



HOW TO AVOID LOSING YOUR SAVINGS

Warning issued by the Jersey Financial Services Commission and the States of Jersey Police

The Jersey Financial Services Commission (the “**Commission**”) and the States of Jersey Police Joint Financial Crimes Unit (“**JFCU**”) have recently recorded an increase in the number of complaints received from local residents concerning share sale scams or ‘boiler room’ scams as they are more commonly known.

In the last four months alone, the Commission and the JFCU have received six complaints from members of the public concerning share sale scams. The losses in these cases reported to the Commission and the JFCU total in excess of £304,000. In some instances, the victims have lost the majority of their savings to the share scammers.

How the share sale scams operate

The scam typically takes the form of an unsolicited telephone call (also known as ‘cold calling’) made by a professional-sounding stockbroker who offers investment opportunities that seem too good to be true. In reality, the fraudsters are cold calling as many people as possible persuading them to invest in shares that are either non-existent or so worthless they are impossible to sell.

To entice you into parting with your money you may be promised free research reports, special discounts and ‘secret’ stock tips to invest in the ‘shares’ they are offering. As with many fraudulent schemes, you are encouraged to keep your investment secret to ensure you receive maximum returns. This allows the fraudsters to hide the real nature of their scheme. Fraudsters aim to make their business seem legitimate, so they will often use technical jargon, impressive job titles and mock websites to appear credible.

Should you be persuaded to invest in such a scheme, the current trend is to request any monies paid for the ‘investment’ to be remitted to a bank account which bears no apparent relationship to the initial cold calling company but that of an account held normally in an overseas jurisdiction (commonly in the Middle East or Far East) with a different or apparently unrelated name.

Some scams require the victim to sign up to a confidentiality clause in an effort to prevent the victim from seeking advice.

If you have ‘invested’ the fraudsters may provide false share certificates (either in hard form or electronic copy) and other documents to make ‘your investments’ seem credible. Hard-selling techniques are also used to try to pressure the ‘investor’ into making rushed decisions, giving no time to consider the nature of the investment. Once the fraudsters have obtained whatever money they can from ‘investor(s)’, they quickly disappear.

What should you do if you're a victim of a share sale scam?

- [Report it](#) to the Commission or the JFCU.
- Break off all contact with the fraudster(s) at once.
- Alert your bank immediately if you have given the fraudsters your bank account details.
- Keep any written or email communications you have received from the fraudsters, as this may help you give evidence to the authorities.
- Be aware that you are now likely to be a target for other frauds. Fraudsters often share details about people they have successfully targeted or approached, using different identities to commit further frauds.

People who have already fallen victim to fraudsters are particularly vulnerable to 'fraud recovery' scams. This is when fraudsters contact people who have already lost money through fraud and claim to be law enforcement officers or lawyers. They advise the victim that they can help them recover their lost money – **but request a fee.**

REAL LIFE CASE STUDY

In one of the six cases referred to above, a retired couple in Jersey was repeatedly persuaded to 'invest' in a variety of 'stocks and shares' over a period of several months. They were told their initial 'investments' were performing well, and were provided with official looking (but ultimately fictitious) documents to back up the claims, and were encouraged to contribute further funds. In the belief their investments were making money, they invested further funds. This cycle went on with repeat transactions until the couple eventually requested access to their funds, which is when the difficulty in getting their money back began. It is at this point the fraudsters became difficult or impossible to contact, and they changed their phone numbers and websites. Unfortunately, the couple has had none of their hard earned savings (their 'investments' came to approximately £175,000) returned and they now realise they were the victims of a scam.

With this case and in many others, hard-selling techniques will originally be used to try to pressure the 'investor' and give them no time to consider the nature of the investment. Remember, it would be extremely uncommon for a legitimate firm to attempt to rush people into investments. You would normally be given a cooling off period in which to consider an investment proposal. It can also be a good idea to discuss potential investments with your regular financial adviser or a friend or family member, particularly where the investment opportunity arose from an unsolicited call.

Such criminals give no consideration to the distress or hardship they cause by taking a person's life savings.

Any person can fall victim to a boiler room type scam. Victims can range from the 'savvy' investors to those with little investing experience. Many of the victims feel embarrassed to report the fraud particularly where other family members are unaware of it. It is important to remember: if it sounds too good to be true, then it probably is. Investing money through an unsolicited call via a previously unknown person is resulting in members of the public suffering serious financial loss.

FURTHER INFORMATION

The Commission and the States of Jersey Police are concerned that investors seeking a better return on their savings are particularly vulnerable to falling victim to such share scam frauds.

The Commission and other financial services regulators regularly make public statements and issue warnings about firms that may be carrying out boiler room type scams or other forms of illegal or unauthorised activity. Remember that these types of firm are likely to change their name frequently. For public statements issued by the Commission concerning, amongst other matters, share scam operators, visit the following website: www.jerseyfsc.org.

Sound advice on the various scams and similar types of fraud or scam can be obtained by visiting the following websites:

- www.actionfraud.org.uk, which is the website for the UK's national fraud reporting centre.
- www.fsa.gov.uk, which is website for the UK financial services regulator and where you will find details of various types of scams and swindles common throughout the UK.

In addition, you may wish to visit the Commission's Protect Your Money Website, at www.protectyourmoney.je.

Remember, if you have been contacted by an unauthorised overseas firm trying to sell you shares then please contact either the Commission or the JFCU and provide us with information on your dealings with the firm. The website for the JFCU is www.jersey.police.uk.