

Protecting Wisconsin Consumers for 75 Years

Check scams

There are many variations of the fake check scam. It could be someone offering to buy something you advertised, pay you to do work at home, give you an “advance” on a sweepstakes you have supposedly won. Most promotions for foreign lotteries are likely to be fake. Another common scam relates to paying the first installment on money that you will receive for agreeing to have money in a foreign country transferred to your bank account for safekeeping. Whatever the pitch, the person may sound quite believable.

Fake check scammers hunt for victims. They scan newspaper and online advertisements for people listing items for sale, and check postings on online job sites from people seeking employment. They place their own ads with phone numbers or email addresses for people to contact them. In addition, they call or send emails or faxes to people randomly, knowing that some will take the bait.

How does the scam work?

If you are selling something, they say they will pay you by having someone in the U.S. who owes

them money send you a check. It will be for more than the sale price and they tell you to deposit the check, keep what you are owed, and wire the remaining money to them. It can take weeks, especially with foreign checks or money orders, for the banks to receive the checks or money orders back and determine that they are counterfeit.

If it is part of a work-at-home scheme, they may claim that you will be processing checks from their “clients.” You deposit the checks and then wire them the money minus your “commission.” The problem is that when the bank releases the funds that the money is often to an address outside the country. After a few weeks, the bank will notify the person that the deposited checks have been returned, and now they owe the bank all the money that was withdrawn.

Or they may send you a check for more than your pay “by mistake” and ask you to wire them the excess.

Never agree to cash checks and send the money somewhere as part of a job working from home.

In the sweepstakes and foreign money offer variations of the scam, they tell you to wire them money for taxes, customs, bonding, processing, legal fees, or other expenses that must be paid before you receive the rest of the money. Never agree to pay to claim a prize.

Why does it work?

The fake checks look real. In fact, they look so real that even bank tellers may be fooled. These fake checks come in many forms, from cashier’s checks and money orders to corporate and personal checks. Some are fake cashier’s checks while others look like they are from legitimate business accounts. The companies whose names appear may be real, but someone has altered the checks without their knowledge. You do not have to wait long to use the money, but that does not mean the check is legitimate. Under federal law, banks generally must make funds available to you from U.S. Treasury checks. Most other governmental checks, and official bank check (cashier’s checks, certified checks, and teller’s checks), funds are available a business day after you deposit the check. For other checks,

banks must make the first \$200 available the day after you deposit the check, and the remaining funds must be made available on the second business day after the deposit. Just because you can withdraw the money does not mean the check is good, even if it is a cashier's check. It can take weeks for the forgery to be discovered and the check to bounce.

You are responsible for the checks you deposit!

That is because you are in the best position to determine the risk – you are the one dealing directly with the person who is arranging for the check to be sent to you. When a check bounces, the bank deducts the amount that was originally credited to your account. If there is not enough to cover it, the bank may be able to take money from other accounts you have at that institution, or sue you to recover the funds. In some cases, law enforcement authorities could bring charges against the victims because it may look like they were involved in the scam and knew the check was counterfeit.

How can you avoid being scammed?

- **Know who you are dealing with.** In any transaction, independently confirm the buyer's name, street address, and telephone number.
- **Do not accept a check for more than the selling price, no matter how tempting.** Ask the buyer to write the check for the correct amount. If the buyer refuses to send the correct amount, return the

check. Do not send the merchandise.

- **If you accept payment by check, ask for a check drawn on a local bank, or a bank with a local branch.** That way, you can make a personal visit to make sure the check is valid. If that is not possible, call the bank and ask if the check is valid. Get the bank's phone number from directory assistance or an Internet site that you know and trust, not from the person who gave you the check.
- **Consider an alternative method of payment.** As a seller, you can suggest an escrow service or online payment service. There may be a charge for an escrow service. If the buyer insists on using a particular escrow or online payment service you have never heard of, check it out. Visit its website, and read its terms of agreement and privacy policy. Call the customer service line. If there is not one or if you call and cannot get answers about the service's reliability, do not use the service.
- **If the buyer insists that you wire back funds, end the transaction immediately.** Legitimate buyers do not pressure you to send money by Western Union or a similar company. In addition, you have little recourse if there is a problem with a wire transaction. There is no legitimate reason why anyone who wants to give you a check or money order would

ask you to send money anywhere in return.

- **Resist any pressure to "act now."** If the buyer's offer is good now, it should be good after the check clears the issuing bank. **Throw away any offer that asks you to pay for a prize or a gift.** If it is free or a gift, you should not have to pay for it. Free is free.
- **Resist the urge to enter foreign lotteries.** If you play a foreign lottery through the mail or over the telephone, you are violating federal laws.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

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(Taken from the Federal Trade Commission fact sheet "Check Overpayment Scams")