

FTC FACTS for Consumers

ftc.gov

FOR THE CONSUMER

FEDERAL TRADE COMMISSION

1-877-FTC-HELP

Giving the Bounce to Counterfeit Check Scams



It's your lucky day! You just won a foreign lottery! The letter says so. And the cashier's check to cover the taxes and fees is included. All you have to do to get your winnings is deposit the check and wire the money to the sender to pay the taxes and fees. You're guaranteed that when they get your payment, you'll get your prize.

There's just one catch: this is a scam.

The check is no good, even though it appears to be a legitimate cashier's check. The lottery angle is a trick to get you to wire money to someone you don't know. If you were to deposit the check and wire the money, your bank would soon learn that the check was a fake. And you're out the money because the money you wired can't be retrieved, and you're responsible for the checks you deposit — even though you don't know they're fake.

This is just one example of a counterfeit check scam that could leave you scratching your head. The Federal Trade Commission, the nation's consumer protection agency, wants you to know that counterfeit check scams are on the rise. Some fake checks look so real that bank tellers are reporting being fooled. The scammers use high quality printers and scanners to make the checks look real. Some of the checks contain authentic-looking watermarks. These counterfeit checks are printed with the names and addresses of legitimate financial institutions. And even though the bank and account and routing numbers listed on a counterfeit check may be real, the check still can be a fake.

Facts for Consumers

These fakes come in many forms, from cashier's checks and money orders to corporate and personal checks. Could you be a victim? Not if you know how to recognize and report them.

Fake Checks: Variations on a Scheme

Counterfeit or fake checks are being used in a growing number of fraudulent schemes, including foreign lottery scams (as described above), check overpayment scams, Internet auction scams, and secret shopper scams.

Check overpayment scams target consumers selling cars or other valuable items through classified ads or online auction sites. Unsuspecting sellers get stuck when scammers pass off bogus cashier's checks, corporate checks, or personal checks. Here's how it happens:

A scam artist replies to a classified ad or auction posting, offers to pay for the item with a check, and then comes up with a reason for writing the check for more than the purchase price. The scammer asks the seller to wire back the difference after depositing the check. The seller does it, and later, when the scammer's check bounces, the seller is left liable for the entire amount.

In **secret shopper scams**, the consumer, hired to be a secret shopper, is asked to evaluate the effectiveness of a money transfer service. The consumer is given a check, told to deposit it in their bank account, and withdraw the amount in cash. Then, the consumer is told to take the cash to the money transfer service specified, and typically, send the transfer to a person in a Canadian city. Then, the consumer is supposed to evaluate their experience — but no one collects the evaluation. The secret shopper scenario is just a scam to get the consumer's money.

Con artists who use these schemes can easily avoid detection. When funds are sent through wire transfer services, the recipients can pick up the money at other locations within the same country; it is nearly impossible for the sender to identify or locate the recipient.



You and Your Bank — Who is Responsible for What?

Under federal law, banks must make funds available to you from U.S. Treasury checks, official bank checks (cashier's checks, certified checks, and teller's checks), and checks paid by government agencies at the opening of business the day after you deposit the check. For other checks, banks must similarly make the first \$100 available the day after you deposit the check. Remaining funds must be made available on the second day after the deposit if payable by a local bank, and within five days if drawn on distant banks.

However, just because funds are available on a check you've deposited doesn't mean the check is good. It's best not to rely on money from *any* type of check (cashier, business or personal check, or money order) unless you know and trust the person you're dealing with or, better yet — until the bank confirms that the check has cleared. Forgeries can take weeks to be discovered and untangled. The bottom line is that until the bank confirms that the funds from the check have been deposited into your account, you are responsible for any funds you withdraw against that check.

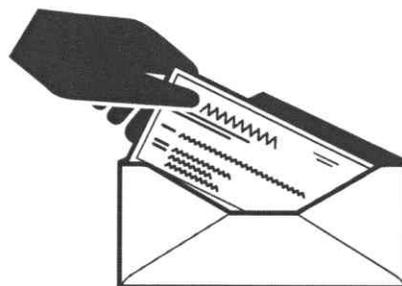
Protecting Yourself

Here's how to avoid a counterfeit check scam:

- Throw away any offer that asks you to pay for a prize or a gift. If it's free or a gift, you shouldn't have to pay for it. Free is free.
- Resist the urge to enter foreign lotteries. It's illegal to play a foreign lottery through the mail or the telephone, and most foreign lottery solicitations are phony.
- Know who you're dealing with, and never wire money to strangers.
- If you're selling something, don't accept a check for more than the selling price, no matter how tempting the offer or how convincing the story. Ask the buyer to write the check for the correct amount. If the buyer refuses to send the correct amount, return the check. Don't send the merchandise.
- As a seller, you can suggest an alternative way for the buyer to pay, like an escrow service or online payment service. There may be a charge for an escrow service. If the buyer insists on using a particular escrow or online payment service you've never heard of, check it out. Visit its website, and read its terms of agreement and privacy policy. Call the customer service line. If there isn't one — or if you call and can't get answers about the service's reliability — don't use the service. To learn more about escrow services and online payment systems, visit ftc.gov/onlineshopping.
- If you accept payment by check, ask for a check drawn on a local bank, or a bank with a local branch. That way, you can make a personal visit to make sure the check is valid. If that's not possible, call the bank

where the check was purchased, and ask if it is valid. Get the bank's phone number from directory assistance or an Internet site that you know and trust, not from the check or from the person who gave you the check.

- If the buyer insists that you wire back funds, end the transaction immediately. Legitimate buyers don't pressure you to send money by wire transfer services. In addition, you have little recourse if there's a problem with a wire transaction.
- Resist any pressure to "act now." If the buyer's offer is good now, it should be good after the check clears.



If You Think You're a Victim

If you think you've been targeted by a counterfeit check scam, report it to the following agencies:

- **The Federal Trade Commission**

Visit ftc.gov or 1-877-FTC-HELP (1-877-382-4357).

- **The U.S. Postal Inspection Service**

Visit www.usps.gov/websites/depart/inspect or call your local post office. The number is in the Blue Pages of your local telephone directory.

Facts for Consumers

- **Your state or local consumer protection agencies**

Visit www.naag.org for a list of state Attorneys General, or check the Blue Pages of your local telephone directory for appropriate phone numbers.

For More Information

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education

January 2007