

Outwitting Bad-Check Passers

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Outwitting Bad-Check Passers

SUMMARY

Time was when a man's word was as good as his bond. But nowadays, even the signatures of many persons are worthless - especially to retailers who are stuck with bad checks.

This Aid offers suggestions that should be helpful in keeping bad checks out of the cash registers of small stores. For example, the key items on a check should be examined closely because they can tip off the owner-manager to a worthless check. Your procedures should also include a dollar limit on the size of checks you will accept and the type of identification necessary to back up the signature or endorsement. In addition, it is profitable to review with employees the checks which the bank refuses to honor.

A neatly dressed stranger pays for her groceries with a payroll check issued by a company in a nearby city. In the next few hours, she does the same thing in several other food stores.

In another community, a middle-aged man pays for a pair of shoes with a Government check. He moves to other stores and cashes several more Government checks.

In a third city, a well-dressed woman pays for an expensive dress with a blank check. "I need a little pocket cash," she says. "May I make the check for \$20 more?" The salesclerk agrees, never suspecting that the customer does not have an account in any bank.

Tomorrow, these three con artists will work in other communities.

The specialist in payroll checks will fill out blank ones which she has stolen. The passer of Government checks is also a thief. He steals Social Security checks, tax re-fund checks, and so on from individual mail boxes. "Blank check" Bessie will hit her victim after the banks have closed.

These three, and others who pass worthless checks, are clever. They live by their wits and are often glib talkers. But they are not so clever that you can't outwit them.

TYPES OF CHECKS

Winning the battle of wits against bad-check passers is largely a matter of knowledge and vigilance. You have to know what you're up against, pass the information on to your employees,

and be constantly on guard when accepting checks.

You are apt to get seven different kinds of checks: personal, two-party, payroll, Government, blank, counter, and traveler's. And some customers may offer money orders.

A Personal Check is written and signed by the individual offering it. The individual makes it out to you or your firm.

A Two-Party Check is issued by one person, the maker, to a second person who endorses it so that it may be cashed by a third person. This type of check is susceptible to fraud because, for one thing, the maker can stop payment at the bank.

A Payroll Check is issued to an employee for wages or salary earned. Usually the name of the employer is printed on it, and it has a number and is signed. In most instances "payroll" is also printed on the check. The employee's name is printed by a check writing machine or typed. In metropolitan areas, you should not cash a payroll check that is handprinted, rubber stamped or typewritten as a payroll check, even if it appears to be issued by a local business and drawn on a local bank. It may be a different story in a small community where you know the company officials and the employee personally.

A Government Check can be issued by the Federal Government, a State, a county, or a local government. Such checks cover salaries, tax refunds, pensions, welfare allotments, and veterans benefits, to mention a few examples.

You should be particularly cautious with government checks. Often they are stolen and the endorsement has been forged.

In some areas, such thievery is so great that some banks refuse to cash Social Security, welfare, relief, or income tax checks, unless the customer has an account with the bank. You should follow this procedure also. In short, know your endorser.

A Blank Check, sometimes known as a universal check, is no longer acceptable to most banks due to the Federal Reserve Board regulations that prohibit standard processing without the encoded characters. This universal check may be used, but it requires a special collection process by the bank and incurs a special cost.

A Counter Check is still used by a few banks and is issued to depositors when they are withdrawing funds from their accounts. It is not good anywhere else. Sometimes a store has its own counter checks for the convenience of its customers. A counter check is not negotiable and is so marked.

A Traveler's Check is a check sold with a preprinted amount

(usually in round figures) to travelers who do not want to carry large amounts of cash. The traveler signs the checks at the time of purchase and should counter-sign the check only in the presence of the person who cashes them.

In addition, a Money Order can be passed as a check. However, a money order is usually sent in the mail. Most stores should not accept money orders in face-to-face transactions.

Some small stores sell money orders. If yours does, never accept a personal check in payment for money orders. If the purchaser has a valid checking account, why does he or she need a money order? The check is possibly no good.

LOOK FOR KEY ITEMS

A check carries several key items such as name and location of bank, date, amount (in figures and spelled out), and signature. Close examination of such key items can sometimes tip you off to a worthless check. Before accepting a check, look for:

Nonlocal Banks. Use extra care in examining a check that is drawn on a nonlocal bank and require positive identification. List the customer's local and out-of-town address and phone number on the back of the check.

Date. Examine the date for accuracy of day, month, and year. Do not accept the check if it's not dated, if it's post-dated, or if it's more than 30 days old.

Location. Look first to be sure that the check shows the name, branch, town and State where the bank is located.

Amount. Be sure that the numerical amount agrees with the written amount.

Legibility. Do not accept a check that is not written legibly. It should be written and signed in ink and must not have any erasures or written-over amounts.

Payee. When you take a personal check on your selling floor, have the customer make it payable to your firm. Special care should be used in taking a two-party check.

Amount of Purchase. Personal checks should be for the exact amount of the purchase. The customer should receive no change.

Checks Over Your Limit. Set a limit on the amount - depending on the amount of your average sale - you will accept on a check. When a customer wants to go beyond that limit, your salesclerk should refer the customer to you.

Low Sequence Numbers. Be more cautious with low sequence numbers. Experience indicates that there seems to be a higher number of these checks that are returned. Most banks who issue personalized checks begin the numbering system with 101 and numbering sequence when a customer reorders new checks.

\$\$\$ Amount of Check. Most bad-check passers pass checks in the \$25 to \$35 range on the assumption that the retailer will be more cautious when accepting a larger check.

Types of Merchandise Purchased. Be watchful of the types of merchandise purchased. Random sizes, selections, lack of concern about prices by customers, should indicate to you that a little more caution should be exercised when a check is offered as payment.

REQUIRE IDENTIFICATION

Once you are satisfied that the check is okay, the question is, "Is the person holding the check the right person?" Requiring identification helps you to answer the question.

But keep in mind that no identification is foolproof. A crook is a crook no matter what type of identification you ask to see. If the person wants to forge identification, he or she can.

Some stores demand at least two pieces of identification. It is important to get enough identification so the person presenting the check can be identified and located if and when the check turns out to be worthless.

The following types of identification should be useful in determining the type to use in your store.

Current Automobile Operators License. If licenses in your State do not carry a photograph of the customer, you may want to ask for a second identification.

Automobile Registration Card. Be sure the name of the State agrees with the location of the Bank. If it doesn't, the customer should be able to explain why they don't agree. Also make sure that the signatures on the registration and check agree.

Shopping Plates. If they bear a signature or laminated photograph, shopping plates or other credit cards can be used as identification. The retail merchants' organization in some communities issues lists of stolen shopping plates to which you should always refer when identifying the check passer.

Government Passes can also be used for identification in cashing checks. Picture passes should carry the name of the employing department and a serial number. Building passes should also carry a signature.

Identification Cards, such as those issued by the armed services, police departments, and companies, should carry a photo, a description, and a signature. Police cards should also carry a badge number.

Several types of cards and documents are not good identification. Some of them (for example, club cards) are easily forged, and others (for example, customer's duplicate saleschecks) were never intended for identification. Unless they are presented with a current automobile operator's license, do not accept the following:

- Social Security Cards
- Business Cards
- Club or Organization Cards
- Bank Books
- Work Permits
- Insurance Cards
- Learner's Permits
- Letters
- Birth Certificates
- Library Cards
- Initialed Jewelry
- Unsigned Credit Cards
- Voter's Registration Cards
- Customer's Duplicate Cards

Some large stores photograph each person who cashes a check along with the identification. This procedure is a deterrent because bad-check passers don't want to be photographed.

Some stores, when in doubt about a check, will verify an address and telephone number in the local telephone directory or with the information operator. Someone intending to pass a bad check will not necessarily be at the address shown on the check. If the address and telephone number cannot be verified, the check should be considered a potentially bad check.

COMPARE SIGNATURES

Regardless of the type of identification you require, it is essential that you and your employees compare the signature on the check with the one on the identification.

You should also compare the person standing before you with the photograph and or description on the identification.

You should set a policy for cashing checks, write it down, and instruct your employees in its use. Your policy might require your approval before a salesclerk can cash a check. When all checks are handled alike, customers have no cause to feel that they are being treated unfairly.

Your procedure might include the use of a rubber stamp. Many stores stamp the lower reverse side of a check and write in the appropriate information. Here is a sample of such a stamp:

Salesperson - Name and No. _____

Auth. Signature _____

Customer's Address _____

Home Phone _____ Business Phone _____

Ident. No. 1 _____

Ident. No. 2 _____

Dept. No. _____ Amount of Sale _____

Take Send COD Will Call

Your policy might also include verifying a check through the bank that issued the check. Some banks will do this only if you are a depositor in the bank. It might be helpful to establish business accounts in several banks, particularly where many of your customers have accounts.

You may want to verify a check through a check verification service. Should you contract with such a service or if you receive lists of bad-check passers, ask the service to show you proof from the Federal Trade Commission that their service is in compliance with the Fair Credit Reporting Act.

Employee apathy toward accepting checks is a big reason why stores get stuck with bad checks. The bigger the store, the more difficult it is to keep employees interested in catching bad checks. One effective way is to show employees your bad checks.

REFUSING A CHECK

Review your policy and procedure on check cashing frequently with your employees. Remind them of what to look for to spot bad checks.

You are not obligated to take anyone's check. Even when a stranger presents satisfactory identification, you do not have to accept the check.

In most cases, you accept a check when the customer has met your identification requirements. You want to make the sale. But never accept a check if the person presenting it appears to be intoxicated.

Never take a check if the customer acts suspiciously. For example, the customer may try to rush you or your employees while you are checking identification.

Never take a check that is dated in advance.

Never discriminate when refusing a check. Don't tell a customer that you can't accept a check because he or she is a college student or lives in a bad neighborhood etc. If you do, you may be in violation of a State or Federal law on discrimination.

WHAT CAN YOU RECOVER?

Whether or not you recover any money lost on a bad check depends on the person who gave it to you. He or she may be one of your best customers who inadvertently gave you a check when the funds in his or her bank account were insufficient. On the other end of the scale, he or she may be a forger. Once you are stuck with a bad check, here are some of the situations you face.

Insufficient Funds. Most checks returned because of insufficient funds clear the second time you deposit them. Notify the customer that his or her account is overdrawn and that you are redepositing the check. But if the check is returned a second time, in the localities, it is the retailer's collection problem and you must try to get the maker to honor the check by paying immediately.

You should check the practices of your bank. In some areas, for example, after a second return for insufficient funds, the bank will not let you re-deposit the check. It is your collection problem. Some stores prosecute if the customer does not redeem such a check within a week of the second return. Stores with a reputation for being easy-going about insufficient funds checks usually get plenty of them.

The procedure for prosecution depends on the State. In one jurisdiction, for example, a merchant must send the check writer a certified or registered notice of an intention to prosecute. The bad-check writer then has five days from date of receipt of that notice to comply before the merchant can prosecute. In

another jurisdiction, the maker has five days after the date of notice to make the check good. In a third, a resident has ten days to make good on the check.

No Account. Usually you've lost when the bank returns a check marked "no account." Such a check is evidence of a swindle or a fraud unless there has been an extraordinary error. In rare instances, a customer may issue a check on the wrong bank or on a discontinued account. You should quickly determine what the circumstances are. If the person is known in the community, proceed with your collection efforts. If you find yourself "stuck" with the check, call your police department.

Closed Account. A check marked "closed account" is a warning of extreme carelessness or fraud. Accounts are closed by both individuals and by banks. The latter may close an account because of too many overdrafts. An individual may open a new account by removing funds from an old account. In such case, the individual may forget that he or she has issued a check that is still outstanding against the old account.

If you don't get your money back within a reasonable time, you should consider prosecuting the check writer.

Forgery. Forged checks are worthless - a total loss to you.

Watch out for smudged checks, misspelled words, poor spacing of letters or numbers indicating that changes may have been made. Payroll checks with the company's name and address typed in could be fraudulent. Most payroll checks are printed.

When you suspect forgery, call the police. Thus, you can help yourself and others against further forgery. Refer a U.S. Government check to the field office of the U.S. Secret Service.

Check with your lawyer about court collection practices in your area. In the Washington, D.C. area, for example, merchants cannot collect through the courts on bad checks used to pay on an open account. The reason is: The merchant still has the account and no injury was suffered through the issuance of the check. The account may be collectable through the usual civil procedures used for collection purposes.

Any alteration, illegal signature(s) of the maker of the check, a forgery of the endorsement, an erasure or an obliteration on a genuine check is a crime.

A bad check issued to pay for merchandise is not a theft but a misdemeanor. It is an exchange - the checks for goods. A misdemeanor carries a lighter penalty than a theft since a check may be collectable through civil procedures. Criminal action may be taken through signing a formal charge with the police.

A forged check transported in interstate commerce is a Federal offence.

Get Evidence. You cannot prosecute bad-check passers without good evidence. The person who cashed the bad check should be positively identified and connected with the receiving of money for it.