



State of Wisconsin
Department of Financial Institutions

Counterfeit Check Scams

In these scams individuals receive a check, usually a cashier's check, and are asked to deposit the check into their account, wait until funds become available and then wire a portion of the funds back to the sender or to a third party. The funds are wired by using the services of companies such as Western Union.

Although the amount of a cashier's check quickly becomes "available" for withdrawal by the consumer, 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 a fake. In the meantime, the consumer may have 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.

Fraudulent checks can be very difficult to detect. When the check is returned, the bank reverses the deposit and withdraws the funds from the customer's account. Wire transfers, however, represent an instantaneous and irreversible transfer of funds. If the individual has already wired money to a third party, those funds cannot be recovered by the bank and the consumer is responsible for the funds, even if the consumer did not know the check was fake.

Fake checks can look very real because the scammers use high quality printers and scanners when making them. Some of the checks contain authentic-looking watermarks. These counterfeit checks can be printed with the names and addresses of legitimate financial institutions and even though the account and routing numbers listed on a counterfeit check may be real, the check still can be a fake. These fakes come in many forms, from cashier's checks and money orders to corporate and personal checks.

There are many variations of this scam but some of the more common scenarios are:

- **Overpayment Scams** - These scams target consumers selling cars or other valuable items through classified ads or online auction sites. Here the scammer offers to pay for the item with a check, and then comes up with a reason for writing the check for more than the purchase price. The scammer asks the seller to wire back the difference after depositing the check.
- **Lottery/Windfall Scam** - In this scam you are informed that you have the right to receive a substantial sum of money because you have won a lottery or are the beneficiary of someone's estate. You will also be told that you have to pay a tax or fee before you receive the money, but you are provided a cashier's check to cover the tax and/or fee. All you have to do to get your winnings is deposit the check and wire the money to the sender to pay the taxes and fees.

- Secret Shopper Scam - The consumer is hired to be a secret shopper and to evaluate the service at various stores. The consumer is given a check and 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.
- 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.

While it can be very difficult for consumers to know if a check is fraudulent, consumers can take these steps to protect themselves:

- 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 with excess funds.
- 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. You should, however, never call the phone number provided with the check because it may be the scammer's number who will pretend to be the bank.
- 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. It could take several weeks to know if the check will clear or not.