



Check Scams – Alive and Well in Oregon

Last November, articles warning Oregon lawyers about fraudulent check scams appeared in the *Oregon State Bar Bulletin* and *Professional Liability Fund In Brief*. As a recent call illustrates, these scams are alive and well. The most persistent fraud involves debt collection:

Overseas client contacts lawyer by phone or e-mail seeking help in collecting a debt. Enticed by the promise of a nice fee, lawyer undertakes representation. Lawyer collects debt with little effort and deposits the debtor's check into the Lawyer Trust Account. Shortly after depositing the funds, client requests that lawyer wire the net proceeds to a specified bank account. Believing the check has cleared, lawyer follows client's instructions. After the wire is sent, the bank discovers the check is fraudulent and recalls the funds previously deposited into the lawyer's account.

Several Oregon lawyers have been victimized by this scam in the past year. Others have narrowly escaped. In one case, a firm was spared when the Department of Homeland Security intervened. The amounts involved have ranged from tens of thousands to half a million dollars. Do not become a victim of this scam, or its variations.

Do not:

- Accept the client's explanation that you can only communicate by e-mail because of the time difference or lack of a translator
- Assume the collection effort is legitimate because the debtor appears to be a real business based in your state
- Trust debtors who send you a check before you have taken any steps to collect the debt on behalf of your client
- Take for granted that cashier's checks or money orders are automatically safe

Do:

- Trust your instincts and watch for the red flags
- Recognize that scammers impersonate legitimate businesses
- Appreciate that the debtor (your opposing party) and the creditor (your client) may be conspiring together to take *your money*
- Join the Oregon Attorney General's [Oregon Scam Alert Network](#)
- Follow the suggestions in *Check Scams Target Lawyers* available at www.osbplf.org. Select *In Brief*, then choose the November 2008 issue.
- Also see [Lawyers Beware: Avoiding the Scams](#)

As we warned before, it may take several weeks or even months to discover that a check is fraudulent. Forgers know how to delay confirmation of legitimacy by tampering with magnetic ink character recognition lines. (The check appears to be drawn on one particular bank, but the code is from a different institution.) This causes the check to bounce around the system, buying the forger time. If you have already waited 10 business days for the check to clear, it is very tempting to give in to the client's request to disburse the proceeds. But the penalty here is steep. Once funds are wired, they cannot be recalled. And there is no banking regulation dictating how long a bank may wait to recall funds previously deposited to your account. If the underlying check or money order is fraudulent, you will be left holding the bag.

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