

Information Bulletin

Bulletin Number: MB 96-003

Topic: ADVANCE FEE SCHEME

Issue Date: DECEMBER 1996

We have recently become aware that lenders requesting advance fees and who are located outside Canada have contacted various mortgage brokers in British Columbia. In all cases reviewed by this office, the promised funds were never advanced.

Generally, the "lender" purports to represent a group of wealthy investors who have considerable assets to invest in projects in British Columbia. In many cases, the "lender" will retain a local lawyer to add an air of legitimacy to the transaction. The "lender" will then contact mortgage brokers advising of the willingness to lend funds and offering mortgage brokers a substantial finders fee.

When mortgage funds are requested, the "lender" requests a sizeable advance fee as a processing fee. However, once the advance fee is received, in all cases, the "lender" is unable to provide the funding and often becomes difficult to locate.

As the "lender" is located outside Canada, it is impossible for this office to stop such activity or to proceed with a criminal investigation. However, all information relating to advance fee schemes is forwarded to the FBI to assist in their investigations and prosecutions.

Notwithstanding the high finders fee offered by foreign "lenders", mortgage brokers must be alert to the possibility that the "lender" requesting an advance fee likely has no intention of providing funding. Mortgage brokers who recommend that clients pay advance fees to foreign lenders may not be acting in their client's best interest and in certain circumstances may be considered to be acting in a manner prejudicial to the public.

If you have questions regarding the content of the Information Bulletin, please contact the Registrar's staff at mortgagebrokers@ficombc.ca.

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