

DEPOSIT AND REFUND SCAMS STILL VERY PREVALENT

Despite numerous warnings by the banking industry and law enforcement agencies, refund scams are still very prevalent in South Africa.

The South African Banking Risk Information Centre, SABRIC, warns that unless extra caution is taken by businesses and individuals in their financial dealings, they will continue to fall victim to scams of this nature. Everybody with a bank account is a target of refund scam fraudsters, but small and medium businesses remain the hardest hit.

Although the approach of the refund scam fraudsters differs from case to case, the basis of their modus operandi remain the same. There is usually a business transaction that looks totally legitimate and requires the 'client' to make a payment into the bank account of the victim. This is done with a fraudulent or bogus cheque. The problem arises when the 'client realizes' that the payment was 'erroneously' above the price of the item being sold or quotation supplied, and demands immediate refund. The deposited funds appear on the bank statement of the victim but the money is not available because the cheque has not been cleared. The cheque clearance process takes a couple of days. The victim will then proceed to pay the "refund" and only realise the scam once the cheque is returned by the bank as "not paid".

Victims are carefully selected and familiar circumstances such as an employer-employee relationship, or a longstanding business association between two businesses are used to con the victim into believing that the demand is legitimate. These fraudster do their homework thoroughly to ensure that their scams are successful. Usually information that they use is compromised.

The public is advised to take the following precautionary measures to protect itself against this form of fraud:

- Treat any request for a refund with utmost suspicion and do a thorough investigation prior to considering a refund
- Treat any unsolicited deposits into your bank account with utmost suspicion and as a matter that deserves thorough investigation prior to considering a refund
- Train your finance managers and staff in general to consider any pressure for a refund as a good reason not to act immediately. This is a common sign of a refund scam
- First check with your bank if the deposit that was made was a legitimate deposit and whether it was made with a cheque or cash. If it was a cheque deposit, wait until the cheque has been cleared before considering making any refund
- An insistence on a refund by way of internet transfer is usually an indication of a scam
- Validate that the details that are provided to you by the person requesting a refund are indeed those of the company he purports to represent

ENDS