

Consumer Advisory

Comptroller of the Currency
Administrator of National Banks

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Avoiding Cashier's Check Fraud

Many consumers have become victims of scams involving a fraudulent cashier's check. A cashier's check is a check that is issued by a bank, and sold to its customer or another purchaser, that is a direct obligation of the bank. Cashier's checks are viewed as relatively risk-free instruments and, therefore, are often used as a trusted form of payment to consumers for goods and services.

However, cashier's checks lately have become an attractive vehicle for fraud when used for payments to consumers. Although the amount of a cashier's check quickly becomes "available" for withdrawal by the consumer after the consumer deposits the check, these funds do not belong to the consumer if the check proves to be fraudulent. It may take weeks to discover that a cashier's check is fraudulent. In the meantime, the consumer may have irrevocably wired the funds to a scam artist or otherwise used the funds – only to find out later, when the fraud is detected – that the consumer owes the bank the full amount of the cashier's check that had been deposited.

This *OCC Consumer Advisory on Avoiding Cashier's Check Fraud* gives you information on some common scams and some steps you can take to avoid becoming a victim. Although this advisory focuses on cashier's checks, you may find the information useful if you transact business using other official bank instruments, such as money orders and official checks.

COMMON SCAMS - Each scam involving a fraudulent cashier's check may be different, but some of the more common scenarios are:

- Selling goods—You sell goods in the marketplace – for example, over the Internet. A buyer sends you a cashier's check for the price that you have agreed on, and you ship the goods to the buyer. The cashier's check turns out to be fraudulent.
- Excess of purchase price—This scenario is similar to the one described above. However, the buyer sends you a cashier's check for more than the purchase price and asks you to wire some or all of the excess to a third party, often in a foreign country. The buyer may explain that this procedure allows the buyer to satisfy its obligations to you and the third party with a single check. The cashier's check turns out to be fraudulent.
- Unexpected windfall—You receive a letter informing you that you have the right to receive a substantial sum of money. For example, the letter may state that you have won a foreign lottery or are the beneficiary of someone's estate. The letter will state that you have to pay a processing/transfer tax or fee before you receive the

money, but a cashier's check will be enclosed to cover that fee. The letter will ask you to deposit the cashier's check into your account and wire the fee to a third party, often in a foreign country. The cashier's check turns out to be fraudulent.

- **Mystery shopping**—You receive a letter informing you that you have been chosen to act as a mystery shopper. The letter includes a cashier's check, and you are told to deposit the check into your account. You are told to use a portion of the funds to purchase merchandise at designated stores, transfer a portion of the funds to a third party using a designated wire service company, and keep the remainder. The cashier's check turns out to be fraudulent.

Scams also may involve other types of checks. For example, the fraudulent check may appear to be written on the account of a real person or company or be written on an account that contains insufficient funds to cover the check. Other scams involve fraudulent postal service money orders or fraudulent money orders that appear to have been issued by a bank.

The result of these scams is that the fraudulent check will be returned unpaid. The bank will then deduct the amount of the check from your account or otherwise seek repayment from you, and you will lose either the goods that you sold, the money that you sent to the third party, or both.

What is a fraudulent cashier's check? A cashier's check is a check issued by a bank and payable to a specific person. Because a cashier's check is issued by a bank, itself, the cashier's check is paid by funds of the bank and not the depositor. Therefore, if an item is genuine, there is very little risk that the instrument will be returned.

Sometimes, however, a cashier's check is not genuine, and, if you unknowingly accept a fraudulent cashier's check in exchange for goods or services, **you** will likely be the one who suffers the financial loss.

How can you tell if a cashier's check is fraudulent? It can be very difficult for either you or your bank to tell. When you deposit a check into your account, your bank generally is required by law to make the funds available within a specific period of time (usually, one business day for a cashier's check or other official instrument). This is true even if the check has not yet cleared through the banking system. Therefore, even if the funds have been made available in your account, you cannot be certain that the check has cleared or is "good."

Your bank also may not be able to determine that the check is fraudulent when you deposit it. Rather, your bank may learn of the problem only when the check is returned unpaid by the other bank – which may take a couple weeks or more. Scammers try to make the item look genuine, which will delay discovery of the fraud. Once the item has been returned unpaid, your bank, generally, will be able to reverse the deposit to your account and collect the amount of the deposit from you.

What are your rights? If you find yourself in this situation, you ordinarily would have a remedy against the person who wrote the check. However, you will have great difficulty pursuing any remedy against these scammers, especially if they

reside in a foreign country or have disguised their identities.

What steps should you take to protect yourself from becoming a victim of fraudulent cashier's check scams? Keep the following tips in mind.

Tips for Avoiding Cashier's Check Fraud

- Try to know the people with whom you do business. When possible, verify information about the buyer from an independent third party such as a telephone directory. Be cautious about accepting checks – even a cashier's check – from people that you do not know, especially since it may be difficult to pursue a remedy if the transaction goes wrong.
- When you use the Internet to sell goods or services, consider other options such as escrow services or online payment systems rather than payment by a cashier's check.
- If you do accept a cashier's check for payment, ***never*** accept a check for more than your selling price if you are expected to pay the excess to someone else. Ask yourself why the buyer would be willing to trust you, who may be a perfect stranger, with funds that properly belong to a third party.
- A cashier's check is less risky than other types of checks ***only if*** the item is genuine. If you can, ask for a cashier's check drawn on a bank with a branch in your area.
- If you want to find out whether a check is genuine, call or visit the bank on which the check is written. That bank will be in a better position to tell you whether the check is one they issued and is genuine.
- Know the difference between funds being available for withdrawal from your account and a check having finally cleared. Your bank may be required by law to make funds available to you even if the check has not yet cleared. However, it could take several weeks to know if the check will clear or not.

Act with Caution

- Be wary of taking action before you can be sure that the payment you received is good.
- Be suspicious if someone insists that you send funds by wire transfer or otherwise pressures you to act quickly before you know the payment you received is good.
- If you receive a letter offering you a large sum of money for little effort other than sending a "processing" fee, remember: if something sounds too

good to be true, it probably is.

- Reject any offer that asks you to pay for a “prize” or “gift.”
- Save your documents – you may need this paperwork if something goes wrong.

If you have become victimized by a fraudulent check scam, please follow these guidelines:

Anytime a scam involves a cashier’s check, official check, or money order from a bank, and you believe that it could be counterfeit; you should contact the issuing bank directly to report receipt of the check and to verify authenticity. When contacting the bank, do **not** use the telephone number provided on the instrument, as this number is probably not associated with the bank, but rather with the scam artist.

To locate a bank’s mailing address, you can check the FDIC’s Web site at:
http://www2.fdic.gov/idasp/main_bankfind.asp

In addition to contacting the appropriate banks, there are others whom you also should notify if you receive a counterfeit item. They include:

- Scams, generally–Federal Trade Commission (FTC):by telephone at 1-877-FTC-HELP or file an electronic complaint via their Internet site at <http://www.ftc.gov/>.
- Internet-based scams–Federal Bureau of Investigation (FBI) Internet Fraud Complaint Center :<http://www.ic3.gov/>.
- Mail-based scams–U.S. Postal Inspector Service: by telephone at 1-888-877-7644, by mail at U.S. Postal Inspection Service, Office of Inspector General, Operations Support Group, 222 S. Riverside Plaza, Suite 1250, Chicago, IL60606-6100 or via e-mail at <http://www.usps.com/postalinspectors/fraud/MailFraudComplaint.htm>.

Finally, if you have a complaint or problem involving a check written on, or deposited in an account at, a national bank, and you cannot resolve the problem with the bank, contact the Office of the Comptroller of the Currency’s Customer Assistance Group by calling 800-613-6743 or by sending an e-mail to: customer.assistance@occ.treas.gov.