

FSA/PN/056/2002

For immediate release

24 May 2002

Don't play Russian Roulette with your savings, City watchdog warns The Financial Services Authority is warning investors not to play Russian Roulette with their savings by dealing with unauthorised firms. The renewed warning has been prompted by a surge in the number of enquiries and complaints that the Authority has received about unauthorised overseas firms that have targeted UK-based investors in the last 12 months. The FSA previously warned about such firms in May 2000. The watchdog is particularly concerned about the risk consumers run when they deal with firms that appear to be based in London but are actually abroad and which have contacted them via an unsolicited telephone call or mailshot. Consumers who deal with firms that are not authorised do not have access to complaints and compensation schemes if there is a problem or if a firm collapses.

Carol Sergeant, Managing Director responsible for Enforcement at the FSA said:

"Dealing with unauthorised firms is like playing Russian Roulette with your money. You may be lucky and have no trouble in your dealings with such a firm but if things go wrong you will have no complaints or compensation scheme to turn to.

"The FSA's experience of unauthorised firms is that consumers rarely get a fair deal. Is it worth taking the risk? It's better to call us first and check whether a firm is authorised before you part with your money."

#### Common tactics

Unauthorised firms will often use a share register, which is publicly available, to target UK investors, sending out up to 40,000 letters in a single mailshot. You may receive an invitation to send off for research on a firm whose shares you already own. What you may not notice is that the small print on the form you return will give the company your consent to be contacted directly about other investment opportunities.

Some firms have UK addresses, often in the City of London, and UK telephone numbers on their literature. But this need not mean that the firm is based in the UK. Your phone call may be automatically diverted to an overseas number and the address may often be just an accommodation address which forwards your mail to the company abroad. The representative who then calls you may use hard sell tactics to try and persuade you to buy the shares they are touting. The FSA is aware of experienced investors who have been pressured into buying shares, which shows just how persuasive these sales people can be.

After buying the shares, some investors experience considerable delays and difficulties in obtaining their share certificates. The shares they buy often turn out not to be the great deal they were promised. When they try to sell the shares, they often have difficulty obtaining the proceeds from the sale or are put under a lot of pressure to buy other shares with the money.

#### Case study

One investor who has contacted the FSA was approached directly by telephone during 2001 and agreed to buy some shares in several companies. He has still not received the share certificate for one of his holdings and although he has instructed the firm to sell this holding they have refused to do so unless he agrees to buy shares in another company. He also instructed them to sell his other holdings but he has yet to receive the sale proceeds. He has received persistent calls over 3-4 months from the firm trying to persuade him to invest. The firm even suggested that he should mortgage his house to raise more cash.

#### Tips to protect yourself

- Before deciding whether to deal with a firm, do check with the FSA on 0845 606 1234 whether it is authorised. If the firm is not authorised, you have no access to complaints and compensation schemes.
- Don't hand over your money immediately- insist on time to think about the offer.
- \* Don't agree to anything until you are happy with the deal.
- \* Do be wary of deals that sound too good to be true.

- \* Do see the latest consumer alert on [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

The FSA is aware of the following unauthorised overseas firms that may be targeting UK investors. The FSA is not seeking to imply that any of these firms would necessarily deal with its customers in the manner described above.

- \* **Premier Equities Limited**
- \* **Millennium Financial Limited**
- \* **Pacific Federal SA**
- \* **World Trade Financial Corporation**
- \* **Globeshare**
- \* **Fielding Clifford**
- \* **Mercantilebanc Inc**
- \* **Allied International Investment Limited**
- \* **Carter James SL**
- \* **Stein Morgan International**
- \* **West Shore Ventures Limited**

#### **Notes to Editors**

1. The FSA's previous warning on unauthorised firms can be found on [www.fsa.gov.uk/pubs/press/2000/071.html](http://www.fsa.gov.uk/pubs/press/2000/071.html). On 28 December 2000 the FSA warned investors that the Spanish regulators had taken action against Thibault, an unauthorised firm targeting UK investors. For details please see [www.fsa.gov.uk/pubs/press/2000/164.html](http://www.fsa.gov.uk/pubs/press/2000/164.html). On 4 January 2001 the FSA announced that it had stopped a firm called Trident from doing business. Details can be accessed on [www.fsa.gov.uk/pubs/press/2001/002.html](http://www.fsa.gov.uk/pubs/press/2001/002.html). Other regulators have also warned about unauthorised firms. Details are available on request.

2. Authorisation means that financial services firms meet minimum standards set by the home regulator. It also provides consumers with access to complaints and compensation arrangements.

3. Section 21 of the Financial Services and Markets Act 2000 ("the Act") requires an advertisement for investment services to be either issued by an authorised person or its contents to be approved by an authorised person. Section 19 of the act requires a person to be authorised or exempt before carrying on a regulated activity in the UK. None of the companies listed above have had their advertising and marketing material approved by an authorised person, nor are they authorised to conduct investment business in the UK.

4. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000; maintaining market confidence; promoting public understanding of the financial system; securing the appropriate degree of protection of consumers; and fighting financial crime.

5. The FSA aims to maintain efficient, orderly and clean financial markets and help retail consumers achieve a fair deal.

#### **ENQUIRIES**

Press: Karin Loudon/Kate Bristowe      020 7676 3232  
          Outside office hours                020 7676 1000

Public: FSA Consumer Helpline        0845 606 1234

FSA Website:                                <http://www.fsa.gov.uk/consumer>