



[Cheque-Bank System \(CBS\) fraud](#)

Cheques have been a tempting target for criminals to steal money or goods from the drawer, payee or the banks. A number of measures have been introduced to combat fraud over the years. These range from things like writing a cheque so it is difficult to alter after it is drawn, to mechanisms like crossing a cheque so that it can only be paid into another bank's account providing some traceability. However, the inherent security weaknesses of cheques as a payment method, such as having only the signature as the main authentication method and not knowing if funds will be received until the clearing cycle to complete, have made them vulnerable to a number of different types of fraud;

Embezzlement

Taking advantage of the float period (cheque kiting) to delay the notice of non-existent funds. This often involves trying to convince a merchant or other recipient, hoping the recipient will not suspect that the cheque will not clear, giving time for the fraudster to disappear.

Forgery

Sometimes, forgery is the method of choice in defrauding a bank. One form of forgery involves the use of a victim's legitimate cheques, that have either been stolen and then cashed, or altering a cheque that has been legitimately written to the perpetrator, by adding words and/or digits to inflate the amount.

Identity theft

Since cheques include significant personal information (name, account number, signature and in some countries driver's license number, the address and/or phone number of the account holder), they can be used for fraud, specifically identity theft. In the US and Canada until recent years the social security number was sometimes included on cheques. The practice was discontinued as identity theft became

widespread.

Dishonoured cheques

A dishonoured cheque cannot be redeemed for its value and is worthless; they are also known as an *RDI* (returned deposit item), or *NSF* (non-sufficient funds) cheque. Cheques are usually dishonoured because the drawer's account has been frozen or limited, or because there are insufficient funds in the drawer's account when the cheque was redeemed. A cheque drawn on an account with insufficient funds is said to have

bounced

and may be called a

rubber cheque

. Banks will typically charge customers for issuing a dishonoured cheque, and in some jurisdictions such an act is a criminal action. A drawer may also issue a

stop

on a cheque, instructing the financial institution not to honour a particular cheque.

In England and Wales, they are typically returned marked "Refer to Drawer"—an instruction to contact the person issuing the cheque for an explanation as to why the cheque was not honoured. This wording was brought in after a bank was successfully sued for

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after returning a cheque with the phrase "Insufficient Funds" after making an error—the court ruled that as there were sufficient funds the statement was demonstrably false and damaging to the reputation of the person issuing the cheque. Despite the use of this revised phrase, successful libel lawsuits brought against banks by individuals remained for similar errors.

In Scotland, a cheque acts as an assignment of the amount of money to the payee. As such, if a cheque is dishonoured in Scotland, what funds are present in the bank account are "attached" and frozen, until either sufficient funds are credited to the account to pay the cheque, the drawer recovers the cheque and hands it into the bank, or the drawer obtains a letter from the payee that he has no further interest in the cheque.

A cheque may also be dishonored because it is stale or not cashed within a "void after date". Many cheques have an explicit notice printed on the cheque that it is void after some period of days. In the US, banks are not required by the Uniform Commercial Code to

(CBS) fraud

Written by Cecilia Chee, Singapore

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honour a

stale-dated cheque

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which is a cheque presented six months after it is dated