

# CONSUMER INFORMATION

## 4-21-00

### Demand drafts

Always be careful to protect your credit card and deposit account numbers. This is especially true if a seller, such as a telemarketer, contacts you. A telemarketer may suggest that you can expedite your purchase if you provide your checking account number. **This will allow the seller access to the funds in your account. There is no legitimate reason for a seller to require you to provide information about your deposit account.**

If the seller tries to access your account electronically via a preauthorized electronic fund transfer, federal law requires your signature or other authentication on a written document authorizing the transfer.

Contrary to popular belief, though, your signature may not be necessary in order for a person to draw money out of your account. If you provide your account information, the previously mentioned seller could prepare a “demand draft” (sometimes called a sight draft) against your account. These drafts closely resemble checks and are processed through the check clearing system, which handles millions of items daily. A demand draft will **not** bear your signature, but it will contain your name or account number, a statement that you authorized the draft, and probably will bear a statement that no signature is required. The seller can deposit the demand draft into its account and the seller’s bank, in turn, will present it to your bank for payment.

Consumers have reported that their accounts have been accessed by unauthorized demand drafts or for larger amounts than they authorized. Once you provide your account information to another person, you cannot control how that person uses the information. An unscrupulous person could take all the money from your account. Even a well-intentioned person could make an error that could leave you short of funds until the mistake can be corrected.

So remember:

- A legitimate offer will not require you to accept it immediately. An offer that’s only good until you hang up the phone likely is a scam, so resist high-pressure sales tactics that require you to choose right now. Take the time, before you order goods and services by telephone, to find out as much as you can about the seller.
- If a seller won’t answer your questions or evades your questions, hang up.
- Beware of offers that sound too good to be true—especially if they require you to provide your deposit account information.

- Using your credit card to purchase goods or services by telephone will limit your liability to \$50 in the event the seller attempts to defraud you.
- **Remember, don't give your checking account—or any other deposit account—information over the telephone to anyone you do not know.**
- **If you do give your deposit account number to a seller, the only way you can stop payment is to promptly contact your bank to request that it not pay the demand draft. Your bank will likely charge you a fee for stopping the payment.**
- If you become the victim of a person who presents a fraudulent demand draft, notify your financial institution immediately. You may be asked to file a report with the police, similar to what you would do if you were reporting a forged check.
- **Always check your deposit account statement to make sure that there are no unauthorized payments shown. Report any unauthorized payments to your bank promptly.**