

## **FRAUD ALERT**

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Many of you will remember an attempted fraud involving the sale of real estate in Nova Scotia which was reported in August 2007. This Fraud Alert remains posted on the LIANS website at <http://www.lians.ca/FraudAlertAug07.pdf>

Another fraudulent scheme was reported to us on Friday, May 2, 2008; this time it involved a debt collection matter. One of our members reported having been contacted by email by a UK company asking that he represent it in the collection of an outstanding debt owed by an Ontario company, in the amount of approximately \$110,000. The creditor offered to pay a fee of 20% of the amount collected to the lawyer. The lawyer advised the UK company that it would make more sense to have an Ontario law firm do this work as the debtor was an Ontario company. The creditor continued to want the Nova Scotia lawyer to do the work.

Notwithstanding that the law firm never formally agreed to represent the UK creditor, or sent an invoice or demand letter, the lawyer received a telephone call from a woman who identified herself as being from the Accounts Payable Department of the debtor company located in Ottawa, Ontario. This woman acknowledged that the company owed the money and advised it wanted to pay the debt in full, right away. A certified cheque from the company was sent by Express Post to the law firm. The lawyer advises the cheque was very authentic looking and appeared to have all the normal security features that one would look for on a cheque.

The lawyer was asked to send funds, minus legal fees, to an account in Singapore. Aware of the earlier fraudulent scheme that had been reported on in Nova Scotia, and because this "collection" was the easiest the lawyer had ever seen, the lawyer directed his staff to do some independent checking on the debtor and creditor companies. A Google search revealed an Ontario company with the same name or close to the same name, but, when contacted, the legitimate company advised that while it had offices in Ontario, it had none in Ottawa (the address shown as the company address on the certified cheque delivered to the law firm). A reverse phone search for the company phone number shown on the cheque showed an address for what appeared to be an apartment complex in Ottawa, Ontario. The law firm also reviewed the bank's website to determine if the bank listed as a branch on the debtor cheque was accurate. It was not. Nothing could be found about the UK company. All of this raised more red flags for the lawyer.

Not wanting to process the "certified" cheque in the normal fashion, the lawyer took it to the branch manager of his bank who confirmed that had it just been processed through the teller, it probably would have been initially processed and deposited into the lawyer's trust account without much, if any, scrutiny. It could have been a significant amount of time before the counterfeit cheque was returned and the law firm's trust account debited.

The lawyer asked the local branch manager to check with the bank whose transit number was shown on the cheque. That branch advised they did not have a branch at the address noted on the cheque and confirmed this was the sixth call it had received that day relating to this type of

fraudulent scheme. As a follow up, the local branch manager did call the phone number for the bank noted on the cheque and, as with the previous reported fraudulent scheme, was told by the person answering the phone that the cheque was good and the company legitimate. Luckily, the lawyer did not negotiate the cheque, instead reporting what he believed to be a fraudulent scheme. This lawyer noted that someone with less seniority may have been more easily lured into this trap; or, if the debtor hadn't have been so anxious to pay, red flags may not have gone up as quickly, or at all, with the lawyer who had been targeted.

As with any fraud–BEWARE – if it seems too good to be true, it usually is.

Be vigilant. Do your own independent checks of the identity of your clients and funds received from or for them.