

Beware fraud if you pay by cheque

WITH the advent of the internet, much hype has been made of online fraud, which has tended to overshadow everyday cheque fraud. However, cheques are as susceptible to scams as anything else, and cheque fraud continues to rise.

Fraud is a method of intentional deception used either to enrich oneself or damage another. Typically this deception will result in the loss of an individual's money, property or legal rights and is a phenomenon that takes place across various sectors.

Although it is fair to say that modern technology has assisted authorities to track and apprehend such offenders it is clear that the means by which they operate have also evolved at equally impressive rates.

A classic example of a fraudulent act that has "moved with the times" is cheque forgery. Cheque forgery in the US is costing the economy \$20bn annually and has increased from about \$12,6bn in 1996. This last year alone has seen cheque forgery increase in the US by 25%; a statistic which is largely attributed to their fee-based payment system.

One of the most notorious cheque fraudsters in history is American Frank Abagnale. Abagnale issued irregular cheques to the value of \$2,5m over a period of about five years. In an effort to avoid detection he moved around extensively and operated in every US state and 26 other countries.

In addition to issuing false cheques he travelled an estimated 1,6-million kilometres at Pan American Airways' expense. Abagnale misrepresented himself as an airline pilot for Pan American and flew as a "passenger"; a practice called deadheading when used by legitimate travel personnel.

Even his hotel and food requirements were charged back to the Pan American expense account.

Abagnale's story was documented in the well-known feature film *Catch Me If You Can* directed by Steven Spielberg. Following his tenure in prison, Abagnale turned his efforts to educating businesses through his programmes on fraud detection and prevention. He founded Abagnale and Associates and advises corporations and government entities using his inside expert knowledge.

THE Payments Association of South Africa estimates the use of cheques as a method of payment have decreased by as much as 20% per annum over the last few years. This is in strong contrast to the US and actually mirrors many European countries.

Large local retailers are beginning to decline cheques as a legitimate form of payment, a practice implemented from as early as September 2007. The Edcon group implemented similar policy from the start of September last year.

Group CEO Ian Wood released a statement in support of this decision: "Our customers are also safeguarded as there is no cheque to be intercepted by fraudsters who have, in the past, washed the cheques and then inserted their own amounts and beneficiaries."

Wood advised customers to rather use their debit cards as a means to pay for merchandise or settle accounts. Although there is a sophisticated cheque clearing system in place it is time consuming and expensive, a cost the retailer and then, ultimately, the customer would have to bear.

While it is clear the practice of using cheques in SA is in decline there are still many customers who choose to use them. Here are a few suggestions FNB lists as useful safety tips on its website under the heading Cheque Fraud:

- The person writing out a cheque should always attempt to use a ballpoint pen instead of making use of pens with more erasable

inks such as fountain pens or felt-tip pens.

- To prevent unauthorised additions or alterations, commence all writing as close as possible to the left-hand margin, leaving no gaps and drawing a line through unused spaces.

- Any cheques that the account holder does not wish to be cashed should be crossed and, to ensure that a cheque is paid into the intended beneficiary's account, the cheque should be marked with the words "Not Transferable" between two transverse lines.

- The customer should take responsibility for keeping his or her chequebook in a safe place to prevent unauthorised use.

- The customer should always keep his chequebook separate from his credit cards, ATM cards or any other document that bears his signature. If a thief gets hold of your chequebook, but does not have a sample of your signature, a forged signature will probably not resemble yours.

- All paid cheques that are returned with your bank statements should be kept in a safe place because they contain your signature. Fraudsters may even try to re-use these cheques.

- The customer should make a habit of doing monthly reconciliations on the cheques that were issued on his or her account.

- Regular recons should be done on all unused cheques in a chequebook against counterfoil or carbon copy records.

- The customer should report a stolen chequebook to his or her account holding or nearest FNB branch as soon as he or she detects that the chequebook is missing.

- The posting of cheques should be avoided and, should it be necessary, cheques should be placed in non-transparent or dark envelopes without any staples or paper clips, which can be felt through the envelope.

- Never have any cheques lying



around that have not been completed or fully signed.

- Many alternative payment methods exist that are safe and convenient and can even save on bank charges. These alternatives include Visa cheque cards, Visa

electron debit cards, internet, telephone and cellphone banking, ATM payments, debit orders and future dated payments.

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