



THUM INSURANCE™

Protect Your Business From Taking A Bad Check

Check fraud is the easiest to commit and often delivers the highest value payment for criminals. The fraudsters use what is known as paper hanging to write checks on closed accounts. Checks are less common than they used to be, but some businesses still have a lot to gain by accepting checks. The main challenge is simply avoiding that bad check. You never know if your client has money in their account and a bad check is expensive for any corporation. Bounced checks cost businesses bad-check fees, plus the time and cost of collection, if any collection. They can be an even bigger problem for smaller companies that do not have the healthy cash reserves or margins hefty enough to survive several bouts of bad checks.

It is critical that good procedures related to your check processing process are in place. These steps need to be in order for all employees handling incoming payments. There are ways to protect your company and the steps below will help you and your business get a new check fraud plan in motion or update your current plan.

Stop Accepting Checks

This is the most drastic action, but it will protect your company from ever receiving a bounced check. You know your business best, so you will have to make the call whether this is a practical option.

Accept Local Checks Only

Stick to checks that come from customers who live in the same state as your business. Understanding people move and your client base might be on vacation, but the risks are higher with an out-of-state check.

Accept Only Cashier's Checks

A cashier's check offers the greatest protection to the recipient as they can't be reversed. Cashier's checks are treated as guaranteed funds because the bank, rather than the purchaser, is responsible for paying the amount. The same goes for a wire transfer to your company's bank account. Money orders and electronic fund transfers are not guaranteed; you can put a stop payment on either transaction just as you would a check.

Watch Out For Low-Numbered Checks

Usually, a low number means a new account. The odds are increased that these low-numbered or starter checks are fraudulent. Of course, a low-numbered check is not inherently bad, however statistically, the incidence of bad checks raises with low check numbers.

Accept Current Date Only

Insist that checks are written with today's date on them only. If a date in the future is used, do not accept the check.

Check Identification of Check Writer

I know you already do this, but if you don't, please start. Verifying a check writer's identification helps you make sure that the person handing you the check is the same person who owns the account. You should also check the address on the ID and photo copy the ID to see if it matches the address on the check. If the addresses do not match, it does not mean you're getting a bad check, but then you can ask the client more detailed questions.

Review the Signatures

Insist that all checks are signed at your place of business. Compare that signature to the signature on the ID to make sure you're dealing with the same person. You want to actually see the person sign because a thief can grab a legitimately signed check, alter it, and bring it into your business.

Verify Funds

To do so, contact the bank that the check is drawn on and ask to verify funds. Some banks, do not provide any information, others will tell you if there is currently enough money in the account to cover the check.

Post A Bad-Check Policy

Warn your customers of the stiff penalties that await them should they write a check that bounces. For example, a \$100 processing fee plus the amount of the check. This can serve as a deterrent to would-be bad check writers. The best protection against bad checks is to think through a policy before it happens. Figure out your company's procedures so you will be prepared and your employees will know what to do.

Insure Your Business

Fraud does happen; however, you can still seek to cover your damages by purchasing an insurance policy that protects you against any losses that you may incur from crime or fraud. Likewise, find out what your bank is willing to do to help you out if your business account is compromised.