

Boiler Room Scams - What they are and what to look out for?

We take our clients' financial security very seriously. Below is a helpful guide on the threats around so called boiler room scams. It's best to be prepared, just in case you're targeted...

What is a boiler room scam?

Boiler rooms work on a simple business model. Aggressive cold callers, generally operating from outside the UK, persuade individual investors to part with their money by investing in worthless or completely non-existent companies.

How they work

Boiler room operatives generally cold call their targets, using phone numbers of existing small shareholders or retired people from publicly available lists. In the UK, it's against the law for investors to be pursued in such a fashion, as such they tend to be based abroad (often Spain, Switzerland or the US) where they are beyond the jurisdiction of the Financial Conduct Authority (FCA). This means that if you deal with them you have no recourse if (when) things go wrong. Not all investors are by any means novices and some with extensive backgrounds in business and finance have been snared. According to the FCA, victims lose on average £20k.

Boiler room techniques

A boiler room scam can look and sound extremely legitimate, victims being approached by fake stockbrokers with typically respectable sounding titles such as Hunter Rowe Financial or Attlee Wurth Consulting. A common tactic is for them to manufacture a sense of urgency around the dud stock by telling the target investors that they only have a few days to buy a stake. The carrot is always a "once in a life time opportunity" or "get in now before the news is out".

What to do if you're called?

Don't worry about being polite, the simplest way to avoid becoming a victim is to ignore speculative emails or unsolicited calls. However, if you are tempted to invest with someone who contacts you, check them out before handing over any cash. If they're not on the FCA Register they are not authorised to sell you shares. Check the register at <http://www.fsa.gov.uk/register/home.do>. If you feel you have been the subject of such an approach you should dial the FCA contact centre and report the incident on 0800 111 6768. You will also find more information on the FCA website www.fca.org.uk.

We hope you find this information of use, but if you have any questions about staying safe, speak to your normal adviser or contact us on 01604 621 421 and speak to one of the team who will be happy to help.

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