learn, too late, that their banks will hold them liable for the full face value of the checks or money orders. In addition, consumers who wire-transfer or mail the specific amount of money that the sender of the check or money order requested will lose that amount of money as well. In other words, if a consumer received and deposited into his bank account a \$15,000 check that later proved to be counterfeit, and wired \$5,000 of that amount to the check sender, he ultimately would lose \$20,000: the full \$15,000 amount on the check, and the \$5,000 wire transfer. Banks in Canada and the United States have no obligation to return any of that money to the consumer.

In a number of cases, banks that discovered a counterfeit check had been deposited in one of their accounts have contacted the police, believing that the depositor was attempting to engage in check fraud. In some instances, this contact has resulted in the police initially arresting the depositor, before subsequent investigation disclosed that the depositor did not have fraudulent intent at the time of the deposit.

Can People Recognize Checks or Money Orders As Counterfeit?

Sometimes, when criminals have been careless about altering or making copies of a legitimate check or money order, people may see that the images on the face or reverse of the check or money order are light, indistinct, or uneven. People who know that particular checks or money orders have certain special security features may also be able to recognize checks or money orders as possibly fraudulent if they see that one or more of these security features is missing.

The fact remains, however, that many counterfeit checks and money orders are of higher quality, and are likely to deceive even trained bank personnel at first. Criminals can use desktop-publishing software to print out counterfeit checks, often of high quality. Moreover, there is no one type of check or money order that criminals seek to counterfeit. Law enforcement and financial institution regulators know that the full range

of counterfeit financial instruments now in use includes bank drafts, cashier's checks, government agency checks, official bank checks, personal checks, personal money orders, teller's checks, and treasurer's checks, as well as personal money orders and postal money orders.

What Can People Do to Avoid Becoming Victims of a Counterfeit Check/Money Order Scheme?

The Department of Public Safety and Emergency Preparedness Canada and the United States Department of Justice recommend that consumers and businesses take the following steps when someone whom they do not know personally sends them a check or money order to pay for goods or services:

1. If the check or money order is made out in an amount larger than the purchase price for the goods or services, or if you see any signs that the check or money order has been altered in any way (for example, the face amount or signature appears to have been erased or written over), do not deposit the check in your account under any circumstances. A legitimate buyer can provide you with a check or money order in the exact amount of the purchase price. Depositing or cashing a counterfeit check, however, can result in a substantial loss to you.
2. Nor should you wire-transfer any funds from that check or money order back to a buyer if you do not know the buyer personally. If your financial institution or a law enforcement officer tells you that the check or money order you received is counterfeit, do not attempt to redeposit it in your or another bank, as that may subject you to prosecution for check fraud.
3. If the sender of the check refuses to give you a check or money order for the exact amount of the purchase, and insists on sending you a check or money order for a higher amount, do not continue with the transaction. The only reason that someone would insist on sending you a check and requiring that you transfer a portion of the funds back to him is to commit fraud.
4. If you run a business that uses a substantial volume of checks, certain financial institutions offer a service that allows cleared checks to be matched against a data file of issued checks, to ensure that only matched entries are processed and that unmatched checks can be returned to the business rather than negotiated.
 - If you have received a check or money order that you have reason to believe may be counterfeit, you should retain the actual check or money order, and (if possible) the envelope in which it was mailed to you, in the event that a law enforcement agency may need those documents.

How Can People Report Possible Counterfeit Checks and Money Orders?

In the United States:

- For possible online crimes involving counterfeit checks and money orders, file an online complaint with the Internet Crime Complaint Center (a joint project of the FBI and National White Collar Crime Center) at <http://www.ic3.gov>.
- For other possible crimes involving counterfeit checks and money orders, contact the local office of the FBI <http://www.fbi.gov/contact/fo/fo.htm>, the Postal Inspection Service <http://www.usps.com/postalinspectors/fraud/ContactUs.htm>, or the U.S. Secret Service http://www.secretservice.gov/field_offices.shtml.

In Canada:

- The RCMP advises that Canadian consumers contact:
 - Their local police service
 - Their credit bureau, either Equifax Canada (800-465-7166 or http://www.equifax.com/EFX_Canada) or Trans Union Canada (877-525-3823 or <http://www.tuc.ca/TUCorp/consumer/personalsolutions.htm>)
 - The Phonebusters National Call Centre (toll-free 1-888-495-8501), or
 - Report Economic Crime Online (RECOL) at the [RECOL website](#)

Further Information

For further information on counterfeit checks and money orders, please consult the following sources:

FBI Financial Institution Fraud and Failure Report for Fiscal Year 2005, at <http://www.fbi.gov/publications/financial/2005fif/fif05.htm>

Phonebusters, Cheque Overpayment Fraud, at http://www.phonebusters.com/english/recognizeit_advfeefraudover.html

Postal Inspection Service, Postal Money Order Security, at <http://www.usps.com/postalinspectors/maalert.htm>

Royal Canadian Mounted Police, Items for Sale and Overpayment of Goods, at http://www.rcmp.ca/scams/overpayment_e.htm

United States Secret Service, Financial Crimes Division, at http://www.secretservice.gov/financial_crimes.shtml