



G7N Logistics
Networks

Smart Freight Forwarders
Growing Their Business

Customer Service How to Handle Fraudulent Shipments

What are fraudulent Shipments?



What are fraudulent Shipments?

This would be shipments where the value or the commodity has knowingly been misdeclared. Falsifying the amount of cartons/ produce in a container is rare, as this is easy to spot by customs.

The misdeclared value is the simplest one, as it's intent is solely for avoiding or reducing the import duties and taxes.

Misdeclaring the commodity, will have numerous intentions, such as;

1. Evading import licenses, for food, cosmetics, pharmaceuticals etc.
2. To show an H.S. code with a lower or none dutiable tariff.
3. To import banned substances/goods.
4. To circumvent anti-dumping tariffs.
5. To Export scrap with no intention of the goods being allowed importation to the destination country etc.

Who are the possible players in fraudulent shipments?

What are fraudulent Shipments?

1. Shippers



Selling Contraband, high end store products to lesser known licensed products. Even dumping products or waste without approval such as FDA Licenses etc.

What are fraudulent Shipments?

2. Origin Agents to a lesser degree,

To a lesser degree as they know the risks and cannot claim ignorance of the rules, but maybe in cahoots with the shipper

What are fraudulent Shipments?

3. Middle Men/Traders



This is a high-risk area as they are buying from a shipper and selling to a consignee. If the goods are found to be fraudulent these guys close up shop and disappear.

What are fraudulent Shipments?

4. Destination Agents to a lesser degree

Probably the least likely as they are in front of Customs.
But if they have some deal with a Consignee and times are hard,
who knows!

What are fraudulent Shipments?

5. Consignees



This is the most likely offender to import fraudulent goods.
High end products imported illegally can produce high profit margins.

Examples of fraudulent Shipments?

As the import Agent you will not usually know what is going on until Customs seizure, then the problems begin.

Examples: We will give you three real time fraudulent shipments.

- a. What occurred,
 - b. What the agent was charged for and
 - c. Where things put in place may have been able to avoid this or reduce the time, effort, and cost.
1. Airfreight shipment of Pharmaceuticals from India to the UK.
 2. Seafreight shipment of scrap from the USA to China.
 3. Seafreight shipment of radioactive medical materials from the USA to Netherlands.

Examples of fraudulent Shipments?

1. Airfreight shipment of Pharmaceuticals from India to the UK.

a. What occurred?

The Indian Agent was sending this on a DAP basis with instruction not to discuss with the Consignee. The intention was for the Consignee to collect from the UK Agents warehouse once cleared.

The Indian Agent advised the H.S. Code from the shipper and was told by the UK Agent this was a duty-free commodity and required no import license.

On the import, Customs inspected the goods and found the incorrect H.S., which was dutiable (An India generic Viagra) and did also require an import license. So, the goods were then seized and a notice served on the UK Agent. Customs invited the Consignee on the HAWB to come to Heathrow to explain and claim his shipment, who did not respond.

Examples of fraudulent Shipments?

1. Airfreight shipment of Pharmaceuticals from India to the UK.

a. What occurred?

The India Agent asked for the goods to be returned and could not seem to understand the problems of the goods being seized. He insisted the correct H.S. code was given and the appropriate Customs body in India had approved the export.

The UK Agent had to go before UK Customs to explain their role and convince customs they were not complicit in this illegal import. This caused a high amount of stress as a large part of their business is import brokerage. Fortunately, they are a credible company and Customs just gave a warning.

Examples of fraudulent Shipments?

1. Airfreight shipment of Pharmaceuticals from India to the UK.

b. What was the cost?

In the end the UK Agent was billed for the destruction of the goods at GBP 500.00 by the carrier and also GBP 1,300.00 for the storage. After a long battle with the carrier they did agree to rescind the storage charge as no goods had been collected.

We were involved and did after some hard talk get the Indian agent to reimburse the UK Agent the GBP 500.00.

Examples of fraudulent Shipments?

1. Airfreight shipment of Pharmaceuticals from India to the UK.

c. How to avoid or lessen the risk?

We were handed the claim and as I saw it was pretty cut and dry as it was a proven Customs seizure and on a DAP basis' all risks on the shipper. Thus, I denied this case for arbitration which would have gone to one of my dispute claim staff under DRP.

At the beginning, I was having issues with the India member as I am sure he was not getting any money from the shipper.

I asked if the Consignment was legitimate why did the consignee not go down and claim the goods. This then led me to do some checking on the Consignee. Using the address from the HAWB I did a Google search and came down to street level. I found the address to be a small shop offering P.O. Box numbers amongst other things in one of the back streets behind Harrods. This was not the Consignees place of business or residence.

Examples of fraudulent Shipments?

1. Airfreight shipment of Pharmaceuticals from India to the UK.

c. How to avoid or lessen the risk?

With the disappearing consignee and this bogus address, was enough to stop any further arguments and get the payment.

The UK Agent has learned from this and will do background checks on these type of requests in the future. If not satisfied will insist to meet/talk with the Consignee and perhaps like in the US insist on an LOI.

So, in this case it seems the bad plays were at least the Shipper and Consignee, we only give the benefit of doubt on any involvement with the India member as apart from this case he has a clean record with us.

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

a. What occurred?

- Shipments booked with MSC showing AWS as shipper with Origin Agent and Consignee being AWS Agent in China on MBL- HBL issued with True Shipper- True Consignee
- At destination Customs Entry for three of the shipments filed once all shipments arrived
- Customs received tip that same importer as previously banned was trying to circumvent process
- Upon filing of Customs Entry, Cargo was officially seized
- Shipper tried to have cargo re-exported to another country to circumvent issues but was denied

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

a. What occurred?

- Customs advised cargo samples sent to Beijing to undergo evaluation
- Cargo remained under Customs control for 1 ½ yrs
- Ocean Carrier held AWS and Origin/Destination Agents responsible for all cost per the MBL

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

b. What cost were incurred

- Each HBL incurred Demurrage and Storage over USD \$50,000 = Total for 5 HBL's USD \$250,000
- China Customs determined true Fined Importer \$25,000

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

What next

- China Customs determined cargo was Scrap and on the Banned cargo list
- Consignee paid Fine and Customs stipulated cargo had to be removed from Country
- Cargo could not be released for re-export until all carrier and terminal charges satisfied
- Consignee would not return or acknowledge carrier cost
- Shipper refused calls on advise of their Legal team
- All World Shipping with assistance of Insurer initiated Legal Action in US Federal court

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

Determinations during Legal Process

- Consignee was known by Customs for importing banned materials
- During Legal discovery process it was determined Shipper and Middle man arranged a process to hide true Importer, product was miss described and middle man arranged for other parties unfamiliar with prior issues to get cargo into the Country
- Contract between product supplier in USA and shipper showed cargo was in fact scrap waste and product description was changed on Ocean documents
- All parties True Shipper, Middle man and True Consignee all fully aware of cargo ban and worked together to circumvent the ban

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

Next Steps

- To progress Legal claim in courts AWS had to demonstrate monetary harm so Ocean Carrier charges had to be negotiated and paid
- After many back and forth offers final Claim was settled from USD \$250,000 to \$85,000
- Claim was covered by Insurer because we were able to demonstrate Fraud
- Settlement letter with MSC included a Hold harmless from any further cost by the carrier for Origin Agent, Destination Agent and AWS
- This clause was vital to settlement because MSC practice was to settle with Shipper on the MBL and then progress action against the Consignee

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

Claim Conclusion

- Claim paid by Insure including Legal expense
- Shipper declared bankruptcy
- Insurer decided to drop further legal action to stop incurred cost
- Both Origin and Destination Agent held harmless even though MSC tried to collect more monies beyond settlement

Examples of fraudulent Shipments?

2. Seafreight shipment of scrap from the USA to China

Lessons learned

- Know your insurance policy and understand possible
- Do not accept a base low cost Policy that does not protect you understand what is going on in the market- types of fraud destinations with high abandon cargo – Customs issues
- Your Destination Agent is your friend/partner keep them involved, solicit their advice and constantly communicate openly with them develop next steps
- Keep contact with ocean carrier advising them on how you are trying to resolve the situation and that you are basically a victim
- Keep contact with your carrier reps during the year not just when you have a problem
- Understand when, how and what to do to effectively Abandon cargo - realize all cost to that point still need to be paid

Examples of fraudulent Shipments?

3. Seafreight shipment of radioactive medical materials from the USA to Netherlands.

a. What occurred?

Shipper approached a Freight Forwarder in the US for a shipment of Second Hand and Scrap Medical Machines. This was booked with a CSAV vessel and upon arrival in

Rotterdam the container remained uncleared for a prolonged period. CSAV approach the consignee who was a reputable International company but knew nothing about the shipment.

This led to checks in the port and it was determined the contents contained Radioactive material and posed a major health concern. This was moved to a safe location within the terminal and the Port Authorities instructed CSAV to immediately remove and cover all costs.

Examples of fraudulent Shipments?

3. Seafreight shipment of radioactive medical materials from the USA to Netherlands.

b. What was the cost?

This involved melting the whole container down and casting in concrete before burying it with an overall cost of about USD1.6m. This included various fines from the port along with special insurance/ certificates to move the container out of the port.

CSAV had to bear the full cost but appointed lawyers in the US to pursue the Freight Forwarder. Insurance generally specifically excludes radioactivity and this case was no different so the Forwarders was liable for the whole amount. They eventually were made to pay USD200,000, which was the maximum amount they could afford.

Examples of fraudulent Shipments?

3. Seafreight shipment of radioactive medical materials from the USA to Netherlands.

c. What should the Freight Forwarder done to have avoided this?

The shipper booked the cargo through a forwarder because he knew it would attract less attention with the line but also maybe thought the FF would carry out less checks.

Crooks rely on sophisticated looking web-sites and mobile phones but rarely they have landlines and least of all receptionists. If they have no landline or you are unable to reach them on this then this is a warning.

Avoid low value, second hand or scrap commodities unless you have 100% confidence in the shipper.

Examples of fraudulent Shipments?

3. Seafreight shipment of radioactive medical materials from the USA to Netherlands.

c. What should the Freight Forwarder done to have avoided this?

If necessary check the receiver whether he knows of the shipment and again they are a reputable company with landline, etc.

Fraudulent shipments often send off warning signs, such as they are hard to contact or over aggressive if asked certain information but almost always they are new clients.

These days it will be much harder to move radioactive cargo but not impossible and may involve other highly toxic cargo which is less detectable. Remember it's a cheap way to dispose cargo.



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Thank you, please contact as below if you would like any further information.

Membership Services

members@g7networks.com