

## PRESS RELEASE – 22 JULY 2010

### Two jailed for a £7 million "boiler room" fraud

**Two men were sentenced at Ipswich Crown Court today for running an illegal high pressure, share-pushing operation from call centres in Spain. Around 1,250 investors in the UK were persuaded to buy over £7 million worth of shares. Using their "Gordon Gekko" contract notes to complete the transactions, the fraudsters siphoned off around 80% of the invested funds.**

**David Arthur Vidgeon** (DOB 02/01/1980), a UK national resident in Spain was sentenced to seven years imprisonment.

**Rahul Natwar Patel** (DOB 09/09/1975), a UK national resident in Spain was sentenced to seven years imprisonment.

They were found guilty of conspiracy to defraud, contrary to Common Law, on 15 July. Three other defendants, Baldur Sigurdsson, Roland Pibworth (tried in absentia) and Craig John Clark were acquitted.

SFO Director Richard Alderman said: "A boiler room is a predatory and orchestrated 'attack' on private investors so it's very satisfying to see justice delivered for such callous dishonesty. I hope that publicity of today's outcome will serve as a warning for people to think twice when hard-sell investment offers, usually unsolicited, appear tempting. 'No' is the right answer".

#### Outline

David Vidgeon and Rahul Patel conspired to defraud investors, many of whom were retired and elderly, by high pressure selling of shares in small/obscure companies, with false claims as to their future worth. This fraudulent sales practice was carried out by unlicensed offshore brokerages known as "boiler rooms" under the control and direction of Vidgeon and Patel. The period covered is April 2003 to November 2006.

The lynchpin in the fraud was Vidgeon. He arranged and controlled the deals between the boiler rooms in Spain and the UK companies whose shares they were to sell to unsuspecting investors. Vidgeon obtained these companies through the sourcing activities of an intermediary. Together they supplied several sales operations with companies' shares to sell. These were based in Spain, one of which was in Barcelona and operated by Rahul Patel. Two other persons suspected of criminal involvement in Patel's enterprise fled the jurisdiction.

The companies whose shares were sold were worthless. Their function in this conspiracy was as vehicles used by Vidgeon, Patel and the boiler rooms to take not less than 80% of the investors' money.

One company was Toppurinn UK Ltd, a timber buildings business in the leisure market. It was supposedly planning to enter the steel frame market; at one stage exploring the possibility of becoming involved in supplying to Iraq as part of the US-led reconstruction. This did not materialise.

COL Systems Ltd was another company whose shares were being pushed. Its product "Crime-on-Line", a concept developed in Iceland, was described as a theft prevention/recovery system for registering property ID references on a central online database. The claim was that it would enable the police to return recovered stolen property to the owners. The system was said to have been initially piloted in partnership with the Icelandic police and insurance sector but in reality did not achieve commercial viability.

Another company, the Osborn Group, trading as "The Crowd Went Wild", purported to market sporting memorabilia on the internet. It had no real substance and like "Crime-on-Line" it was simply part of the deception. A template contract note obtained during the investigation was file-named

"Gordon Gekko"; an indicator of the business philosophy of the operators. Similar templates were used across all the boiler rooms.

A further four companies were sold by the boiler rooms. None of these companies had any trading activity.

The 'boiler room' is a recognised engine of fraud. Boiler rooms are essentially call centres, concerned in the selling of shares on behalf of companies. The selling of shares is an activity regulated by the FSA. Boiler rooms are not authorised and operate illegally, often from abroad.

The 'boiler rooms' sell by cold-calling and use hard-sell tactics. The success of their deception is measured not only by the sums of money extracted but also by the nature of the people who were persuaded to part with their money. Even people who believed they were experienced investors were victims of the fraud.

Vidgeon's own boiler rooms generated in excess of £2.3 million, nearly a half of which he retained, the rest being paid out to other conspirators. Rahul Patel earned more than £960,000 from the operation.

Bank accounts in Spain, Latvia, Cyprus and other overseas jurisdictions were established to help manage the monies received from investors.

### **Investigation and proceedings**

The SFO investigation commenced in May 2005 with support from Norfolk and Suffolk Police. Later that year searches were conducted in several locations within the UK. Searches were also conducted in Spain with assistance from the Spanish Police. Evidence was obtained from eight countries outside the United Kingdom.

The defendants were charged in December 2008. The trial opened at Ipswich Crown Court on 14 April 2010 with HHJ Holt presiding and the jury returned verdicts on 15 July.

In passing sentence, HHJ Holt said "It was a sophisticated and prolonged boiler room fraud and had as victims sensible, ordinary people many of whom lost life savings. An investor buying any of these shares will have a better chance of a return by buying a lottery ticket. You knew this and did not care."

This case is part of the SFO's operation against boiler room fraud. Several convictions have previously been achieved and further investigations are continuing.

**ENDS**