

What is a Letter of Credit Fraud?

Legitimate letters of credit are never sold or offered as investments.

Legitimate letters of credit are issued by banks to ensure payment for goods shipped in connection with international trade. Payment on a letter of credit generally requires that the paying bank receive documentation certifying that the goods ordered have been shipped and are en route to their intended destination.

Letters of credit frauds are often attempted against banks by providing false documentation to show that goods were shipped when, in fact, no goods or inferior goods were shipped.

Other letter of credit frauds occur when con artists offer a "letter of credit" or "bank guarantee" as an investment wherein the investor is promised huge interest rates on the order of 100 to 300 percent annually. Such investment "opportunities" simply do not exist. (See Prime Bank Notes for additional information.)

Some Tips to Avoid Letter of Credit Fraud:

- If an "opportunity" appears too good to be true, it probably is.
- Do not invest in anything unless you understand the deal. Conartists rely on complex transactions and faulty logic to "explain" fraudulent investment schemes.
- Do not invest or attempt to "purchase" a "Letter of Credit." Such investments simply do not exist.
- Be wary of any investment that offers the promise of extremely high yields.
- Independently verify the terms of any investment that you intend to make, including the parties involved and the nature of the investment.