

## Beware of Emails from Asian Companies-Huge Potential for Loss

We are seeing an alarming rise in the frequency of foreign-generated e-mail frauds targeting law firms in Houston. This scam can potentially cause the attorneys to lose a tremendous amount of money.

### How the Chinese Scam Works:

- The law firm is contacted by the company regarding a "*domestic collection matter.*"
- The company has what appears to be a legitimate web site.
- The lawyer does his due diligence and responds to the company with questions—usually all through email—until he is satisfied with that the engagement is legitimate.
- Almost all cases involve an uncollected debt owed to the foreign company by an American company.
- The Lawyer sends the foreign company an engagement letter and a contract for services which is executed and returned, along with several customer files.
- Under this agreement, the lawyer will generally get paid a large percentage of the collected amount of the past due for services.
- The lawyer sends out collection letters to the various companies—who purportedly owe money to the foreign company—with copies of associated invoices.
- Generally, the lawyer gets one response, but the response is an agreement to pay the past due invoice.
- A letter from the debtor follows with a check enclosed for payment. The check is either a cashier's check or an official check. ***There is never a wire transfer payment.***
- The lawyer deposits the cashier's check or official check that he received from the American debtor company.
- Once the check is received and the foreign company notified, there is request that the lawyer remit the foreign company's portion of the payment immediately ***via wire transfer*** so that they can clear their books of the issue.
- The lawyer, seduced by a seemingly easy increased profit opportunity—with no additional work—initiates the wire transfer.
- The cashier's check or official check is then returned to Amegy as a counterfeit within a few days.
- The check is then charged back against the lawyer's account—and the lawyer has lost the money they wired to the foreign company.
- ***Note: Wires are a final form of payment and cannot be recalled unless the recipient agrees to return it—which they obviously will not do.***

## **Why Can't the Bank Detect These Types of Scams?**

These email scams are very difficult for banks to detect—especially if the lawyer has enough collected funds in their trust account to cover the wire.

Just about the only way for the bank to help prevent this scam is if the lawyer is attempting to wire out uncollected funds. In this situation, the banking officer would get a call from the wire room to authorize the overdraft. Unless the lawyer has communicated with the banker, there may never be a chance to stop the scam before the money is sent.

## **What Can I Do to Protect Myself and My Firm?**

This scam has cost Houston lawyers hundreds of thousands of dollars in "stolen" funds. The losses in these cases were not the fault of the bank. The lawyer will incur the loss in almost every instance.

In this environment, the best thing to do is to contact your banker and review the situation with them prior to wire transferring any funds from your account, especially when dealing with new or suspicious clients.