



**Be scam aware**

# **MONEY FOR NOTHING: FINANCIAL SCAMS - A CITIZENS ADVICE SCOTLAND GUIDE**

**#scamaware**



# MONEY FOR NOTHING:

# FINANCIAL SCAMS - A CITIZENS ADVICE SCOTLAND REPORT

The Citizens Advice service receive hundreds of contacts every year from people in Scotland who have sent money to firms offering investment opportunities that turn out to be bogus or poor value for money. However, most of the schemes touted via email, cold calling or magazine and social media adverts are extremely high risk and very rarely make any returns at all.

Investing your money in a properly regulated and licensed financial firm will ensure that it is handled according to rules set out by the regulatory watchdog, the Financial Conduct Authority. While all investments carry a risk, those provided by a regulated firm will make sure your money doesn't just disappear as soon as you send it, like many of the examples below.



## 10 tips to avoid rogue investment

Don't invest in schemes sold by cold callers - they are usually at best very high risk or at worst a complete fraud.

Avoid promises of unrealistic returns, for example offering large interest returns compared to other deals available.

Be wary of those who downplay the risks in your investment. Be especially wary of firms who sell a scheme as "100% risk free" or similar.

Be wary of people who tell you that it's a time-limited offer and you must act quickly to get the investment.

Avoid any person or scheme that tells you to keep the investment opportunity a secret.

If someone is offering you financial advice, such as recommending where to invest your money, ensure they are regulated and licensed by the Financial Conduct Authority.

Take care of anything that looks to move your money out of the UK overseas, especially if you have never invested abroad before.

Be suspicious of any contact which mentions 'free pension review', 'one-off investment opportunity' or 'legal loophole'.

Take proper independent advice before agreeing to anything that requires you become a company director or trustee.

Ignore promises of a large return if you invest all your savings in one single place.

**Report author:**  
**Fraser Sutherland,**  
**Policy Officer, Citizens Advice Scotland**  
**0131 550 1000**  
**fraser.sutherland@cas.org.uk**

## SCAM: Pension Release Schemes

### The Lowdown:

In April 2015 rules around pensions and how you can access your savings changed. You can now release funds from your pension in a number of ways if you are over 55. While there are a number of positive benefits under the new scheme for savers, there are scammers looking to take advantage of people who can access these large savings pots.

### Top Tip:

If you want advice on your pension savings get independent financial advice from a properly-regulated financial adviser. If you are 55 and over you could get guidance from a Pension Wise specialist at a CAB or over the phone.

### Cases we've seen:



A CAB from the South of Scotland reports of a client who is worried that she lost her pension of around **£110,000** in total value after moving the pension to an unauthorized firm via a cold call last year. When she spoke to the caller they guaranteed a much better annual return on her pension pot up to her retirement date in a few years' time and early release for some of the money this year. She has had very little information from the firm and now their website is no longer active and their phone line doesn't connect. The CAB helped the client to contact the Police and FCA about her pension for investigation.



A client from the East of Scotland was approached by a financial service firm who claimed to be backed by his bank. It turns out this was not true. However, he believed the material that came in the post and after speaking to them on the phone decided to move his **£46,000** pension to them in order to get a percentage of the pot in an early release. However the company has now disappeared and he can no longer contact them and is worried about what has happened to his pension. The client was assisted with making a report to Police and FCA as the company is unregistered.

## SCAM: Crowd- funding Schemes

### The Lowdown:

Crowdfunding websites are a relatively new opportunity where startup businesses or campaigns can get funding from members of the public sometimes in return for a perk such as a free gift or name on a wall of a new building. The majority of people using such funding mechanisms are real entrepreneurs but there are sharks looking to take advantage of people's generosity.

### Top Tip:

Remember that crowdfunding schemes are designed to make more money than what is being offered. The real startup business or charities want your support because you believe in what they are doing. You should be wary of schemes that appear to offer a perk that is worth a lot more than what you are investing in them.

## Cases we've seen:



A client in North East Scotland backed a crowdfunding campaign for a new wireless charger for her mobile phone. The client paid £40 and was to receive one of the first batches of chargers later that year. No product was sent and when the client tried to contact the company they did not reply. The client took up the complaint with the crowdfunding website however they stated that they are not responsible for the actions of the businesses and do not guarantee any funds lodged in investments.



A client from the South of Scotland reported making an investment in a small video game development company through a crowd funding website. As part of the £150 investment a free copy of the video game would be provided once completed. However on completion the company had changed the format of the game substantially meaning it could only be played online and with a recurring subscription which would have to be paid for. The client tried to get a refund but the company refused stating the investment was at his own risk.

## SCAM: Property Investments

### The Lowdown:

Property investment scammers often sell opportunities in exotic holiday destinations or new build high-spec houses at a special discount price. There are also fraudsters dealing in fake property investment training or 'seminars' that are paid for up front and never supplied. Often victims lose any fees and in reality there is no property in the first place.

### Top Tip:

There is no way to guarantee the price of property offered by many of these fake schemes and house prices can go down as well as up. Successful buy-to-let investors or property renovators often put in large amounts of work and time into the houses they make profit on, so any scheme offering minimal effort or time could be bogus.

## Cases we've seen:



A CAB from the East of Scotland reports of a client who had taken a cold call from an investment company offering her an opportunity to invest her pension in Cape Verde property. The client had a salesman visit her at home with further information on the project which was sold as risk free. The client signed multiple documents but she is now not sure what these are as she didn't receive a copy. One of them was a mandate to withdraw her £30,000 pension from her current provider. The CAB assisted in contacting the current pension pot provider to cancel any mandate that another company may have over her money.



A client from the West of Scotland contacted the consumer helpline service after seeing an advert for property investment training which claimed it would give you the skills and knowledge to find the perfect properties for investment. The client booked the course and paid in full up front to the value of £3,000. It then transpired there were limited courses being run only in the South of England despite the trader claiming she could do the course at home. She tried to cancel but the company stated they couldn't refund but would offer her a goodwill payment of £850. The client has since found multiple other people online who have paid money but the course doesn't exist and all the customers get is a short eBook that contains poor information that is available on their website.

## SCAM: Shares

### The Lowdown:

Shares and stock values can go down as well as up and at very short notice. There is no 'guaranteed winning formula' or '100% no risk' for money invested in shares. Any broker dealing in the stock market should be regulated by the FCA so make sure you check their status before handing over large sums of money.

### Top Tip:

Be careful of firms that cold call you or send junk mail through the post or by spam email. Trusted stock investors are always registered with the authorities and should always make you aware of the risk involved in any share dealings.

### Cases we've seen:



A client from the West of Scotland contacted the consumer helpline as they had lost £9,000 in a stock market investment program that she saw advertised on Facebook. The trader told the client that the risk was limited to 2% of her capital and she could gain a significant sum. The client was willing to lose 2% value on her investment for the chance of receiving a significant gain. However, the company has told her they have lost her entire investment in the stock market. The client feels misled and still has the paperwork that says her maximum risk is 2% and wants to know how she can pursue this company. There may be difficulty for the client as company was not based in the UK.



A client from North East Scotland contacted the consumer service after he opened an account with an online share brokering service. The client had successfully dealt with a firm by the same name some years previously but it now turns out this is not the same company. The client had deposited £30,000 with the firm but they keep refusing to give him a full detailed statement of his accounts. The client is now worried the company is fake and he has lost his deposits.

## SCAM: Green Investment Opportunities

### The Lowdown:

Fraudsters often target people's well-meaning intentions to extract life savings from them. This includes people's wishes to see their money invested in renewable energy technologies or under threat wildlife habitats. While some real firms do offer ethical investment opportunities they rarely come with higher than average return rates. Be especially suspicious of any firm that is involved in a scheme called 'land-banking'.

### Top Tip:

Remember most savings deposit accounts in UK banks, building societies and credit unions are covered by a guarantee up to the value of £85,000. Check the Financial Services Compensation Scheme (FSCS) website to ensure your savings are covered.

## Cases we've seen:



A CAB from the East of Scotland reports of a vulnerable elderly client who had been cold called by a 'carbon neutral' investment firm last August. She was called a couple of times and they eventually persuaded her to invest with them. They told her "it's not safe to leave your money in banks these days so better let them invest it". The client then proceeded to invest her life savings and also her brother's savings too, totaling around £900,000. She didn't get a lot of paperwork from them other than share purchase documentation for shares in a forest in Papua New Guinea. The client then heard from someone that one of the company's Directors is being charged with fraud and understandably was feeling worried that they had been duped. The client kept repeating that she felt very stupid and that she had probably lost her savings. The client had been to the police and her bank but the phone calls from the company had started up again and she didn't know what to do.

**SCAM:  
Art, Wine  
and  
Collectables**

## The Lowdown:

Scammers can target people with 'rare' or 'unique' investment opportunities that are unregulated. The wine and fine art trade are especially targeted by fake companies who will often contact potential victims by unsolicited phone call or email. Genuine companies will often take a commission and charge storage fees so be especially wary of companies claiming to be 'fee free' or significantly cheaper than their competitors.

## Top Tip:

Investments in wine or other specialist collections should only be done through a company with a proven track record. Be very wary of any company that uses a PO Box address and mobile phone numbers only.

## Cases we've seen:



A consumer from South-West Scotland contacted the helpline after investing £5,000 with an Art House Company in London which guaranteed her a return of £1,000 in the first few months. She received a certificate to confirm her investment but she has had no payment and now the company is not contactable. The client assisted in making a report to the Police and trading standards.



A consumer from the West of Scotland bought into a wine investment at a significant sum; however he never received the agreed wine to store himself and queried this with the trader. They stated they could sell off some of the wine and return his money which he agreed to. However, he has not received any money and the company is now not contactable and appears to have gone into administration.



A consumer from the West of Scotland invested over £1,500 in a vintage watch company which was looking for funders. He was told by the sales agent of the company that vintage watches were a good investment and that they would act as his broker for a fee to buy and sell watches on his behalf at auctions. The client invested his money and was sent copies of the receipts for watches they used this to buy. However, there has been no further contact and when the client tried to follow up with the company he found the contact details were no longer live. He has looked online and can find no trace of the company existing.

Citizens Advice Scotland (CAS), our 61 member bureaux and the Citizen Advice Consumer helpline form Scotland's largest independent advice network.

Advice provided by the Scottish CAB Service is free, independent, confidential, impartial and available to everyone. We are champions for both citizens and consumers and In 2012/13 we helped over 314,000 people deal with over a million issues. Our financial gain for clients in this year was £120,705,471.

Our bureaux deliver frontline advice services through more than 200 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities. This network of dedicated staff and volunteers is ideal to represent and assist the consumers in Scotland in all transactions and services they operate in.

*"A fairer Scotland where people  
as citizens and consumers are  
empowered and their rights  
respected."*

Citizens Advice Scotland  
Spectrum House  
2 Powderhall Road  
Edinburgh  
EH7 4GB  
Tel: 0131 550 1000  
enquiries@cas.org.uk  
www.cas.org.uk



Get advice online: [www.adviceguide.org.uk/scotland](http://www.adviceguide.org.uk/scotland)

The Scottish Association of Citizens Advice Bureaux - Citizens Advice Scotland (Scottish charity SC016637)