How to avoid investment scams this festive season

07 December 2021 – While there are many common global scams like phishing, vishing, smishing, and identity theft – there has also been an increase in investment scams that are targeting unsuspecting consumers.

Ramesh Ramdeen, Head of Fraud at FNB Wealth and Investments, says that “fraudsters have become increasingly sophisticated and bold in their criminal activities. Consumers are often scammed through offers of high-yield investments, advance fees, pyramid schemes, and holiday scams. As a result, it’s important that consumers take the time to familiarise themselves with these types of fraud so that they can protect themselves.”

According to Ramdeen, these are some of the investment scams that are on the rise:

1. **Promise of significantly high investment returns:** People are often invited to “invest” in lucrative schemes that offer extremely high returns, which will provide additional cash for the holiday period. It is important to verify such offers directly with the company that they are associated with. Normally, fraudsters will use the names of reputable investment houses to give credibility to these schemes.

2. **Request to make investment deposits into a personal account:** Fraudsters often use emails, SMS or calls, which may seem legitimate, to ask you to make a payment into a particular bank account. Before making any investment transactions into a bank account, double-check with your investment provider to confirm if they have indeed changed their account details. We advise people not to make any investment payments into a third party’s personal accounts, as these are often mule accounts.

3. **Invitation to recruit participants to qualify for returns:** This is very similar to how pyramid schemes operate. Pyramid and Ponzi schemes are illegal scams in which large numbers of people at the bottom of the pyramid pay money to a few people at the top. Due to their fraudulent nature, these schemes are classified as white-collar crimes as their primary intention is to extract considerable financial gain from their victims. These schemes are illegal in South Africa.
4. **Holiday booking scams:** Some consumers prefer to book their holiday getaways and pay in advance for accommodation. Fraudsters will either invite you to book via a website link, which in many instances is controlled by them, so that you can make a payment without even realising that this is fraud. We advise people to book via reputable platforms or websites, and to rather type in the web address rather than click on links.

"This festive season, we encourage people to stay safe and be more alert – listen to your sixth intuition and avoid the possibility of falling victim to investment fraud or get rich quickly schemes. Taking the time to investigate any offers will undoubtedly save you your hard-earned money, business profits, or inheritance, and most importantly, it will help you prevent emotional distress.

We find that consumers take up these scams in the desperation of making it big or getting investment yields quickly. As a result, we continue to invest in innovative and strategic platforms to combat fraud, and at the same time invest in educating and making consumers aware of the ways to protect themselves from being victims of fraud," concludes Ramdeen.

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