

CAPITOL♦TITLE

FRAUD SCAM WITH A SMARTPHONE

We would like to alert you to a new fraud scam involving an emerging technology that enables individuals to deposit checks via a “Smartphone.”

Many banks and other online payment sites like PayPal are offering downloadable applications for Smartphones (like iPhones and Androids) that use the phone’s camera feature to create an image of the check and deposit it by sending the image through the application to the payee’s bank. It is impossible to tell that the check has already been deposited because there are no markings on the check to indicate that it has been deposited or processed. As a result, here is the way this technology could be used to defraud you or your company:

You or your company issues a check to an individual for the refund of an earnest money deposit after the contract is terminated, pursuant to one of the contingencies. The individual leaves your office, goes to the parking lot and uses his Smartphone to deposit the check into his account. He returns to your office within 5 minutes and hands you back the original check and either asks you to reissue it (he may spill a drink or some food on it and say it got defaced) or say that he changed his mind and would rather have you wire them the funds instead. You tear up the check and reissue it or wire funds, not realizing that the original check has already been “cashed” and deposited into his account using his Smartphone.

To avoid becoming the victim of this scam you should protect all of your checks as if they are cash and refuse to exchange them for other forms of payment unless and until you have verified with the bank that they have not been presented for payment AND after issuing a stop payment order for the check. Once an original check is out of your possession for even a few minutes (or seconds) you are vulnerable!

For the protection of our clients, Capitol Title employs multiple layers of security procedures and applications to combat the risks created by new scams and bank account fraud.

Settle On Our Experience®