

# Avoiding boiler room scams

It sounds obvious, but if a stranger rings you out of the blue and tries to sell you shares in a company take great care. They may be part of a financial scam using hard-sell tactics to persuade you to buy shares or part with an advance fee in return for greater reward.

## What is a 'boiler room' scam?

Boiler rooms earn money by calling UK investors, without invitation, and selling shares to them. These shares often carry very high risk - they may be worth a lot less than you pay and you may not be able to sell them easily afterwards. If you buy them, you may be left with potentially worthless shares. You may also have no rights to complain or claim compensation from the relevant UK schemes as most of these boiler room scams are based overseas, often with addresses in Europe, Asia or America.

## How does they operate?

The first time you hear from such firms could be by post or email, or they might advertise their services over the internet. They may offer you a free research report into a company in which you hold shares, or a free gift or discount on their dealing charges.

Boiler room salespeople can be very persistent, never taking 'no' for an answer and will phone their victims every day until they finally make a sale. Don't be fooled by the callers' smooth manners, technical jargon or special offers. They are well trained and often use a script to help them answer your questions or ward off your objections. They will try to charm you or pressure you into buying something you are likely to regret.

Once you agree to buy shares you will be asked to send in your money in exchange for share certificates. Sometimes you may receive share certificates for shares worth much less than you have paid. Sometimes the boiler room will simply disappear and you will never see your money again.

Another variation of the scam is to offer a vastly inflated price for your existing shares, claiming the firm is representing a wealthy investor preparing a takeover bid. This offer is dependent on you paying an advance fee in the form of an "indemnity bond" or similar.

## How to protect yourself?

If you are approached by a firm 'out of the blue', be on your guard. Generally it's against the law in this country to 'cold call' a person to try to sell you shares or similar investments.

Always make sure that the firm you use is on the FSA Register and is allowed to give financial advice before handing over your money. You can check this at:

[www.fsa.gov.uk/register](http://www.fsa.gov.uk/register)

If they aren't regulated by the FSA and things go wrong, you won't have access to complaints and compensation procedures.

However, don't just assume that because their name appears on the FSA Register they are who they say they are. Some callers may use the names of firms or individuals from the Register to make you think they are legitimate. It's unusual for firms to call you out of the blue, so be wary if you're not expecting a call.

If you are in any doubt ask for the contact details of the person calling you; and check their identity with the firm they claim to work for, using the contact details on the FSA Register.

If the firm calling you is not on the FSA Register, please call the FSA Consumer Helpline on **0300 500 5000** with as many details as possible, this will help us try to stop them and warn other people about them.

## Things to remember

If you're dealing with an unauthorised firm, you might never see your money again.

You don't have to talk to them, you can put the phone down.

*This is an condensed version of the full FSA release which is available in the news section of the Shareview website.*

## FSA contact detail:

+ [www.fsa.gov.uk](http://www.fsa.gov.uk)

+ Consumer Helpline: 0300 500 5000\*

+ Typetalk: 18001 0300 500 5000\*

\*(call rates may vary)

[www.shareview.co.uk](http://www.shareview.co.uk)

