

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

March 6, 2015

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State Alerts Consumers about Companies That Offer to Help Recover Lost Investments

Firms charge thousands, don't recover money

SACRAMENTO – The Department of Business Oversight (DBO) today urged consumers to be wary of companies that offer to help them recover lost investments if they pay thousands of dollars up front.

“Victims of investment fraud deserve justice,” said DBO Commissioner Jan Lynn Owen. “These companies do little to serve justice or assist defrauded investors. They cast themselves as helpers. But too often what they do is help themselves to victims’ money, then disappear without delivering the promised results.”

In the scheme, so-called “asset recovery companies” cold-call consumers, tell them they’ve been victimized by investment fraud, and offer investigative, legal or other services. The firms promise to recover the invested money, but tell consumers they need to pay an up-front fee. The fee can range from \$2,500 to \$10,000.

In a typical case, the company then sends a demand letter to the alleged perpetrator of the investment fraud. They often also send the demand letter to regulatory agencies, attached to a brief statement that says the submission serves as their client’s official complaint. Since January 2014, the DBO has received 58 complaints filed by asset recovery firms on behalf of consumers – something the consumers could have done themselves for free.

While most of these asset recovery cases involve alleged investment fraud, some victims have paid firms to get their mortgage loan modified or obtain compensation for unfair business practices. The evidence suggests seniors often are the targets of this scheme, which is an emerging consumer protection issue.

In one case reviewed by the DBO, an asset recovery firm operating in California convinced an elderly Iowa couple they would recover a \$25,000 investment if the couple paid the company \$3,500 up-front. The firm filed a complaint with the DBO on behalf of the couple, which they could have done themselves free of charge. The couple has not recovered their \$25,000, and they’re out \$3,500. Asked what advice he would give others approached by asset recovery firms, the husband said, “Run the other way as fast as you can.”

In a second case, another California-based firm told a 71-year-old New Jersey widow the company would get her mortgage loan modified if she paid the company \$3,300 up-front. The firm told the woman if she did not qualify for a modification, her payment would be refunded. She did not qualify, but said the company has stonewalled her attempts to get her refund.

The DBO today issued an [advisory](#) that urged consumers to take steps to protect themselves if contacted by one of these firms. Two of the recommendations: file complaints directly with the DBO or other state regulators; and do not give companies money until they provide the promised service.