

SCOTT LEGAL SERVICES, P.C.

The Law Firm For Entrepreneurs, Business Owners & Investors

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Lawyers Beware!

A Con Artist is Just a Phone Call or Email Away

Everyone has either received, or knows someone who has received, an email from the relative of a deposed King (or Queen) of Nigeria where this royal relative is willing to pay you millions of dollars if you would only help them get their money out of Nigeria. Although this scam is obvious to many, the perpetrators of this fraud have managed to defraud some out of either their personal information or their money. As of late, I have become aware of a similar (although somewhat more sophisticated) scam and the targets of this scam are lawyers & law firms.

A week ago, I had the following discussion with one of my associates:

"I am not sure if we normally do this type of case but I thought that I would bring it to you and see. A friend told me that a Nigerian oil company, ARC, was suing General Electric for some equipment that GE failed to deliver to them. They are looking for a law firm in NY to handle a \$10,000,000 contract dispute and I was wondering if the firm would be interested."

This struck me as particularly interesting because a few weeks earlier I had a discussion with a fellow lawyer about a very similar fact pattern where Company A (the company that contacted the law firm) was suing Company B (a large well known multinational company) and the contract dispute was over the failure to build ships & deliver equipment. What makes this scam incredible is that unlike the emails from the relative of the deposed King of Nigeria that are often riddled with spelling errors and obvious indications of fraud, Company A produced very authentic looking documentation to support that a contract actually existed. (Purchase agreement, ship building specifications, etc.) The fraudsters also set up phony telephone numbers & email addresses and were able to conduct several phone conversations and exchange various emails with the law firm without initially raising suspicion.

Shortly after the law firm was retained, Company B "settled" and Company A told the law firm that the check was going to be sent to them. A few days later an authentic looking check arrived but by that point the law firm was suspicious. When the law firm called Company B directly it was discovered that Company B had not ever heard of Company A and no dispute ever existed.

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The exact mechanics of this scam are unclear but subsequent research suggests that Company A sends the law firm an authentic looking check which they deposit in their trust account. At almost the same time, the law firm would wire funds from their operating account to Company A and Company A would disappear with the money. (Presumably before the false check is detected). Other frauds involve elaborate money laundering schemes where Company A uses the law firm to launder large amounts of cash that they claim are a settlement from a dispute. (Money launderers are willing to pay large amounts in fees to launder money).

There are two lessons that lawyers (and others) can learn from this. The first is simple. If something looks too good to be true, it usually is neither good nor true. Most scams are based on an overwhelming desire for the scammed party to benefit or “win” something and when someone is offering you easy money there is usually a reason. The second lesson for lawyers is, know your clients. In all of the lawyer fraud cases I have heard of, the appropriate due diligence either revealed or could have revealed that the law firm was dealing with a fictitious party. The due diligence process should not stop and you should take a closer look at your clients if you start to receive suspicious information from them during the attorney-client relationship. These fraudsters thrive on the fact that many law firms are looking for business so lawyers beware!

If you are considering starting a business or need strategic advice, contact Scott Legal Services, P.C. for a consultation. You can call us at 212-223-2964 or email us at iscott@legalservicesincorporated.com.