

## Don't bank on a "cleared" check

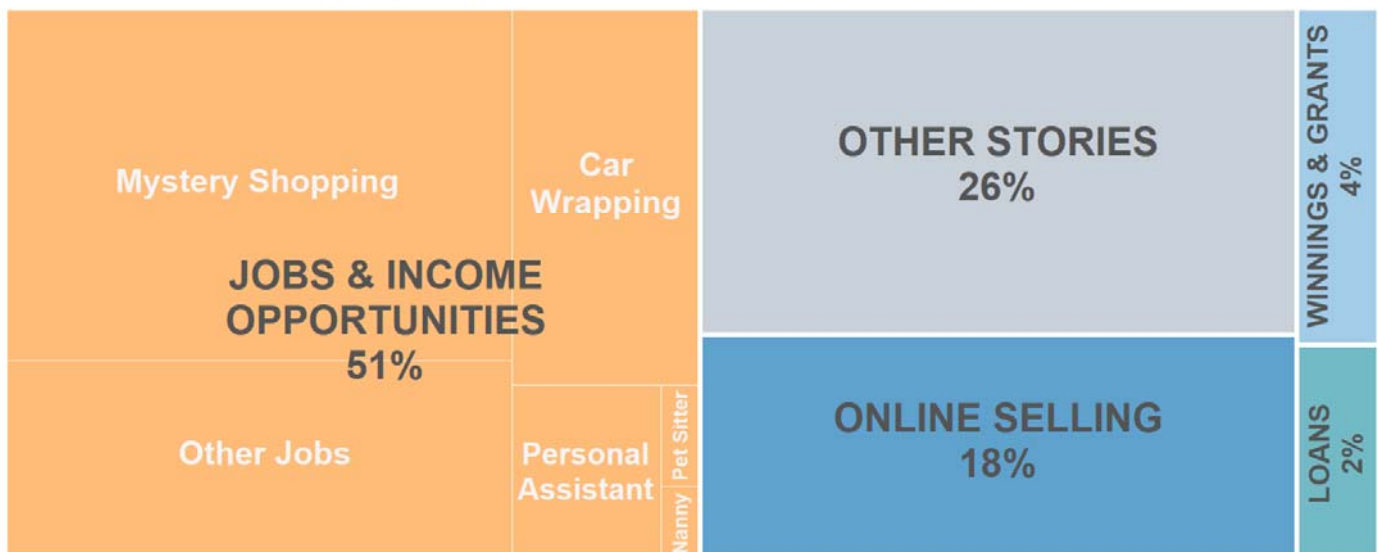
Fake check scams take advantage of what we don't know about how banks handle check deposits. Scammers *do* know, and they trick people into sending them money before the bank spots the fake. The FTC's Consumer Sentinel Network database shows that people reported more than 27,000 fake check scams in 2019, with reported losses topping \$28 million dollars.<sup>1</sup> And the data suggest that fake check scams disproportionately harm young adults – especially people in their twenties.

Scammers have various fake check storylines, and job and income opportunities top the list. Last year, about 50% of people who reported a fake check scam to the FTC said they were offered a job or some other way to earn money.<sup>2</sup> Nearly half of those were fake mystery shopping jobs, and many others were phony car-wrap advertising opportunities. In another 18% of the reports, people said they got a fake check as payment for something they were selling online.

Fake check scams have two telltale elements – a check to deposit and a plausible explanation for why you can't keep all the money. The checks come in many varieties: a business or personal check, a cashier's check, money order, or even a check delivered electronically. The ploys to get you to send back some of the money also vary. Potential mystery shoppers are told to use some of the money to "evaluate" a retailer by buying gift cards or money orders, or by wiring money through MoneyGram or Western Union. (The scammers make sure to get the gift card PIN number from you, or delay you from canceling the money order.) People who apply online and are hired as "personal assistants" are told to use the money to buy gift cards for the new boss (and, again, to give up those PIN numbers). People interested in car wrap advertising are told to send money to supposed decal installers – who never materialize. People buying something from you online "accidentally" send a check for too much and ask you to refund the balance.

## Common Fake Check Stories

Scammers tell lots of stories to trick people to send money back after depositing a fake check. These are some common ones people reported in 2019.



Percentages are based on keyword analysis of the narratives provided in 2019 reports to the Consumer Sentinel Network classified as "counterfeit check scams."

These scams work because, once you deposit a check, you quickly see the funds in your account. Parting with some of that money then feels risk-free. But scammers know that while the law says banks have to make funds from deposited checks available within a day or two, it can take weeks to uncover a fake. Some scammers even tell you to wait for the check to “clear” before sending money. When it ultimately bounces, the bank can take back the amount of the fake check, leaving you on the hook for the money.

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Say you deposited a check for \$1,000 and sent \$600. A while later, the bank finds out the check was fake. It withdraws the full \$1,000 from your account. Now, you’re out \$600. If you didn’t have money in your account to cover that loss, you also have a negative balance.

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The number of reports made directly to the FTC about fake checks are on the rise – they’re up by about 65% over 2015 levels.<sup>3</sup> What’s more, no other fraud among last year’s top ten most frequently reported scams came close to the individual losses people reported on fake check scam last year.<sup>4</sup> The median individual loss reported on fake checks was \$1,988, compared to \$320 on all fraud types combined. And people

reported that the scammers often asked to be paid by gift card or wire transfer. Con artists favor these payment methods because once the money is sent, it is almost impossible to trace or reverse.

Younger people are hit especially hard. Last year, people in their twenties were more than twice as likely as people 30 and older to report losing money on a fake check scam.<sup>5</sup> Many college students have reported that the scam started with a message sent to their student email address. Scammers make these emails seem official – they may even impersonate the school’s career services office.

To avoid these scams, here are a few things to know:

- If someone sends you a check and tells you to send money – whether by wiring money or buying gift cards – you can bet it’s a scam.
- Even if you see the money in your account, the bank can still take it back if the check later bounces. If you don’t know the person who wrote the check, don’t send money. Period.
- If you’re selling online, never accept a check for more than your asking price.

To learn more about what to do if you have already sent money to a scammer, visit [ftc.gov/fakechecks](https://ftc.gov/fakechecks). If you paid a scammer with a gift card, visit [ftc.gov/giftcards](https://ftc.gov/giftcards). If you spot a scam, report it to the FTC at [ftc.gov/complaint](https://ftc.gov/complaint).

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1 These figures are based on fraud reports classified as “counterfeit check scams” submitted in 2019 by any person or data contributor and stored in the Consumer Sentinel Network database.

2 Figures pertaining to the nature of the scammers’ stories are based on keyword analysis of the narratives provided in 2019 reports classified as “counterfeit check scams.”

3 This figure is based on 14,017 reports about fake check scams submitted directly to the FTC in 2015 as compared to 23,064 such reports in 2019. In 2016, 2017, and 2018 respectively, 15,840, 17,870, and 18,463 such reports were submitted. These figures exclude data contributors to ensure the data reflects consistency in complaint capture over time.

4 Of the nearly 60 Sentinel fraud subcategories, fake check scams ranked ninth based on the total number of fraud reports submitted in 2019. Of the ten most frequently reported frauds, government imposter scams had the second highest reported median individual loss of \$1,100. Reports classified as unspecified are excluded.

5 In 2019, 77% of fake check reports included usable age information. This age comparison is normalized based on the number of loss reports per million population by age. Population numbers were obtained from the U.S. Census Bureau Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, States, Counties and Puerto Rico Commonwealth and Municipios (June 2019).