

FTC Warns Consumers about Check Overpayment Scams

“Check overpayment” scams target consumers selling cars or other valuable items through classified ads or online auction sites. Unsuspecting sellers get stuck with a big loss when scammers pass off bogus cashier’s checks, corporate checks, or personal checks. The Federal Trade Commission has issued a new consumer alert, “Check Overpayment Scams: Seller Beware,” that explains this scam and offers consumers tips on how to protect themselves and their pocketbooks.

According to the FTC, a check overpayment scam begins when a scam artist replies to the classified ad or auction posting and offers to purchase the item for sale with a check, then comes up with a reason for writing the check for more than the purchase price for the item. The scammer asks the consumer to wire back the difference after the check is deposited. Later, the scammer’s check bounces, leaving the consumer liable for the entire amount. The FTC says the scam is able to progress because, though the checks are counterfeit, they may look good enough to fool bank tellers.

The FTC gives the following tips to avoid check overpayment scams:

- Know who you are dealing with – independently confirm your buyer’s name, street address, and telephone number.
- Never accept a check for more than your selling price.
- Never agree to wire back funds to a buyer – a legitimate buyer will not pressure you to do so, and you have limited recourse if there is a problem with a wire transfer.
- Resist pressure to “act now.” If the buyer’s offer is good now, it should be good when the check clears.
- If you accept payment by check, ask for a check drawn on a local bank or a bank with a local branch. You can visit that bank branch to determine if the check is legitimate.
- Consider an alternative method of payment, such as an escrow service or online payment service. If the buyer wants to use a service you have not heard of, be sure to check it out to be sure it is reliable – check its Web site, call its customer service hotline, and read its terms of agreement and privacy policy. If you do not feel comfortable with the service, do not use it.

In another version of the scam, a consumer is asked to pay taxes or fees on “lottery winnings.” The FTC offers the following advice for consumers: throw away any offer that asks you to pay for a prize or “free” gift; and do not enter foreign lotteries – most solicitations for them are fraudulent.

Consumers who have been victims of check overpayment scams should file a complaint with the FTC at www.ftc.gov.

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