

Official Bank Check Fraud

As defined by the Office of the Comptroller of the Currency (OCC), “[a] cashier’s check is a check issued by a bank, and sold to a customer or another purchaser, that is a direct obligation of the bank.”¹ In recent years, it’s become very easy for fraudsters to reproduce bank checks to make them nearly indistinguishable from the real thing which has resulted in a wave of fraudulent transactions.

Although the amount of a cashier’s check generally becomes available for withdrawal quickly after deposit, it may take several days for you to determine that a bank check is fraudulent. In the meantime, if you withdraw the funds from your account before the check clears (final settlement) and the check is returned for fraud, you are responsible for the full amount of the cashier’s check that you deposited.

Fraudsters find their victims primarily online by sending an unsuspecting victim a cashier check for a job offer, the purchase of goods or in conjunction with lottery winnings. Along with the check, the victim will typically receive instructions to return some of the money to the fraudster by sending a wire or by depositing cash into another bank account.

As noted by the OCC, other types of scams include:

Employment Scams – You are notified that there’s a job waiting for you or you get a guarantee for a job placement. Along with that offer, you receive a cashier’s check for the cost of incidental processing fees for certification, training materials or some other placement costs. You’re asked to deposit the check and pay the processing fees using the cashier’s check.

Online Merchant Purchases – You receive a cashier’s check for the price you’ve agreed on and you ship the goods after receiving the check. Scammers are betting that you’ll ship the goods before you find out that the cashier’s check is fraudulent.

Receipt of Payment for Goods in Excess of Sales Price – After selling goods online through Craigslist or a similar site, the buyer sends you a cashier’s check for an amount that’s much higher than the sale price. The scammer then claims that he or she made a mistake and hopes you’ll wire back the difference.

Foreign Lottery or Unexpected Windfall – You receive a letter informing you that you have a right to a substantial sum of money, such as from a foreign lottery or as the beneficiary of an estate. However, before you can receive your money, you’re asked to cash a cashier’s to cover the amount of a processing fee or transfer tax.

Secret /Mystery Shopper – You receive a letter telling you that you’ve been hired as a mystery shopper which is accompanied by a cashier’s check. You’re asked to deposit the check into your bank account and use a portion of the funds to purchase merchandise at designated store. You’re also asked to wire a portion of the funds to a third party and keep the rest as a “starting bonus.” When the scam is discovered, the counterfeit check is returned unpaid and the Bank deducts the amount of the fraudulent check from your account or seeks repayment. Regardless, you can lose the goods that you purchased, the money that you sent to the third party, or both.

Tips to Avoid Cashier Check Fraud – According to the OCC, there are several ways of avoiding or detecting possible cashier check fraud.

- Learn as much as you can about your customer, client or person(s) you're doing business with. Use independent sources to verify buyer information such as addresses, company names and email addresses. Be careful accepting a check from someone you don't know because if something goes wrong, you may lose your money.
- When buying or selling through the internet, use an online payment system (such as Paypal) or even escrow account instead of accepting payment by a cashier's check.
- If you do accept a cashier's check, never accept one for more than the selling price of your goods or services.
- You should examine the check carefully since fake cashier's checks may be missing security threads, watermarks, microprints, color shifting ink or instructions for the bank.
- Your name should already be printed on the cashier's check. If the payee line is blank, the check is fake.
- If you do receive a cashier's check, you should make sure that it's from a legitimate bank name by checking online. If the bank is legitimate, you can then call or visit the issuing Bank and ask them to tell you whether the check is genuine.
- Learn the difference between funds being available from your account and a check having cleared it. Remember, your Bank may be required to make some funds available to you even if the check hasn't yet cleared.

1. **Consumer Advisory CA 2007-1:** <https://www.occ.gov/news-issuances/consumer-advisories/2007/consumer-advisory-2007-1.html>

For Additional Information:

- Office of the Comptroller of the Currency (OCC) – Avoiding Cashier's Check Fraud: <https://www.occ.gov/news-issuances/consumer-advisories/2007/consumer-advisory-2007-1.html>
- **Fraud Alert** – The OCC will list fraud cases on its website. If you have any doubts, you should check this site to see if the issuing bank is listed. <https://www.occ.gov/news-issuances/alerts/2018/index-2018-alerts.html>
- Federal Trade Commission (FTC) – Fake Checks : <https://www.consumer.ftc.gov/articles/0159-fake-checks>
- Wallethub, Cashier's Check Fraud & Scams: How to Spot a Fake: <https://wallethub.com/edu/cashiers-check-scams/16192/>

