

Committee: Port Heath & Environmental Services	Date: 21 January 2014
Subject: The work of the Tri-Regional Scambusters team staff in the City of London	Public
Report of: Director of Markets & Consumer Protection	For Decision
<p style="text-align: center;">Summary</p> <p>This report sets out details concerning four ongoing Trading Standards operations:–</p> <ul style="list-style-type: none"> a) Operations Wade, Addams and Curie - investigations into alternative commodity investment frauds such as diamonds, gold, wine and carbon credits; and b) Operation Rosa - a London-wide project targeting Mail Forwarding Businesses who often act as professional enablers of such crimes <p>all of which are being undertaken utilising additional resources provided by the National Trading Standards Board and the Tri-Region Scambusters team in the form of experienced fraud investigators.</p> <p>The details of some of the victims of the worst cases of fraud are set out in the attached appendices, suitably anonymised as these are part of on-going investigations as well as examples of the effect that the work on Mail Forwarding Businesses is having in the businesses' own words.</p> <p>Recommendation</p> <p>That Members approve the continued working of the City Corporation's Trading Standards Team using external resources secured from the National Trading Standards Board and the Tri-Regional Scambusters Team for these investigations affecting the City and beyond.</p>	

Main Report

Background

1. The City of London Trading Standards Service as with all Trading Standards Services across the UK was originally set up to meet the needs of business, residents and visitors, physically based within the Square Mile.
2. With the advent of new trading practices, many businesses now have only a virtual presence in the area – e.g. a PO Box or City office address - but the burden of enforcement still falls to the City Corporation's Trading Standards Service even though the company may not have a physical presence here.

3. This situation has been recognised by Government and funds have been made available for both regional and national work via the National Trading Standards Board (NTSB) and the Tri-Region Scambusters (TRS) team for the London, South East and East of England regions.

Current Position

4. The Trading Standards Service now uses a system of intelligence gathering and risk/threat assessment to identify those businesses that pose the greatest risk of harm to consumers' economic, health and social interests and the greatest potential for consumer detriment.
5. This tasking process identified that virtual businesses, using mail forwarding businesses based within the City of London, presented the highest potential for such consumer detriment.
6. Bids were made to TRS for support for four operations:-
 - a) **Operations Wade, Addams and Curie** - are large investigations relating to commodity frauds variously involving the selling of alternative investment commodities such as diamonds, gold, wine and carbon credits; and
 - b) **Operation Rosa** - is a London-wide project targeting Mail Forwarding Businesses who often act as professional enablers of such crimes.

Operations Wade, Addams and Curie

7. These three operations are supported by two additional TRS staff, at no cost to the City Corporation who come from police and HM Revenue & Customs backgrounds, and whose experience of complex investigations usefully complements the existing skills of our Trading Standards Officers.
8. Although these 'rogue trader' businesses are based in the City of London, the victims are UK-wide and we are supporting the victims by referring them to appropriate local sources of help and support. Many of them have lost thousands, even tens of thousands of pounds, and it is estimated that the total of consumer detriment could run into millions of pounds as to date; for example Trading Standards are currently aware of:-
 - a) **Operation Addams** - 45 victims, £½ million of consumer detriment;
 - b) **Operation Wade** - 15 victims, £360,000 of consumer detriment; and
 - c) **Operation Curie** – 30 victims, £160,000 of consumer detriment

and the details of a number of individual victims' cases are set out in **APPENDIX A.**

9. Finally much of the work on all these operations is done with the help and support of the City of London Police, the National Fraud Intelligence Bureau and The Insolvency Service.

Operation Rosa

10. Operation Rosa originally started as an inner London Project, as in order to meet NTSB and TRS funding criteria, these types of projects must be at least regional, if not national in scope.
11. Hosted by the City Corporation's Trading Standards Team, this project is supported by a TRS member of staff who has visited Mail Forwarding Businesses across inner London.
12. They have advised these businesses about the type of 'rogue traders' who hide behind their legitimate operations and how they may unwittingly be asked to provide office services to such fraudsters, finally providing the Mail Forwarding Businesses with information on how to spot such 'rogue traders' and details and quotes about the operation are set out in **APPENDIX B**.
13. This project has received a great deal of positive feedback from businesses as well as fellow Trading Standards departments throughout inner London, and we have just successfully made another bid to expand the project across the whole of Greater London, as most outer London Boroughs asked to be included in this next phase.
14. When this project is completed, we hope to make a further bid, to enable us to share the good practice established with the trading standards community throughout the UK, as well as expanding this project so as to disrupt the activities of 'rogue traders' by taking down their websites, etc.

Corporate & Strategic Implications

15. The greatest implication for the City Corporation in not continuing with this work is that we would be failing to support all three of the Strategic Aims of our Corporate Plan 2012-2016:-
 - *To support and promote 'The City' as the world leader in international finance and business services.*
 - *To provide modern, efficient and high quality local services and policing within the Square Mile for workers, residents and visitors with a view to delivering sustainable outcomes.*
 - *To provide valued services to London and the nation.*
16. Our reputation could be at stake for:-
 - a) allowing illegal trading to go unchecked, disadvantaging those legitimate City financial services businesses who trade legally and fairly;
 - b) failing to provide "*high quality local services....within the Square Mile*"; and
 - c) failing to provide "*valued services for London and the nation*", as although many of these businesses trade from within the City, their victims come from across the south-east region and the UK in general.

Financial Implications

17. Whilst there are no direct financial implications for the City Corporation, should external funding and the additional resources not be obtained or no longer be made available by NTSB and TRS, then the operations detailed above would have to be greatly scaled down, if not dropped completely, and no new major investigations could be started.

Conclusion

18. The City of London Trading Standards Service is undertaking innovative work on behalf of the UK-wide trading standards community, supported by the national mechanisms of the NTSB and Tri-Region Scambusters team.
19. Without all of these specialist resources, the City Corporation's Trading Standards Team would not have been able to pursue these investigations and the City's reputation as a financial centre would suffer and on an individual level, if this work was not being done, UK-wide, victims would continue to lose their life savings and could face life changing consequences.

Recommendation

20. I recommend that: Members approve the continued working of the City Corporation's Trading Standards Team using external resources secured from the National Trading Standards Board and the Tri-Regional Scambusters Team for these investigations affecting the City and beyond.

Appendices

- Appendix A - Operations Wade, Addams and Curie – Victims' stories
- Appendix B - Operation Rosa - Mail Forwarding Businesses

Background Papers:

“Implications of the changes to the consumer landscape of the UK for the future of trading standards enforcement in the City of London” - Report to PHES Committee, November 2013

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APPENDIX A - Operations Wade, Addams and Curie – Victims Stories

The following are illustrative of the type and size of consumer detriment involved in these cases. There are also a number where the families do not know of these “investments”, where the secrecy and fear of being found out is extraordinarily stressful for the victims.

1. Mr P, 87 years old, made a number of investments in carbon credits to provide a better future for his grandchildren. After the first couple of companies went into liquidation, he was approached by other companies promising to help recover and sell the previous credits he'd bought. Mr P had spent £45,000 on carbon credits and continued to be contacted by other companies who convinced him to also invest in coloured diamonds. Mr P invested another £31,000 by the time he came to the notice of Trading Standards. Our intervention prevented Mr P sending the last £6,000 of his savings. Mr P felt that he could not inform his family what had happened; he had also recently become widowed and did not have anyone to turn to. Due to his vulnerability, the appropriate support has been put in place with his local Adult Safeguarding Team, while his complaint is investigated.
2. Mr S, 70 years old had previously invested £22,000 in carbon credits, each time being told that they could offer an “exit date” to sell them but only to discover later down the line they were practically worthless. He was then contacted by a company alleging they traded in the City of London and would be able to convert his voluntary carbon credits to certified credits and sell them. Mr S paid the company £6,500 but heard nothing from them after this. Mr S is gladly assisting us with our investigation.
3. Mr E, 88 years old, invested approximately £30,000 in fine wine with two companies. Following the liquidation of these companies Mr E was approached by a company who stated that for a fee they would be able to locate the wines he thought were previously lost. Mr E paid a further £11,000 for various costs. The company are still contacting Mr E demanding further money for services with no sight of any wine. Due to the intervention of Trading Standards, Mr E has not paid them any more money and is assisting with our investigation.
4. Mr X, a pensioner, invested a substantial part of his life savings in a wine investment scam. He then fell victim to further fraudsters who promised that they could recover and sell his original investment at a profit, but first he would have to become a client of theirs and then lost his remaining funds. He is being treated for depression and no longer knows who to trust.
5. Mr Y, had worked as a caretaker all his life and saved a pot of £10,000 for his retirement. He was persuaded to invest this in carbon credits and lost his entire life savings. Even though this was one of the smaller losses in terms of money it is probably has had the biggest financial impact – he is now reliant solely on his state pension with no financial cushion for household maintenance, breakdowns, etc.

6. Mr Z has been a long term victim of fraud and has seen over a £million disappear into the pockets of the fraudsters. He continues to be the victim of recovery room frauds as he simply cannot believe that every single person who rings him about investments is a conman. He is still trying to recoup, at least some of, his losses having invested in everything from land, wine, rare earth metals to, most recently, diamonds.
7. Ms A had been in what she felt was a controlling marriage. Her divorce settlement included a lump sum which she invested in rare earth metals. She lost the entire investment sum. She was devastated, it reinforced all the negative comments her ex-husband had made about her not being able to cope on her own.
8. Ms B received an inheritance from her mother and lost it all to a rare earth metal fraudster. She felt an enormous burden of guilt and was unable to work for a period of time. She felt that she had squandered all the money that her mother had worked so hard to accumulate.
9. Mr & Mrs C lost over £50,000 to a carbon credit scam. They are very worried about the loss of the money. However, what they are finding even harder to cope with is the plague of phone calls they are receiving from conmen promising to be able to sell the credits for them, as long as a further investment is made. Mrs C realises that they are indeed all fraudsters, but Mr C believes that someone will be able to get the money back and is keen to talk to the fraudsters. This is leading to marital disharmony.

APPENDIX B - Operation Rosa – Mail Forwarding Businesses

Over 100 Mail Forwarding Businesses (MFB) have been visited by an officer from the Tri-Regional Scambusters Team (TRS) based at the City Corporation to-date.

Each one has been given suitable advice regarding due diligence and compliance with both the London Local Authorities Act (LLAA) and the Money Laundering Regulations (MLR). Without exception there has not been a single office that has been totally compliant but all have benefitted from the intervention in some way.

One person spoken to had previously been prosecuted under the LLAA. They were extremely 'anti' initially to the TRS officer but once they had explain what they were doing and why, the person changed their attitude. They stated all their shops would be willing to assist and we could even quote this case as a warning to other MFBs.

Two premises had previously refused to register under the LLAA having been requested to do so numerous times. As a direct result of TRS officer visits, both premises have now registered and now endeavouring to make themselves compliant with the legislation.

As a direct result of a visit, one company has employed an additional member of staff in the role of a compliance officer. They are hoping that in the near future a further four independent MFBs will also employ this individual to ensure they all comply with the legislation.

One company in Kensington & Chelsea had shown to be extremely hostile to visits by the local Trading Standards Officers (TSOs) and would refuse to provide information when requested. They were visited as part of Operation Rosa, after which the feedback from the local TSOs was that there was a total change of stance by the business and that they are now totally compliant.

Several businesses and individuals have expressed a positive reaction to the project and have willingly been quoted below:-

"This has been really useful. I am a witness at court soon. Finding out about scammers has really helped."

"Your recent visit was really helpful. I had some issues with a client and asked my boss if we could get rid of them. He asked if they paid OK and when I said they did he said we would keep them. I then told him of your visit and how he could be prosecuted and face up to 14 years in prison at which he just said, get rid of them, I'm not going to prison for them".

"It's funny you mention wine, we have a company called 'XXXXI' that have just approached us about offices here. They are involved in the wine industry. They have said they are growing really fast and need more office space. They are hoping to move in here soon. They are currently in offices in XXXX".

"I have heard about your visits, it is Officer X isn't it? I wanted to meet you personally. I think this is an excellent idea. We all need a reminder every now and then".

"I was so impressed by the way you (Officer X) dealt with the visit last week and to make it personal to everyone by talking about our grand-parents pensions. And the advice about what to look for was really useful. I told all my staff about what you had said. The very next day we had a woman phone up asking for mail. Because of what you had said the previous day, she would not deal with her because she was not on our records. A man then phoned up requesting the same post and was again sent away. The owner then phoned and I spoke to him. I said I would gladly hand the post over when these people had produced proof of ID and address at which he told me to f-off and he would take his business elsewhere. We opened his post and it was all to do with carbon credits."

"That was really helpful. Why has this not been done before?"

"Thank you for your valuable information and for taking the time and patience to explain everything to us. You are always welcome in our office."

There had been real problems at a MFB in Throgmorton Street who were clearly being difficult and evasive and withholding information. A City of London TSO asked the TRS officer to visit them and after that, they had a total change of heart, the TSO observing:-

"I had to go to them for another job and they could not have been more helpful. They even asked for me to pass on their regards to the TRS officer!"

And finally, following an inspection of a MFB after issues were found during the TRS officer's first visit, a local Trading Standards Officer commented:-

"I don't know what you said to them last time, but it obviously worked!"