

FRAUD ALERT

From Deborah E. Gillis, Q.C.

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On May 2, 2008, a Fraud Alert was sent to members by email alerting them to an attempted debt collection scam seen in Nova Scotia and British Columbia. Details of the Nova Scotia experience are posted to the LIANS website at http://www.lians.ca/FraudAlert_May5-08_revSept19-08.pdf, as is a previous Fraud Alert posted in August 2007.

These types of schemes seem to be continuing. Lawyers in two western provinces and in Atlanta, Georgia have recently fallen victim to debt collection types of schemes, similar to what was attempted in Nova Scotia.

It is important that you remain vigilant and alert to the possibility of fraud when you receive a request to provide services to a client previously unknown to you, (international or not) and when those services require the use of your trust account to receive and disburse funds.

A newly admitted Nova Scotia lawyer recently reported to us that he received an email request for services from a Hong Kong based company. His acceptance of the request for services would require receiving payment on behalf of the company from customers in North America and paying those funds over to the client.

The company requesting the lawyer's services advised him that they obtained his contact information from the Online Lawyers Directory as a result of their search for a reliable firm or individual to provide legal services. He was also advised that after a careful review of his profile, qualifications and experience, it was logical to believe that he was capable and qualified to provide the legal services they requested. This surprised the lawyer. Being newly admitted he did not believe that his profile or qualifications were listed anywhere that the company could access. They hadn't even yet been posted to his law firm's website.

While this request for services may be entirely legitimate, the reference to the lawyer's qualifications and profile together with other parts of the "request for services email" raised red flags to him. He decided not to respond to this particular email.

It is important that you continue to be vigilant to the possibility of being a target of fraudulent schemes. Discuss this email and the attached tips with your colleagues and staff so that you can establish a team approach to avoid falling victim to a fraudulent scheme. As well educate yourself and your staff on the Nova Scotia Barristers' Society [New Client Identification and Verification Regulations](#) coming into effect November 2, 2008. All Canadian law societies have agreed to adopt similar rules in an effort to fight fraud.

FRAUD FIGHTING TIPS FOR YOUR LAW PRACTICE

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Be Alert To

- Situations where little or no legal work is required, but a large sum of money is expected to flow into and out of your trust account
- A client who is prepared to pay higher than normal legal fees for what seems to be very little work; or a client who is not concerned about interest rates or what appears to be high brokerage fees
- Spelling and/or grammar mistakes in e-mails sent to you by the companies or individuals asking that you represent them
- A client with no apparent connection to you, who compliments you on your “special expertise or qualifications”. Ask yourself why this client would want you to act for them; is it you, or your trust account they want? Don't let flattery from the client go to your head. Investigate closely the identity of the client and the authenticity of funds provided to you
- Rushed closings or transactions and a client who is pressuring you to do something that just doesn't feel right. Don't pay out funds too quickly and without doing all necessary investigations on your client and on the authenticity of funds provided to you
- Periods of time when there are banking holidays and when you are short staffed, e.g., between Christmas and New Years or before a long weekend. These are times when you may not check details as closely, and also times when banks are closed, resulting in delays in the return of counterfeit bank drafts and cheques
- Using Canada 411 or a similar directory to do independent verification of phone numbers, company name and address, as well as bank address and phone numbers shown on cheques or bank drafts. Do not rely on contact information indicated on a cheque or bank draft as these numbers could, in fact, be ringing through to the fraudster
- Being asked to accept more money into your trust account than is needed for the transaction. Don't do it. If more funds than are necessary are wired or otherwise deposited into your account without your authorization, don't be pressured to accept the deposit. Have your bank return the entire deposit immediately
- Requests that sale proceeds be made payable from your trust account to a third party who is not connected to the transaction. Resist such requests. There should be no need for this to be done

- Typos on bank drafts/cheques
- Bank drafts/cheques drawn on poor quality paper
- Call display that doesn't match the name of the person who is calling
- Requests that documentation you have prepared be taken outside your office for execution
- Envelopes in which funds are delivered to you; check and keep envelopes when bank drafts and cheques are received; in one B.C. case a bank draft received from a Canadian company in an attempted debt collection scam came in an envelope from Romania
- Middleman who makes all the appointments because you don't have a number to contact the client directly. When possible, work with clients you can meet in person. Have your office deal directly with clients to set up appointments and receive documents and money from them rather than dealing with a third party spokesperson

Remember, in any fraud there isn't usually one red flag or indicator. It's a combination of things – when you add it all up, it just doesn't fit. Be alert to possible fraud and listen to your gut instinct. If something seems too good to be true it usually is.

Educate your staff to always be vigilant to suspicious or nervous behaviour from clients, and to make this known to members of the firm. Alert LIANS and your colleagues when you become aware of an attempted fraud.

As well, educate yourself and your staff on the Nova Scotia Barristers' Society's New Identification and Verification Regulations. These regulations will come into effect for Nova Scotia Lawyers on November 2, 2008. All Canadian law societies have agreed to adopt similar rules in an effort to fight fraud.