

The background is a light teal color with several stylized envelopes scattered around. Each envelope is composed of geometric shapes in shades of orange, red, and yellow. Some envelopes have a dark blue circle on the front containing a yellow currency symbol: a pound sterling (£), a dollar (\$), or a Euro (€).

Beating the scammers

How to spot and avoid invoice scams

Beating the scammers: how to spot and avoid invoice scams

Invoice scams are on the increase. They are big business for fraudsters and businesses of all shapes and sizes are being targeted.

Our Disputes team is seeing a marked increase in enquiries from clients who have fallen victim to invoice scams. All businesses need to be alert to the risks and ensure staff (particularly accounts payable team members) receive training to combat these convincing scams.

What are invoice scams?

Two forms of invoice scam are as follows:

- Fraudsters intercept a genuine PDF invoice sent by email from a supplier and edit it to change the bank details to a new account which the fraudsters control before sending it to the customer from an email address masked to look like it originates from the supplier.
- Fraudsters procure information about a supplier/customer relationship and paint a convincing picture that they are the supplier when asking the customer to pay an invoice to a new account operated by the fraudsters.

How do the fraudsters do it?

Fraudsters obtain information to make credible payment requests by a number of means including:

- “vishing” (telephone call impersonating bank/supplier/client to get you to reveal confidential information);
- “phishing” (fake email which tries to get you to click on a link/attachment which may be infected with malware);
- “malware” (malicious software downloaded from phishing emails, ad banners and websites which is capable of allowing access to IT systems and feeding information back to the fraudsters).

Fraudsters often use a combination of these techniques with both the customer and supplier to get enough information to target the right individuals in those organisations and make credible payment demands.

Common themes

These scams are convincing, but can be spotted and foiled with care. Some common themes we have seen include the following:

- Communications from the fraudsters are persuasive and backed up by credible 'insider' knowledge. For example:
 - you may receive an email which requests payment of a specific sum or invoice which you are expecting to pay;
 - the call or email may come from someone using the name of a person you know in the organisation you are expecting to pay and from whom you are used to receiving such requests;
 - the email may contain a genuine looking email address, logos, sign-off and even the real telephone numbers for your supplier;
 - fraudsters may send the request on the letterhead paper of the organisation you are expecting to pay; the letter will often bear correct director/company secretary names and what appear to be genuine signatures and company seals.
- The fraudsters will use email addresses which are not easy to spot as fakes:
 - the email address may be 'spoofed' so it appears on its face to be a genuine email: e.g. yoursuppliername@supplierdomain.com but behind the 'spoofed' address the real address is fraudster@genericdomain.com;
 - if your supplier uses an ISP domain for email (such as gmail.com or outlook.com), the email address may be almost identical to the email address you are used to seeing from your client/supplier, perhaps with just one letter changed: e.g. instead of yoursuppliername@ISPdomain.com the fraudsters may use yoursuppliersname@ISPdomain.com;
 - if your supplier uses its own domain for email, the fraudsters may create and register a new, similar sounding domain to that used by your supplier from which the email is sent: e.g. instead of yoursuppliername@supplierdomain.com, yoursuppliername@supplierdomain.co.uk or yoursuppliername@supplierdomain-com.eu.
- Fraudsters can disguise telephone numbers when they call and make a familiar bank/supplier/client number appear on your handset.
- When fraudsters request payment to a new account, a common explanation given is that the supplier's audit is underway and for, say, two weeks it needs to suspend its normal accounts and ask that payments are instead made to a new account.
- The requests we have seen provide account details which include:
 - a beneficiary name identical to or which includes the name of the supplier you expect to pay;
 - a beneficiary address the same as your supplier's address.
- Fraudsters may follow up the initial request with emails/calls putting pressure on you to pay quickly, often backed up with convincing 'insider' knowledge as above.

How to protect your business

You can take the following steps to help safeguard your payments:

- scrutinise invoices to check for irregularities and verify invoices with your supplier using tried and trusted contact details;
- in particular, check account details in invoices against tried and trusted account details for your supplier;
- all requests for payment to a new account should be checked vigorously with your supplier using tried and trusted contact details;

- when making checks, do not use contact details in the email/letter/fax which accompanied the invoice or request to make payment to a new account even if they appear genuine;
- consider maintaining single points of contact between your business and your suppliers;
- consider dual authentication for account changes.

These steps should be taken in conjunction with ensuring:

- your business operates a robust IT system and IT use policy;
- staff (particularly accounts payable staff) are trained:
 - on the dangers of phishing emails and malware;
 - to take care not to divulge information in response to unsolicited enquiries; and
 - not to trust an email/call just because the sender/caller has information about your business.

What to do if you suspect invoice fraud

You should take immediate steps to report your concerns to your bank and the bank which holds the suspected fraudulent account.

You should also report your concerns to Action Fraud (www.actionfraud.police.uk).

If you have fallen victim to invoice fraud, consider whether you have any relevant insurance and that you comply with any reporting requirements in the policy.

The sad reality is that, in most cases, it is likely to be difficult to recover your outlay if the receiving bank has already dispersed it by the time it receives notification of the fraud.

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If you wish to copy this focus sheet please do so, but please acknowledge its source. For further advice or more information, please contact your client partner or one of the team at the addresses set out below.

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Russell is a Partner in our Disputes team. His work incorporates all forms of dispute resolution and commercial litigation, including mediation and arbitration. Russell has experience of handling substantial and complex claims involving various industry sectors. He often deals with claims which involve fraud and asset recovery.

Our Dispute Resolution Offering

Our specialist team is experienced in avoiding, managing and resolving claims and disputes in a variety of contexts. Our work involves the identification of legal problems and solving them by effective advice and negotiation. Where necessary we use litigation in a variety of courts and tribunals.

Our clients come from a range of sectors but they all benefit from an approach which is:

- Accessible
- Practical
- Creative
- Cost-Effective

We aim to identify and meet each client's particular needs in an approachable but effective way, recognising the importance of a cost benefit analysis.

We operate in an international context and our connections with legal experts in other jurisdictions give us a full cross border capability. We are used to dealing with injunctions and other urgent matters and familiar with alternative means of dispute resolution, such as arbitration and mediation.

Client Relations and How We Work

Client relations are the bedrock of our practice. We cannot achieve your aims without understanding you, so effective communication is always at the forefront of our approach. Our dealings with clients are characterised by personal partner-led service. We are approachable and available. You will find us unstuffy, plain speaking and plain dealing. We communicate with our clients in everyday English, not legal jargon.

More Than Legal Technicians

We are creative problem solvers, not processors of litigation. You can take our legal expertise for granted. But crucially, to solve your problems, we bring to bear a package of common sense, business acumen and original thinking, as well as technical excellence.

Practice Areas

As dedicated business lawyers, we advise across all industry types. We have already built particularly close ties with housing development, electronics, manufacturing, banking /finance, IT and retail sectors. We tackle disputes with vigour, original thinking and a sound knowledge of law and procedure grounded in the realities of business.

What we do

- Agency & Distribution Agreements
- Arbitrations
- Banking & Finance
- Brand Protection
- Building & Construction
- Commercial Agency
- Competition Law
- Contractual Disputes
- Cross Border Disputes
- Employment
- Energy & Natural Resources
- EU Law
- Eviction of Trespassers
- Franchising
- Freedom of Information
- Health & Safety
- Housebuilding
- Injunctions
- Insolvency
- Intellectual Property
- Landlord & Tenant
- Liability Claims for Insurers
- Media: Defamation, Confidence & Copyright
- Mediation
- Partnership Disputes
- Personal Injury
- Product Liability
- Professional Negligence
- Public & Administrative Law
- Real Property
- Regulatory Issues
- Retail
- Shareholder Disputes
- Shipping
- Technology

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