

# Solicitors and 'investment' schemes

Reviewed 25 November 2019

Download our 'Easy Read' Warning about solicitors being part of investment scams (PDF 12 pages, 2MB)

[<https://www.sra.org.uk/globalassets/documents/consumers/scams/investment-scams-easy-read.pdf?version=4965b2>]

## *Beware the latest 'get rich quick' scams*

We all like to think we can spot a scam, so surely we know better than to fall for 'get rich quick' schemes. Or do we?

Fraudsters are always coming up with ways to win our trust and take our money. Fraudsters try to use real law firms as middlemen to make the schemes seem trustworthy and safe.

The vast majority of solicitors act with honesty and integrity. Yet a small number abuse their position of trust or take risks in helping schemes they do not understand.

While real law firms are sometimes caught up in dubious schemes, many schemes are frauds. Some people have lost their life savings. In cases we are dealing with, people say they have lost more than £100m.

As the watchdog for law firms, we have told firms repeatedly to stay away from 'get rich quick' schemes. We have also cracked down on firms that front 'get rich quick' schemes.

## *What is the problem?*

There are many types of so-called 'investment' schemes that turn out to be scams. There is in fact often no real 'investment', but fraudsters like to use that word. We give some examples below, but this is not a full list and new schemes are always being developed.

You could be asked to pay money into:

- Carbon credit trading – individuals cannot realistically buy and sell in this market.
- Diamond trading, fine wines, graphene, rare earth metals and so on – of course, products like diamonds and wine can be bought and sold but there is no special way to make a high return.



- Landbanking: buying a small strip of land because it is claimed that it will rise hugely in value if planning permission is granted to develop it. In the cases we have seen, permission is not granted and was never likely to be granted.
- Taking a lease or other rights for a room in a hotel – we cannot see why someone wanting to invest in a hotel needs to buy a room (also involving expensive conveyancing).
- Overseas agricultural rights – we have seen failed schemes in Ukraine, Africa and other countries.
- Property developments abroad – people are invited to pay in full or partly for holiday homes before they are built. Of course, people do buy and sell holiday homes, but the schemes to watch out for are where the buyers do not have their own solicitor looking after their interests. These schemes are often in countries where checking the development is real or recovering money if things go wrong is difficult or impossible.

### *Why are law firms involved?*

Most law firms act with integrity and are not involved in such schemes. Yet the reputation of law firms makes the scheme seem more genuine and trustworthy. In some cases, the fraudsters will say that we regulate the firm involved to make the scheme seem even more trustworthy. And, there is often a claim that there is an extra 'guarantee'.

People are told that their money is covered by the law firm's insurance. Solicitors must have insurance, but if the solicitor is helping a scam, the insurance company may refuse to pay out. There may also be problems because the law firm is working for the scheme operator, not the people providing the money.

### *There are other issues to be aware of*

- The law firm is not working for you – it is working for the company trying to persuade you to hand over your money.
- The investment company does not need to promote its products by involving a law firm so you should ask yourself why they are doing so.
- There is no need for your money to go through a law firm. The only time law firms are allowed to pass money through their client accounts is when they are providing proper legal services – in these cases they often are not.
- The involvement of a law firm or solicitor does not mean security. In fact, it may be a warning sign because it is being used as a selling point.
- Be wary of law firms or solicitors offering 'undertakings' to secure a scheme. This is not a proper use of solicitors' undertakings and may not give you protection or security.

- Our Compensation Fund is unlikely to pay you compensation if you have not looked after your own interests carefully.

## *What can you do to protect yourself?*

People running these schemes are reading the warnings from us and other bodies like the Financial Conduct Authority. They then change what they offer so that they are not found out.

For example, we warned the public about schemes offering extremely high returns.

Schemes then advertised lower returns, perhaps at 20 percent, hoping to avoid being noticed and caught. They may have no intention of paying any return, and so the amount does not matter. They mention such high returns to get you to pay over your money, which you may never see again. Bear in mind that when banks are offering interest on savings at about 1 percent, even a return of 10 percent is ten times higher than what you can earn from a safe investment.

## *If you are looking to invest your money*

- It's common sense but still worth saying – do not invest in schemes that are 'too good to be true'.
- If the proposed investment is in something unusual, ask yourself why. Unusual assets are often very high risk. We give examples in this warning but the fraudsters will now move on to something else – so do not just be careful with the examples we have included.
- Always get your own, independent advice from a law firm or other trusted professional.
- Always choose your own adviser. Do not use the adviser the investment company 'recommends' or 'requires'.
- Do your homework. Research the scheme and look at official sources. Look for warnings or decisions from financial regulators. You can usually find details on their websites. A good example is the Financial Conduct Authority warnings [<https://www.fca.org.uk/consumers/graphene-investment-schemes>] .
- Do not be pushed to get involved quickly – it's very common for the fraudsters to say you have to act urgently. If they say that, you should be very suspicious.

## *How to report*

If you suspect that a law firm or a solicitor is involved with such a scheme, or if you have become involved with a scheme, then you can report it to us

[<https://www.sra.org.uk/consumers/problems/report-solicitor/#how-report-sra>] , in confidence if you prefer.

If you have been a victim of such a scheme, please report it to Action Fraud [<http://www.actionfraud.org.uk>] . We do not have any powers to investigate the frauds themselves, only any solicitors involved.

Do not hesitate to report your concerns – your actions may help others as well as yourself.

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Use [www.sra.org.uk/investorscam](http://www.sra.org.uk/investorscam) to link to this page.