

New efforts to protect you from buying worthless shares

Boiler room scam alert

SHARES

This month the Financial Services Authority (FSA) is stepping up its efforts against fraudsters who rip people off by selling worthless shares.

Known as boiler rooms, the fraudsters are unauthorised overseas share dealers who use high-pressure sales techniques to sell UK investors shares in high-risk companies.

They usually target older, male, experienced investors, but anyone is a potential victim. Boiler rooms mine potential victims from lists of shareholders freely available from Companies House. Knowing a little about shares doesn't mean you can't be scammed. The average victim loses £20,000.

The con can take several forms. Sometimes the shares are worth a lot less

'I told him I hadn't agreed to anything. He said "OK I'll do that for you" and hung up'

than the amount you pay for them. In other cases the boiler room just takes your money and doesn't send out a share certificate.

Reader Pam Philpott contacted us when she received a bill for US \$1,717 for shares she hadn't bought after being cold called by a financial adviser from Oxbridge International in March this year.

Pam said: 'The caller asked me if I could find £1,000 to invest in a gold mining company, Kinross Gold Corp, which was about to take off. I agreed to let him send more information but became worried when someone rang later to confirm my purchase of 200 shares.

'I told him I hadn't agreed to anything. He said: "OK, I'll do that for you" and hung up. A week later, the bill for US\$1,717 arrived, together with an international bank transfer form to the Czech Republic.'

On our advice Pam ignored the letters and hasn't heard anything since.

Pam's was a clear case of cold calling to sell shares, which is illegal in the UK. Oxbridge is based in the West Indies and isn't registered to operate in the UK. Firms must be authorised by the FSA to sell shares to UK investors or to offer financial advice. If Pam had bought the shares, she wouldn't be protected by UK regulation.

This month the FSA is sending out a leaflet to shareholders of UK-quoted companies warning about boiler rooms.

If a suspicious caller selling shares contacts you, check whether the firm is authorised to sell shares in the UK at www.fsa.gov.uk/consumer/fcs/index.html. The website also lists currently operating boiler rooms. You may find that you're targeted for a month or more. Our advice is to keep putting the phone down and not engage in conversation.



Pam Philpott was sent a bill for shares she didn't want

TAKE ACTION!

Tell us your story

■ If you're a boiler room victim, or if you've been targeted, especially by companies selling regulation 'S' shares, write to us at news@which.co.uk



Kellogg's will use its own labelling

Food makers snub calorie, salt and sugar labelling scheme

FOOD

Major food manufacturers have snubbed the government and begun rolling out their own food labelling scheme.

Danone, Kellogg's, Kraft, Nestlé, and PepsiCo are using guideline daily amount (GDA) information on the front of their products showing the calories, salt, fat, saturates and sugar per portion.

Unilever – whose brands include Birds Eye – as well as Walkers and Tesco are also using GDA schemes.

But the Food Standards Agency (FSA) wants companies to adopt its traffic light labelling system which uses red, amber and green colours to indicate high, medium and low levels of fat, sugar and salt and saturated fat.

Our research supports the FSA scheme which is being backed by Asda, Co-op, Sainsbury's and Waitrose. We also welcome the decision by McCain Foods to adopt the traffic light labelling scheme.

Seventy three per cent of people *Which?* interviewed think having different schemes will confuse shoppers. We want all retailers and manufacturers to use the FSA scheme, so that consumers can easily identify which products are the healthiest.

See 'Question Time', back page, for our interview with the chair of the FSA.

£269 legal fee will turn into £162,672 debt to GE Money

Lender stands firm

LOANS

Multi-billion-pound company GE Money, which provides store cards for big name retailers such as Asda, B&Q and Mothercare, is at the centre of a legal battle to stop a fee of £269 turning into a debt of more than £162,000.

In 1991 Derek and Elizabeth Mills took out an £8,800 25-year mortgage with lender Redfern Financial Services. GE Money took over the running of the loan in 2005 but Redfern is still the legal owner.

A legal fee of £269 was charged when the loan was taken out but payment was deferred. This means the fee attracts compound interest at the rate charged on the loan (29.2 per cent) all the time the loan is in force.

We've calculated that, if Derek and Elizabeth kept their mortgage for the full 25 years, they'd owe £162,672 in interest just on the £269 fee.

But loans containing fees like this have been ruled unenforceable. Solicitor Simon Abbott is acting for the couple. He said: 'I was shocked to see a large and reputable lender like GE Money involved in this. In my opinion



Derek and Elizabeth Mills will owe more than £162,000

'I was shocked to see a large and reputable lender like GE Money involved in this'

not only is the lender not permitted to charge interest on the deferred fee but the attempt to do so renders the loan unenforceable. Legal proceedings are imminent.'

GE Money won't take responsibility for the terms of the loan. It said: 'GE Money Home Lending stresses it is not the lender of this loan but is acting in a loan servicing capacity for Redfern Financial Services. As servicer we have no control over the lending policies of Redfern.'

We don't agree. We've asked GE to confirm how many loans it runs that contain this charge and what action it intends to take to let its customers know.

TAKE ACTION!

Do you have a GE Money loan?

■ If so, ask it whether the loan has a deferred legal fee. More information is at www.which.co.uk/campaigns

CHILD CAR SEAT ADVICE

■ Most parents of under-12s are in the dark over the new car seat laws which came into force on 18 September. It's now illegal for children under 12 or 4ft 5in (135cm) to travel in a car without a car seat or booster seat. Nearly a quarter of parents in the UK will have to buy a new chair to meet the new rules, according to our research conducted last month.

BANK CHARGES FACE SCRUTINY

■ Britain's high-street banks are going to have to come clean about the money they make on charging customers for slipping into the red after the Office of Fair Trading (OFT) said it would investigate. Some banks levy a £25 unauthorised overdraft charge, making the industry an estimated £4.7 billion each year. The six-month probe comes after the OFT ruled that credit card penalty fees of more than £12 were unfair.

GOOD FOOD GUIDE 2007 OUT

■ More restaurants are offering diners simpler cooking in relaxed surroundings at a fair price, according to *The Which? Good Food Guide 2007*, out this week. Editor Andy Turvil says there's a rise in restaurants of the 'bistro moderne' style over fine dining, white tablecloths, and heart-stopping prices.

PASSPORTS AND MOT PRICES

■ Price rises this month include a hike in the cost an adult ten-year UK passport to £66 from £51. In total they have gone up 57 per cent in the last ten months from £42. The hikes will pay for new security measures, the government says. It's also deciding whether to raise the maximum fee for MoT tests 14 per cent to £50.35 from £44.15. A verdict is expected shortly.

CONTACT US

■ If there's something you'd like us to investigate, call 0800 252 088 and leave a message or email news@which.co.uk

And finally... Vegetarian chicken rolls

How did the chicken cross the road? Not in these vegetarian rolls, that's for sure – they're absolutely chicken free. Maybe it should say: 'I love nonsense labels.'



GET IN TOUCH
Send your examples of daft or misleading products or promotions to
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