

## Top Ten Investment Scams

There is one industry that is growing rapidly, financial scams. These range from the sophisticated to the downright weird – but all have the same aim: to relieve you of your money. The Financial Conduct Authority warns that investment scams can look and sound believable, with smooth-talking salespeople, slick websites or sophisticated brochures and prospectuses. This can make it hard to tell them apart from genuine investment opportunities.

Find out more here <http://www.fca.org.uk/consumers/scams/investment-scams>

You should also search the FCA list of unauthorised firms to avoid doing business with, although the names of the firms are likely to change regularly.

<http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms/unauthorised-firms-to-avoid>

Recent figures from the National Fraud Authority show that the total lost to individuals from fraud and other scams is more than £6bn a year. Here are the top 10 scams to watch out for.

### 1. Rare earth metals

Rare earth metals are chemical elements such as scandium and yttrium which are used in the manufacture of computers and mobile phones. The Financial Conduct Authority warns that companies are using high-pressure sales tactics and are targeting vulnerable customers out of the blue who are often told that supply of these metals is falling, causing prices to rise.

The FCA said it “had yet to see any convincing evidence that there is a viable market for investors to make money from investments in rare earth metals”. It says that manufacturers using these metals buy in quantity: so they are not likely to want to buy from small independent companies.

### 2. Diamonds and other rare gems

Diamonds, and in particular coloured diamonds, remain a regular commodity for scammers to trade in. They often supply a gem, together with a GIA certificate making the deal appear legitimate. However the gems are sold at highly inflated prices and will never achieve a profit for the victim. It is common for the same gem with a unique GIA certificate to be sold to numerous people, all believing they are the only owner.

### 3. Graphene

Graphene is a new material that is reportedly going to revolutionise the future. It is 200 times stronger than steel, thinner than a sheet of paper and more conductive than copper. It is, at the present time a very rare commodity, and as such is of high value. However, unlike rare earth metals etc. as more is manufactured, and it will be, the lower the price will drop.

### 4. Wine scams

These are a growing concern according to the Insolvency Service. Decanter magazine reports that scammers posing as buyers have attempted to defraud suppliers of around £1.6million since May 2011.

Individuals have been hit by cold calling scammers selling “en premier” – wine that is still in the barrel. Victims are told that they are buying wine at this stage because it will rise in value by fraudsters posing as wine merchants. But the wine doesn’t exist, and the victims are left with a worthless piece of paper regarding their “investment” and out of pocket.

## 5. Landbanking

This involves companies which divide up land into smaller plots to sell to cold-called investors on the basis that once the land becomes available for investment it will rise in value. The FCA say the land is often in areas where there is little chance of it ever being allowed to be built on, such as areas of natural beauty or historical interest. One plot of land recently sold was on a site of scientific interest: another was on a slope too steep to build on. The FCA say that landbanking schemes have cost investors up to £200m.

## 6. Carbon credit trading

Carbon credits are certificates or permits which represent the right to emit one ton of carbon dioxide, and they can be traded. Carbon credit trading involves cold callers targeting investors to buy into the “new big thing” in commodity trading because industries have to offset their emissions.

Hundreds of people are contacting the FCA and Action Fraud reporting they have been sold carbon credits as an investment. However, there is a heavily regulated market in carbon credits which they are described, but in fact they are sold “voluntary” carbon credits, which is not regulated. They are told that they can sell their shares on at a later date for a large profit. In some cases the scammers say that the investors are legally obliged to purchase these credits to offset their carbon footprint. There is no secondary market in voluntary carbon credits at the present. The reality is that victims receive worthless vouchers in an unregulated market.

## 7. Storage Units

This scam involves victims buying a long term lease (often up to 250 years) on a storage pod. This will supposedly then be rented out for a regular income and a dividend. Rather than buying the unit the money is often used to pay other investors a small return to give a façade of legitimacy. Soon after the payments will cease. The companies often offer a buy-back guarantee, however they do not make it clear it is at a greatly reduced price, if any money is paid back at all.

## 8. Pension liberation fraud

Victims are told they can release their pension funds built up before they reach 55 years old. The Pensions Regulator warns that accessing pension savings before the minimum pension age is only possible in rare cases, such as terminal illness. It says that entering into a pension liberation scheme “can be fraudulent where the individuals are not informed, or are misled, as to the consequences of entering into such a scheme”. It says that these schemes can result in tax charges and penalties of more than half a member's pension savings – and victims are seldom told about these costs. It is possible to get just 25pc from your pension as tax free cash.

## 9. Alternative energy

A large number of eco-friendly projects, often in the 3<sup>rd</sup> world, offer investments in everything from wind farms to solar panels or dams. It can include agriculture and crop production through to investing in rubber. As with all these schemes, the only people making money are the scammers selling them to the victims.

## 10. Recovery Room fraud

This is where victims who have already been scammed into investing in one of these schemes or commodity scams are found to be stuck with something they cannot sell or indeed ever take possession of. They are then contacted by another company (often the same that sold them the worthless investment in the first place using a different name) and told they can sell their “investment” on their behalf but they state they need to be a client first prior to them doing this, and they sell them further worthless investments in another commodity on the promise of being able to sell off the original investment.