

Boiler Room Scams -Trading Standards Warning

15 June 2010

Following on the heels of a fraud in Lancaster where a lady lost over £90,000 on bogus shares, it has been revealed that thousands of other Lancashire residents are at risk from crooked share scamsters, according to a recently- recovered master list used by boiler room fraudsters.

Boiler room frauds occur when victims are cold called out of the blue and sold bogus or unsellable shares, often penny shares. The usual method is to make three phone calls to an existing share-owner. The first call will be friendly and chatty, and mention some shares that are doing well. The second call will inform the customer that the previously-mentioned shares have increased in value considerably, and suggest purchasing some in the future, but end the call without closing the deal. The third call will then go for the jugular, applying pressure to close the deal, and may use threats and claim that a contract was made on the previous call and is now being broken. The sellers commonly have fake UK addresses and route their phone lines abroad.

The list is the biggest the Financial Services Authority has ever recovered and is believed to still be in active use by boiler rooms operating in the UK and abroad.

It contains the names and addresses of more than 38,000 people, including over three thousand from Lancashire and Yorkshire, believed to be the intended targets of get-rich-quick scam merchants, who contact their victims out of the blue and offer them worthless or bogus shares.

Every person on the list will be written to by the authorities to warn them that they could be the target of share fraud, and to inform them how to avoid getting scammed.

Advice to those approached by cold calling share sellers is never to buy anything and to put down the receiver straight away. It is very unusual for a genuine company to sell shares by telephone. Consumers should therefore always assume any cold-called approach is suspect, and should never agree to buy or sell shares in this way. Anyone selling shares should be registered with the Financial Services Authority (FSA) -this register can be checked on-line or on the phone.

The estimated cost of boiler room fraud in the UK is £200 million per year. The average victim reporting the scam loses £20,000.

Anybody who thinks they may have been targeted by a boiler room should call the FSA's customer contact centre on 0845 606 1234. Advice is also available from Consumer Direct on 08454 040506, while anyone who has been the victim of fraud should report the case to the police.

Warning issued by Lancashire County Council Trading Standards Service.