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### **Beware the Boiler Room**

There have been a number of cases in the Press recently of investors falling victim to what had become known as 'boiler room operations'. These typically involve a cold call from someone based overseas who then proceeds to 'hard sell' the shares of a particular company or group of companies. Very often these shares then become worth very little and the client therefore loses heavily.

For businesses based in the UK cold calling in order to promote the shares of a particular company to private investors is forbidden by the Financial Services Act. Additionally any UK-based company offering advice on investments must be authorised and regulated by the Financial Services Authority (FSA); this provides investors with various protections including the UK law in addition to access to the Financial Ombudsman Service and the Financial Services Compensation Scheme. None of these protections are available if clients buy stock from one of these boiler rooms.

The Financial Services Authority suggested in June that they were receiving one hundred complaints per month regarding boiler rooms and that the average loss to those clients who were complaining was around £20,000.

The FSA's advice is 'hang up the call' if someone calls without a prior arrangement and starts to try to sell you shares in this way. It is also worthy of note that in the context of investments the old adage that 'if it seems too good to be true it usually is' is certainly relevant, therefore if you are offered spectacular gains from an investment that "can't go wrong", be very wary.

If you have any concerns regarding boiler rooms then please feel free to call us.

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