

Debt Collection Scam Circulating In Nova Scotia

**From Deborah Gillis QC
Risk and Practice Management Advisor
Lawyers' Insurance Association of Nova Scotia
April 2010**

A Nova Scotia lawyer advised me last week of having received a fraudulent e-mail request for services to collect a debt allegedly owed to a United Kingdom company by a Nova Scotia company. The fraudster used the name of legitimate companies in an attempt to perpetrate the fraud.

What Happened

The request for representation came to the lawyer via the internet. The email exchange between the law firm and the prospective client is noted below, with company names removed.

The Emails Received On This Attempted Scheme:

First Email from United Kingdom Company

April 7th 2010

RE: xxxxxxControls PLC

Good day ,

I am writing on behalf of xxxxxx Controls PLC to request your possible Representation on a breach of contract/Litigation case in matters concerning xxxxxx Controls PLC and a client in your province. Our legal representative will not be able to represent us on this case because it is out of their jurisdiction.

xxxxxx Controls PLC is located in the United Kingdom. We design and manufacture non contact safety switches for machine guards, control units and monitoring devices to provide the safeguarding of personnel and machinery. xxxxxx produced its first electronic safety switch in 1972, since which time, it has developed an enviable reputation as the industry leader. Today, tens of thousands of applications worldwide attest to the outstanding reliability of xxxxxx safety switch and safety interlock systems.

We believe that this case is within your jurisdiction which is why we are requesting your services.

Do let us know your position in this case, as we look forward to a prompt response from you.

Sincerely,

xxxxxx

xxxxxx Controls PLC

xxxxxx Seddon Place

Stanley Industrial Estate

Skelmersdale

Lancashire

United Kingdom

WN8 8EB

Second email from United Kingdom Company

On behalf of xxxxxx Controls PLC Inc I would like to thank you for your willingness to render servise as requested. We believe that a normal procedure in this case would be for you to contact our client either by a phone call or demand letter if your services are On behalf of xxxxxx Control PLC i would like to thank you for your willingness to render services as requested. We believe that a normal procedure in this case would be for you to contact our client either by a phone call or demand letter if your services are retained.

To enable you perform conflict check, do find below our client information as you have requested.

xxxxxx LTD
xxxxxx ASH LAKE CRT
Halifax, Nova Scotia B3S 1B7

We seek your legal counsel for the following reasons:

-xxxxxx Controls PLC employs them to transmit goods to a few of our affiliate and in recent times some of the delivered goods have been damaged upon delivery;

-They owe a total of \$284,537.12 for the damage of delivered electronic merchandise received by an affiliate. They have reimbursed 10% of the damages so far and agreed to make payment for the damages within 4-6 weeks after delivery or legal action may be enforced if the delay of payment exceeds 4 months and they have failed to deliver as promised.

-All actions and proceedings are to be handled by a court of general jurisdiction where the contract agreement was validated, and both parties have consent to the venue and jurisdiction of the courts of that city as was stated in our agreement.

Due to the importance of the relationship we have with our client post-settlement/litigation, litigation is always the last option to consider. Although we would like the comfort of knowing that the option is available and letting our client know that litigation may be enforced if the option becomes necessary. I will be leaving for a business trip on 19th of April and would find it very helpful if we could receive your standard retainer agreement before leaving on the 19th.

We understand the significance of retaining your services and are willing to provide all necessary documentation and information with regards to this issue upon receiving an engagement letter from your firm. We are thankful for your services and we look forward to a prompt response from you.

Sincerely,

xxxxxx
xxxxxx Controls PLC
xxxxxx Seddon Place
Stanley Industrial Estate
Skelmersdale
Lancashire
United Kingdom

Steps Taken By the Lawyer to Protect Himself

Having read previous fraud alerts and articles on fraud prevention circulated by LIANS, the lawyer in this matter took the following steps. He:

- noted grammar and spelling errors in the emails
- noted that the email from the company official requesting legal services was an AOL address rather than a more professional, corporate domain
- looked for further particulars on the matter and the parties from the “client” before considering representation
- searched the website for the “client” company in the United Kingdom. It appeared to be a legitimate company
- searched the Nova Scotia company that was said to owe the money. It, too, appeared to be a legitimate company

Because of the red flags that were raised, the lawyer:

- independently searched the United Kingdom company website further. He found a different email address for the company official named as the sender in the emails to the lawyer. He contacted this company official directly to determine if the company had, in fact, sent him emails and was trying to collect money from the Nova Scotia company. The legitimate company said it was not and confirmed that this was a scam
- declined to represent the fraudster
- contacted me to advise of the request for services he had received

How It Works

Schemes such as the one attempted and reported in this article have duped many unsuspecting lawyers across North America.

While each case has a slightly different fact scenario, there is a common theme. The unsuspecting lawyer is retained by a bogus client and receives funds into his or her trust account by way of the cheque or bank draft (from a bogus “creditor” who is also part of the fraud). The cheque or bank draft appears legitimate. Within days of receiving the funds and depositing them to the trust account, the lawyer pays out funds from the account before learning that the funds are bogus, the cheque is returned and his or her trust account is debited.

How to Protect Yourself from Being Victimized

Nova Scotia lawyers are frequently flooded with fraudulent e-mail requests for services from “creditor clients” looking to collect a debt, “spouses” seeking to collect monies under a separation/collaborative family law agreement, and “prospective purchasers” in a real estate transaction. Do not fall victim to these email requests for representation.

You and your trust account are a prime target, regardless of your practice area, your firm size, your location or the number of years that you have been at the bar. Many schemes are elaborate, with the

fraudsters going to great lengths to make them seem legitimate. There are variations on these schemes, but ultimately the lawyer's trust account is used to facilitate the fraud.

It is important that you and your staff remain vigilant and alert to the possibility of fraud when you receive a request to provide services, particularly when those services require the use of your trust account to receive and disburse funds.

To avoid being victimized by fraudulent schemes remain alert to the fraudulent schemes and red flags that I have written about in previous alerts. Discuss them with your colleagues and staff. These articles and alerts are posted to the Loss Prevention Resources section on the LIANS website at www.lians.ca.

Make fraud prevention a team effort.

If you learn of any possible frauds or scams, continue to advise me so I can keep your fellow lawyers aware of the fraudulent schemes that are circulating.