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21 March 1996

## PROPERTY FRAUD

### I. INTRODUCTION

A number of 'property fraud' cases has occurred within Hong Kong in recent years. The objective of this report is to identify the M.O. and search for preventive measures to counter the problems.

### II. THE MODUS OPERANDII

2. There is no separate index as Property Fraud maintained within the Force. 11 Property Fraud cases have been identified by making enquiries with the DISs. A summary of the cases is at Annex I and the following M.O. are identified :-

#### M.O. 1 :

3. Culprit pretended to be potential tenant/buyer and obtained property owner's HK ID Card copy. On the strength of a forged ID Card in the name of the property owner, the culprit falsely represented himself to be the property owner. He either obtained an initial downpayment from an innocent buyer, or the full payment by selling the flat through an innocent solicitor. The innocent buyers and the solicitors were victims. (3 cases reported)

#### M.O. 2 :

4. Culprit obtained financial details and photocopy of the HK ID Card of targeted property owner. On the strength of a forged Identity Card, culprit falsely represented himself to be the property owner and obtained mortgage loan from a financial institution directly or via innocent solicitor firm. The financial institutions and solicitors were victims of the fraud. (7 cases reported)

M.O. 3 :

5. Culprit fraudulently added his name to the list of directors of a company which was a trustee of a property. In the name of the trustee, the culprit fraudulently applied for and obtained a mortgage loan from an innocent finance company. The finance company was the victim. (1 case reported)

III. OBSERVATIONS

The Properties Involved

6. The locations of properties involved in the 11 cases are all in big private housing estates probably because of the following reasons:

- a. easier to obtain a mortgage loan from a financial institution ; and
- b. easier to find an innocent buyer

Dates of offences

7. 10 out of the 11 cases occurred between August and December. It is possible that the property market during this period is quieter, and that the financial institutions are more lax in approving a mortgage loan.

Amount involved in the cases

8. The amount involved in the 11 cases ranged between HK\$0.5 million and HK\$4.55 million. Enquiries revealed that financial institutions and solicitors will be more cautious if the mortgage/transaction amount is substantial, i.e. over HK\$5 million.

Easy access to Property Owner's Information

9. To perpetrate the fraud, the culprits have to obtain information on the identity of the property owner(s). The information can be obtained easily through:

- a. innocent property owner himself ;
- b. Land Registry upon the payment of a small service fee i.e. HK\$15 to HK\$ 30 ; and
- c. law firm employees who have access to client's property transaction details.

#### Verification of the Property's Ownership

10. The responsibility of verifying the identity of the owners of the relevant property rests with the seller's solicitor who is required to conduct proper inspection on the identity document of his client. However, solicitors usually have insurance policies covering a maximum claim of HK\$5 million for each transaction.

#### IV. CONCLUSION

11. There were about 3 million checks conducted with the Land Registry on details of property owner and mortgage details in 1995. Of this substantial figure, only a small number were being used to carry out a fraud. It is thus considered not necessary to make any change to this checking system.

12. Taking into consideration the very large volume of property transactions taking place every year e.g. 96,138 in the financial year ended in 1995, the number of property fraud reports received does not indicate the problem is a serious one. In this respect, it is not considered appropriate to recommend drastic changes to legislation and business practices to prevent the fraud. Having said that, CCB is monitoring the situation closely.

14. The following measures will help to address the problem :-

- a. Property Owners to be advised of the serious consequences of providing photocopy of their identity documents and bank records to any person ;

- b. Solicitors to be advised to pay special attention to verify the identity of the property owner, and to secure the records of their clients to prevent unauthorized access by employees ; and
- c. Financial Institutions to be advised to conduct site visits to meet the applicants before the approval of the re-mortgage loans.

V. RECOMMENDATIONS

15. It is recommended the aforementioned advice be delivered to the public via PPRB. In addition, letters are to be sent to The Law Society of Hong Kong and Hong Kong Association of Bankers. The situation is to be monitored by CCB INT.

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