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Don't Be a Victim Twice: Beware of Asset Recovery Firms

Third-Party Companies May Offer Fraud Victims Little More Than False Hope for a Fee

FRANKFORT, Ky. (Dec. 17, 2015) – The Department of Financial Institutions (DFI) joins with the Attorney General's Office to alert financial fraud victims to use caution when approached by companies promising – for a fee – to help them recover their money or bring the perpetrator to justice. Typically, the targeted investors have already lost thousands of dollars, perhaps their entire life's savings, to fraudulent investment schemes.

"Victims have already been vulnerable to fraud once, and some of these companies see this as a way to collect fees without performing meaningful services," said DFI Securities Division Director Shonita Bossier. "Some firms are charging exorbitant fees for what the victim could accomplish alone for free – things like making calls or filing complaints. And worse, they give investors false hope that recovery of funds is a sure thing, when it may actually be very unlikely."

DFI today issued an advisory at <http://kfi.ky.gov> recommending victims use caution. The advisory includes information to help investors understand how third-party asset recovery firms operate and areas to consider if approached by such a firm, including: its fees; how its investigation will be conducted; what legal services it provides; how it coordinates with securities regulators; and its discussion of recovery.

Third-party asset recovery firms typically approach fraud victims through an unsolicited telephone call or email promising to recoup lost investment funds for an upfront fee or percentage of recovered funds. Many advertise they can provide legal assistance, but if they do not have an attorney on staff, they cannot file a lawsuit on behalf of the victim. Many are unable to negotiate beyond a demand letter.

Once hired, the firm may send demand letters to the perpetrators of the initial investment scheme, then file a boilerplate complaint with state and federal regulators on behalf of the defrauded investor. However, these are steps an investor could undertake without assistance.

The advisory states that often the information contained in these complaints relates to companies that are no longer in business, have filed for bankruptcy or have already been subjected to previous regulatory action. Sometimes the complaints are based upon information that is too old for legal action. So on top of losses as a victim, the investor could additionally be out the cost of hiring the company if no money is recouped.

In an example spotlighted in the advisory, a third-party asset recovery company took a sizeable upfront fee from an elderly investor in exchange for filing a complaint with state and federal regulators. It was an attempt to recover losses on an oil and gas investment that occurred eight years prior. Unknown to the investor, the perpetrator of the investment scam was already serving time in prison for fraud. It also was discovered by state securities regulators that the asset recovery company named the wrong perpetrator in the complaint; thereby taking a fee to file an erroneous claim.

“Many people don’t realize how easy it is to file a securities complaint in Kentucky. The Securities Division has a form online, and staff is available to help you fill it out,” said Bossier. “It’s really unnecessary to pay for help, and there’s no reason to make yourself more vulnerable.”

If you have a complaint against an investment company or professional, contact DFI’s Securities Division at 800-223-2579 or visit <http://kfi.ky.gov/complaint/Pages/securities.aspx>.

If you have a complaint about other types of fraud or questionable services, contact the Attorney General’s Office of Consumer Protection at 888-432-9257, option 3, or visit www.ag.ky.gov.

DFI, <http://kfi.ky.gov>, is an agency in the Public Protection Cabinet. For more than 100 years it has supervised the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI’s mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.

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