

Check Kiting

Topic: White Collar Crime

Characters: Scott, operations manager at a small bank
Kathy, Scott's coworker

"I found another check kiter," said Kathy as she showed the checking account statement to Scott. "It's not a big one, though. Just a few hundred dollars."

Check kiting increased when the local economy was bad. Customers took advantage of the bank's generous policy of not waiting until deposited checks had cleared before allowing the customers to have access to the money. A check kiter deposited a bad check from another bank in Scott's bank. Then he or she wrote a check from Scott's bank to cover the check from the other bank, and so on. In effect, customers were able to withdraw money that they didn't have and cover it up with a series of bad checks back and forth between banks. Kiting wasn't easy--once it started, it required a steady stream of precisely timed checks--and it was easy to spot the frequent identical deposits and withdrawals when you looked at the statements.

Scott recognized the name on the statement as that of a close personal friend of his wife. He certainly hadn't thought she was dishonest, but she was a single mother, and it didn't surprise him that she might be having financial difficulties. It was tough when a friend put you in this situation. What made it tougher, though, was that she was involved in an off again, on-again personal relationship with Scott's boss, and Scott wasn't sure whether this was an off-week or an on week. She was also the chief financial officer of the bank on which she was writing checks, which explained how she was able to time her checks so well.

In a situation like this, Scott normally documented the case and gave the information to his boss. Then Scott closed the account at his bank, called the customer, and notified the other bank that bad checks were being returned. Whoever caught the kiter first was able to pass the losses on to someone else. Check kiting was illegal, but when Scott used to call the local police, they had always told him they weren't interested. He hadn't informed them about a check kiter in over a year. But this case was different. It wasn't obvious what Scott should do or to whom he should talk.

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