

How to spot the con

Recognising sophisticated investment scams targeting your savings

Investment scams are becoming more sophisticated as many fraudsters ruthlessly exploit the current cost of living crisis. An estimated nine million people in the UK have fallen victim to financial scams^[1]. As households face increasing pressure, the appeal of high returns on savings becomes very tempting, making it easier for criminals to persuade individuals to part with their money. These schemes often target lesser-known or 'alternative' asset classes, designed to appear as exclusive opportunities that the average saver might miss.

The harsh truth is that there is no foolproof way to protect yourself against fraud completely; scammers are expert manipulators who change their tactics daily. However, there are clear warning signs to watch for. The 'golden rule' of investing remains your best defence: if an investment opportunity seems too good to be true, it probably is. Also, genuine investment opportunities rarely demand an immediate decision. If someone is giving you a hard sell over the phone or pressuring you to transfer funds quickly, you should step back immediately.

IDENTIFYING THE WARNING SIGNS

One of the clearest signs of a scam is receiving an unsolicited approach. You should never invest in anything you have been cold-called about. Financial advisers selling 'regulated' investments, products overseen by the Financial Conduct Authority (FCA), such as stocks, shares and pensions, are legally prohibited from cold-calling potential clients. While the government is currently consulting on a complete ban on cold-calling for all financial services, some

legitimate firms selling unregulated assets may still contact you. However, any decision to invest should be made at your own pace, after thorough independent research, and never because a stranger on the phone demands an answer.

Regulation acts as your safety net. When an investment is regulated, strict rules specify how it must be sold. If a financial adviser breaks these rules, you may be able to claim compensation for mis-selling. Before investing any money, verify



that the adviser is authorised. Always check the Financial Conduct Authority's register and contact their consumer helpline to confirm the firm's status. Be immediately suspicious if a salesperson urges you to keep the investment secret from friends or family, as this is a common tactic to prevent others from warning you off.

LIQUID ASSETS AND FORESTRY

Although wine is a legitimate asset class, the market has sadly seen its fair share of fraudsters. Over the years, many wine investment firms have vanished overnight, taking investors' money and going bankrupt before delivering any returns. If you are thinking of investing in fine wine to grow your capital, you must carry out thorough due diligence. Check how long the firm has been operating, verify exactly where your wine will be stored and search the firm's name along with the word 'complaint' in a search engine. The Wine and Spirit Trade Association's website clearly warns about fraud in this sector.

Another common area targeted by scammers involves 'green' investments in teak or bamboo forests. Victims are often cold-called or subjected to high-pressure sales pitches at events. While there is a legitimate market for these investments, they remain unregulated, allowing salespeople to make exaggerated claims about potential returns without facing consequences. Remember, the farther you are from your asset, the harder it becomes to monitor. If you invest in a forest on the other side of the world, you are often entirely reliant on the salesperson's word that the crops even exist.

METALS AND CARBON CREDITS

There is a strong, legitimate market for gold and other precious metals, but this sector also offers many opportunities for fraudsters. No matter how convincing an investment opportunity involving diamonds, gold or rare earth metals seems, you should always consult a professional adviser before investing, to determine whether the scheme has genuine potential for profit or if the valuations are inflated.

Carbon credits are another complex area. These are permits that allow companies to emit a tonne of carbon dioxide. While the concept itself is legitimate, an unreliable industry has developed around offering private investors the chance to buy these credits. It can be difficult for individual investors to sell carbon credits, making them effectively worthless. Importantly, since the FCA does not regulate the sale of carbon credits, you cannot claim mis-selling if the investment fails.

REPORTING AND TAKING ACTION

Never allow yourself to be pressured into investing in any type. If anyone tries to rush your decision, stay away immediately. However, if you suspect you've fallen for an investment scam, act swiftly. Contact your bank straight away; they may be able to stop the transaction or recover your funds.

If you have been a victim of fraud, report it to Action Fraud either online or by calling 0300 123 2040. Also, inform the Financial Conduct Authority to help stop others from becoming victims of the same scam. ■

DO YOU NEED FURTHER ADVICE?

If you are unsure about an investment opportunity or need to report a suspicion, contact the Financial Conduct Authority consumer helpline on 0800 111 6768 or visit their website for further information.

Source data:

[1] Citizens Advice_press-releases-9-million-people-caught-out-by-financial-scams-in-the-past-year_2110/24

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