

More than £1m is to be recovered for UK victims of fraudulent share-selling operations, known as "boiler rooms".



The Financial Services Authority (FSA) said it had won court orders against two men who had been running operations in the UK and Barcelona.

An estimated 500 investors were conned by phone calls from crooks who were selling shares in seven companies.

It is thought considerably more than £1m was lost, but investors were lucky to get some money back, the FSA said.

Boiler rooms are defined as share selling operations operating abroad, which are unauthorised by the FSA, and in which the shares sold are "overpriced, restricted for onward sale and have little or no realisable value."

Worthless

Aniz Kassamali Dhanji Manji had agreed to return £1m to investors, the FSA said, while Suresh Maganlal Bhowan would pay £17,233.

“ I was talked into thinking it was a good deal ”

Rex Hudson

Mr Manji was the owner of Bayshore Nominees Ltd - known as Bayshore - while Mr Bhowan was the sole director.

Under the scam, investors were encouraged to buy worthless shares during cold calls from unauthorised share sellers Gatemore Securities and Enterprise Analytics Incorporated.

Bayshore sent out confirmation notes requiring payment from the investors and arranged the transfer of the shares to the investors.

It then sent the money received from investors to other bank accounts before being moved off-shore.

Illegal targeting

The probe was launched after complaints were received by victims - many of who are believed to have been on a "suckers list" of potential victims.

"We are pleased to have been able to secure the return of this money to consumers who invested with Bayshore," said Jonathan Phelan, head of retail enforcement at the FSA.

"However, in most cases consumers will never see any of their money again. They should be careful to ensure that any firm they deal with is authorised, otherwise they stand to lose some or all of their investment."

The FSA has a list of about 500 firms who it says illegally target investors.

Cold-calling

Because Bayshore was not registered, investors could not claim compensation from the Financial Services Compensation Scheme or complain to the Financial Ombudsman Service.

These restrictions mean that in most cases of boiler room scams the authorities are unable to recover any money lost.

People who have bought shares through Bayshore are advised to contact the FSA, on 0845 606 1234.

The regulator warned anyone being cold-called to check with the FSA because some boiler rooms now use the names of existing legitimate stock broking firms to perpetrate their frauds.

It is understood that criminal action has not been taken because the offenders are based overseas, and that extradition would be an expensive process which would not have recovered any money for victims.

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7879118.stm>

Published: 2009/02/09 13:34:19 GMT

© BBC 2011