

Bank guarantee fraud and how to avoid them

To overview

Fraudsters use a fake bank guarantee to create the illusion that safety is in place. **This will persuade you to make the deal thinking the risk is covered.**

A fake bank guarantee usually is produced by fraudsters that are not related to the bank. The fraudsters often use sample letter heads of the bank published on the internet. Nevertheless, fake bank guarantees can also be produced by fraudulent staff members of the bank who are not entitled to issue the guarantees. These fake bank guarantees often cannot be detected as fake by their appearance.

What is a bank guarantee?

A bank guarantee is a guarantee given by the bank to cover a payment obligation of another person to a contract partner, creditor or investor of the other person.

To put it simply, a bank guarantee is a way to ensure promises are kept and payments are made in various situations. Examples are building projects, buying, and selling across borders, borrowing money, supposedly safe investments, and lots of other situations where a safety net is needed to ensure things will go smoothly.

Avoiding the scam

To avoid scams, you should always verify bank guarantees because of their complexity. You can verify bank guarantees via your own bank. They have specialists who can help you determine if the deal is legitimate or not. So, contact your own bank and ask for advice.

Beware of opportunities that sound too good to be true:

- Risk free investment opportunities with high yields.
- Offers exceeding market prices or other offers you receive by far.
- Offers that are only valid for a short time.
- Unusual upfront fees, e.g. for financial services.

And conduct your own research. What can you find about the person submitting you the supposed bank guarantee? Check for reviews, references, and licenses to operate.

Check whether the signatories even exist and whether they are authorised to issue a bank guarantee. For this purpose, you can contact the issuing bank, but at a telephone number or e-mail address that you do not obtain from existing correspondence, but from a neutral source of information (e.g. Internet, address files).

Finally, stay informed about common scams to recognise red flags and protect you and your company from fraud.