

FRAUD ALERT – New Scheme with Possible Halifax Connection

Ontario lawyers were recently advised by their insurer, LawPro, of what appears to be another fraudulent scheme currently underway and targeting them. We can expect that it will be tried in Nova Scotia as well.

The scheme involves small business equipment loans and counterfeit cheques or bank drafts to be deposited to lawyers' trust accounts, and funds disbursed before the fraud is detected.

With all these schemes, the fraudsters want the payout of funds from the lawyers' trust account for the "transaction" to take place quickly and before the fraud is discovered. They therefore pressure for a quick closing.

As reported by LawPro all the recently reported schemes share the same basic timeline and circumstances, and in some cases, the same purported individuals or entities (a lender from Halifax).

In all cases, (about one month ago) a previously unknown client retained the lawyer to do an incorporation. The client presented a realistic looking photo ID (a newer Ontario driver licence). The client paid in full for the incorporation.

In the last week the client returned to the firm asking the lawyer to act on an equipment purchase loan matter. Loan amounts are approximately \$350,000 and the loan is to come from a Halifax-based lender (there is someone answering the phone for the lender – LawPro suspects the fraudster or an accomplice). The client is pushing to have the loan completed as quickly as possible. The loan proceeds are to go to a third-party corporation (not the client's new corporation).

The Ontario lawyers' suspicions were also raised for one or more of the following reasons:

- the client and corporate addresses were the same;
- it is unusual for a brand new corporation with no apparent purpose 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;
- the address on the driver's licence was not a real one.

LawPro has reported that in the past year, almost 20 similar types of fraudulent schemes took place during the various holiday/long weekend times leaving Ontario lawyers with shortfalls in their trust accounts.

Fraudsters often hit just before or during a holiday period. With law offices often short staffed and with an extra banking holiday, the fraud is more likely to go undetected, until, for the lawyer, it is too late.

So, BEWARE. We have a holiday weekend approaching. Be extra vigilant if you are handling a matter that appears to be the same or is similar to what Ontario is seeing.

Remember that fraudulent schemes targeting lawyers and their trust accounts are very elaborate and sophisticated. The letters and other documents provided by the client and the certified cheques or money orders received from the lender will look legitimate - but turn out to be counterfeit.

Often independent cross-checks and searches on the names, addresses, serial numbers or other information in the documentation provided, prove that information to be false.

Establish a team approach – educate everyone in your office of what we are seeing and what they should watch for. Do remember, that in any fraud there isn't usually one red flag; it's a combination of things- when you add it all up it just doesn't fit. In the current scheme and in one in British Columbia, a newly issued driver's licence containing suspect data was one of the red flags for the lawyers involved.

For more fraud fighting tips, previous Fraud Alerts and an article I have written on "Remaining Vigilant to Fraud", see the following resources that have been developed for your protection:

"Remaining Vigilant to Fraud" posted at

http://www.lians.ca/lossprevention/RemainingVigilantRELANS_Oct6-08.pdf

Fraud Fighting Tips for Your Law Practice

<http://www.lians.ca/FraudFightingTips.pdf>

Previous Fraud Alerts

Fraud Alert re: Divorce Representation October 2008

http://www.lians.ca/FraudAlert_Divorce.pdf

Debt Collection September 2008

http://www.lians.ca/FraudAlert_Sept23-08_FraudFightingTips.pdf

Debt Collection May 5, 2008

http://www.lians.ca/FraudAlert_May5-08_revSept19-08.pdf

Fraud Alert August 2007

<http://www.lians.ca/FraudAlertAug07.pdf>