

June 2007

EMPLOYMENTS VERIFICATION SERVICES SCHEME

Many consumers have trouble qualifying for loans or financing because of lack of stable employment or sufficient income. However, organizations have recently begun to emerge online that assist consumers by providing them with the acceptable employment history that they need. The employment information provided by these organizations is fictional.

For a fee, the organizations provide applicants with 'proof of employment', usually designed to make it appear as if the applicant works for the organization as an independent contractor. They provide a corporate name, address, phone number, and even paycheque stubs. Many companies also offer telephone verification services for an additional charge, in case a prospective lender wants to confirm a consumer's employment details with the consumer's 'employer'.

Subscribing to one of these services poses significant risks, both to consumers and to lenders. For consumers, using fictional information to mislead a potential lender for the purpose of obtaining a loan or other type of financing is considered fraud, and many financial institutions build clauses into their lending policies that stipulate consequences for such activity. For lenders, unknowingly granting a loan or financing based on faith in a consumer's fictional employment history can result in higher risk of default, as the consumer may not have qualified for the loan or financing on their own.

It is strongly recommended that consumers avoid subscribing to these services, and that lenders be vigilant in their confirmations of employment.