Third-Party Asset Recovery Companies:

Are They Advocating for You?

Victims of investment scams are wise to use caution if approached by companies promising to help them recover their lost investment funds and bring the perpetrators to "justice." A third-party asset recovery company is a company that charges a fee to assist individuals in recovering money lost in scams. The company claims to gather information on the scam and assist the individual in recovering lost investment dollars. Many of these self-proclaimed recovery companies are not law firms, although they may advertise that they can provide legal assistance. Typically, the targeted investors have lost thousands of dollars, perhaps even their entire life's savings, to fraudulent investment schemes.

How it Works

Months after an investor realizes (s)he has been defrauded in an investment scheme, the investor may receive an unsolicited telephone call or email from a representative of a recovery company promising to recoup lost investment funds for an upfront fee.

The recovery companies employ high pressure sales tactics such as calling numerous times a week or daily until the investor agrees to "hire" the company. The recovery company conducts a cursory search, gathering information from the investor, random Internet searches and state regulators - all of which is readily available public information. They 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.

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.

In the end, the investor risks becoming victimized for a second time.

Issued: December 2015

To learn more, contact:
Division of Banking and Securities at (907) 269-8140 or dbsc@alaska.gov

In an actual complaint received by a state securities regulator, 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 in an attempt to recover losses on an oil and gas investment that occurred eight years prior. Little did the investor know, but the perpetrator of the investment scam was already serving time in prison for fraud and had been for several years. It was also discovered by the state securities regulator that the asset recovery company named the wrong perpetrator in the complaint. Therefore, the asset recovery company took a fee to file an erroneous claim.

Things to consider before hiring a third party asset recovery company:

- **Fees** – What is the service going to cost? Some firms charge an upfront fee between $2,500 and $10,000 or use a sliding scale based on the amount of the original investment.

- **Investigation** – What information will you receive? Promises to gather information usually only include compiling data available from public sources.

- **Legal services** – What does this mean? Often these companies lack the legal expertise to advise you on all of your available legal options or to initiate a class action lawsuit. Most are unable to negotiate beyond a demand letter.

- **Coordination with state, federal or provincial regulators** – In fact, these companies file boilerplate complaints on behalf of investors that contain little information useful to a regulator. These companies mislead you into paying for a service that is available for free through your local regulator.

- **Promise of recovery** – These companies give investors false hope that they will recover lost funds. In reality, the investment scheme is often so old that the company is either defunct or bankrupt, and recovery is very unlikely.

How to Protect Yourself

- If you find yourself the victim of investment fraud, contact the Alaska Division of Banking and Securities and file a complaint.
- Remember, most defrauded investors rarely recover any lost funds. If any money is recovered, it is usually only pennies on the dollar.

- Read the fine print of any contract for service before you provide the company your money. Ask for specifics on what services they are providing for the fee.

- Consider whether you can risk losing more money for the possibility that the company may not be successful in recouping anything on your behalf.

- If the firm alludes to providing legal services, such as filing a class action lawsuit, ask for the names and license numbers of the attorneys who work at the firm and verify their licensure with the appropriate state bar association or provincial equivalent.

Bottom Line: Before making any decisions with your money, ask questions, do your homework and contact the Alaska Division of Banking and Securities a**t 907-269-8140**.

This **Informed Investor Advisory** is brought to you by the Alaska Division of Banking and Securities, a member of the North American Securities Administrators Association. For more investor alerts and advisories, visit the NASAA website at www.nasaa.org.