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Businessman swindles investors

By Xpress Reporter

A local businessman has been accused of allegedly running a Ponzi / Pyramid scheme after alleged investors came forward recently.

Several callers, then two separate individuals who approached the Xpress Times personally, allege that the fraudster skipped the country.

Investors from Kwa Dukuza, who invested hundreds of thousands of rands, were left scratching their heads when for the past two months dividends were not received. It is alleged that investors from the Durban area invested millions of rands. A return of 10 percent per month was being given over the past two years.

Claims of the businessman asking friends and close relatives to invest, is reportedly strong.

A Glenhills father and daughter were victims of the well publicised Ponzi scheme that claimed to "sell and distribute petroleum products" which had "R450 million from 2500 investors." Then another young man also took Kwa Dukuza by storm with his alleged Ponzi scheme and he is now under investigation. To all citizens and beloved people of Kwa Dukuza and its surrounds, please remember the following…

A Ponzi / Pyramid scheme is an investment fraud that pays existing investors with funds collected from new investors. It is named after Charles Ponzi, who duped investors in the 1920s with a postage stamp speculation scheme.

In terms of the Consumer Protection Act (CPA), an investment that offers interest rates of 20% and above the Sarb-regulated repo rate currently 5.75% is a multiplication scheme (aka Ponzi scheme) and people are not permitted to promote or join them.

Ponzi scheme "red flags"

Many Ponzi schemes share common characteristics. Look for these warning signs:

High returns with little or no risk: Every investment carries some degree of risk, and investments yielding higher returns typically involve more risk. Be highly suspicious of any "guaranteed" investment opportunity.

Overly consistent returns: Investments tend to go up and down over time. Be skeptical about an investment that regularly generates positive returns regardless of overall market conditions.

Unregistered investments: It typically involves investments that are not registered with the Financial Services Board (FSB) or with state regulators. Registration is important because it provides investors with access to information about the company's management, products, services, and finances.

Unlicensed sellers: Federal and state securities laws require investment professionals and firms to be licensed or registered. Most Ponzi schemes involve unlicensed individuals or unregistered firms.

Secretive, complex strategies: Avoid investments if you don't understand them or can't get complete information about them.

Issues with paperwork: Account statement errors may be a sign that funds are not being invested as promised.

Difficulty receiving payments: Be suspicious if you don't receive a payment or have difficulty cashing out. Ponzi scheme promoters sometimes try to prevent participants from cashing out by offering even higher returns for staying put.

There are the five things you should know to keep you from making a massive investment mistake, according to Magnus Heystek, Managing Director at Brenthurst Wealth Management:

1. It promises returns far above average;
2. It's not registered and neither are the advisors;
3. It has a complex prospectus if you don't understand it don't do it!
4. Advisors make their sales under pressure; offered only to "select clients" and
5. Beware of the word "guarantee". There is a big difference between an "undertaking" and a "guarantee".

** Names of the alleged fraudsters and investors have been withheld to protect innocent family members from being victimised.