



INDUSTRY ALERT

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STOLEN & ALTERED DEPOSIT CHEQUES

The Real Estate Council of Ontario (RECO) has become aware of instances where fraudsters have presented brokerages with stolen and altered cheques as trust deposits in relation to offers to buy property.

Scenario

The fraudster will attempt the scam as follows: After stealing legitimately issued cheques (usually from a company that writes a large number of cheques) the fraudster will change the name of the payee on the cheque to the name of the brokerage and the amount of the cheque to the deposit amount they are providing to the brokerage. The deposit amount is usually \$20,000.00 or higher to make the fraud worthwhile.

The altered cheque will be presented to the brokerage in conjunction with an offer to buy a property listed by the brokerage. The offer will contain a number of conditions usually all to the benefit of the buyer/fraudster. The buyer/fraudster will claim that they are unable to meet one or more of the conditions and ask that a mutual release be signed directing the deposit back to the buyer/fraudster.

The fraud is sometimes not detected until the large company who has had their cheque stolen has the opportunity to receive and review their monthly bank statements. In attempting to reconcile their bank accounts the company will discover the cheque that has been stolen and altered to make the payee a real estate brokerage. It is at that point that the broker may receive a call from the company to ask them who provided the cheque to them.

Fraud Prevention

Brokerages can prevent these types of frauds from occurring.

When a brokerage accepts a trust deposit in respect of an offer to buy a property they should be vigilant in determining the source of the deposit cheque. If the issuer of the deposit cheque differs from the purported purchasers they should be asking questions, especially if the buyer and the issuer of the deposit cheque are unknown to the brokerage.

As an example, an offer to purchase by John Doe who presents a deposit cheque drawn on the business accounts of ABC Inc. should be scrutinized further.

It is always a good idea to produce, and maintain on file, a copy of any deposit instrument that is provided as a deposit in a real estate transaction.