Beware of 'too good to be true' property and investment schemes

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We all know the saying that you should avoid things that look too good to be true. We all like to think we can spot a scam. But it is not always easy.

Fraudsters are always coming up with ways to win our trust and take our money. One way they do this is to offer the chance to get very good returns from some form of investment. Sometimes they also try to use real law firms to make their schemes seem trustworthy and safe.

The vast majority of solicitors act with honesty and integrity. However, a small number get involved in investment schemes they do not understand, or, on rare occasions, knowingly get involved in a dubious scheme.

These schemes might be highly risky, never be able to pay the returns they promised, or might be frauds. Some people have lost their life savings or pensions. This is an increasing problem.

In the last nine months, we have taken action against eight law firms in cases where people have lost around £50m. These are not necessarily frauds but we are concerned about whether law firms have looked after their clients’ interests properly. We try to take prompt action to protect the public often long before a court decides whether or not a fraud has taken place.

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 use the word to attract their victims. At the very least, these schemes can be high risk.

These schemes can involve anything from trading in non existent 'bank instrument' markets to trading in unusual things like graphene, or carbon credits. They also involve real products like diamonds or fine wine. But there are established markets for these and no magical way for ordinary investors to make very high profits.

Recently we have seen many apparently involving property or land. While they may involve a lease, in fact they depend on the success of the underlying business, and the property itself is of little value, particularly if the business fails. They often are presented as a routine process of selling and buying property - known as the conveyancing - but the schemes are dubious or risky.

Types of property schemes to be careful about

We give some examples of current schemes below, but you need to be aware these are constantly changing.

You could be asked to pay money for:

- Unusual developments – such as buying individual hotel rooms or individual self storage units. Those marketing these schemes will continue to look for similar things to offer, so be careful of anything that looks a bit odd. Investors can often pay several thousands of pounds for conveyancing, even though it is not needed, while the investments are often high risk.
- Landbanking - buying small plots of land at inflated prices because it is claimed that the value will rise hugely if planning permission is granted. In cases we have seen, permission was never likely to have been given.
- New build property developments abroad – people are invited to pay in full or most of the costs 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 you do not have your own solicitor looking after your interests. These schemes are often in countries where it is difficult or even impossible to either check if the development is real, or recover your money. This can also arise in UK developments. There are clear risks in buying a property that has not yet been built and buyers would be best advised to ensure that they have their own independent legal and business advice.

Schemes are constantly changing

Remember that, just like you, the people behind these schemes read our warnings - they are reading this one too - and those from other bodies such as the Financial Conduct Authority. They are constantly changing their schemes to try to stay one step ahead.

For example, we warned about schemes offering unrealistically high returns. In response, some scammers reduced what they said their schemes will return, so that they still look attractive, but not high enough to instantly arouse suspicion.

Why are law firms involved?

The vast majority of solicitors and law firms act with integrity and avoid such schemes.

Yet the trustworthy reputation of law firms can make dubious schemes seem more genuine, so fraudsters will involve a law firm to add credibility. In some cases, the fraudsters will say that we regulate the solicitors involved to make the scheme seem even more trustworthy.

There is often a claim that there is an extra 'guarantee': people are told that their money is covered by the solicitors' insurance. Solicitors must have insurance, but if they are implicated in a scam, the insurance company may refuse to pay out.

If a scheme is legitimate, but high risk, your own solicitor should be letting you know in no uncertain terms. Yet in some cases there can be problems because the law firm is working for the scheme, not for you.

You need to be aware that a firm that is acting for the scheme will not be looking after your interests, although it must still act honestly. You should use your own trusted law firm or other advisers and be wary of using a firm arranged by those running the scheme.

Five questions you need to ask to help stay safe

1. **Who is the law firm working for?**

   In these cases it is often not you. Instead they are working for the company trying to persuade you to hand over your money.

2. **Is the investment company using a law firm in its marketing?**

   An investment company does not need to promote its products by involving a law firm. A law firm does not mean security. In fact it may be a warning sign if used as a selling point.

3. **Are you being asked for a high 'deposit'?**

   A deposit in a property transaction would normally be no higher than around 10 percent. In dubious schemes we have seen so-called deposits ranging from 30 to 80 percent. This is not a deposit, but a high-risk payment of the price in advance.

4. **Are you being asked to pay money through a law firm?**

   The only time law firms are allowed to pass your money through their client account is when they are providing a proper legal service to you - in these cases they often are not.

5. **Is it promoting protections such as solicitors' undertakings or insurance bonds?**

Be wary of this. Reputable firms would not use undertakings to secure these type of investment schemes. Insurance bonds need to be checked carefully by your own expert adviser. The firm's insurance may not cover fraudulent activity. Our Compensation Fund has clear rules on payment and is unlikely to pay compensation if you have not looked after your own interests carefully.

Seven tips if you are looking to invest your money

1. It’s common sense but still worth saying – do not invest in schemes that are 'too good to be true'.
2. Always get your own independent advice from a law firm or other trusted professional. Be wary of using the adviser the investment company recommends or says you need to use.
3. Make sure your own adviser looks carefully at the documents. Schemes often promise a lot and look as though they could work in theory - but detail in the small print means they probably won’t in reality.
4. 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/news/search-results?n_search_term&category=warnings&sort_by=dmetaZ] (scamsmart).
5. Do not be pushed to get involved quickly - it is very common for the fraudsters to say you have to act urgently. If they say that, you should be very suspicious.
6. If the proposed investment is in something unusual, ask yourself why. Remember, the suggested asset will be worthless if it is a scam, or if the company managing it is not well run and closes.
7. Complain if something goes wrong – report your concerns to us and do not be put off by the investment company or solicitors relying on small print. The documents have to be fair to you.

What are we doing about it?

We are here to protect the public. As the regulator for solicitors, we have told firms repeatedly to stay away from 'get rich quick' schemes.

We have also cracked down on firms that have become involved in dubious schemes. In the last nine months, our action has resulted in fines of almost £160,000. Two solicitors have been struck off and five more have been suspended.

We need to know about any suspicious schemes to take action. Please let us know if you see anything that concerns you.

Solicitors Regulation Authority

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://higher-rights.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 [https://www.actionfraud.police.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.

And finally

The best protection is to be aware of the risks and take sensible steps to protect yourself. Remember, if it's too good to be true, stop and think about it before you risk your money.

Use **www.sra.org.uk/propertyscam** to link to this page.