

Wolf of Wall Street dialogue may be fictional but boiler room fraud is real

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Regulators trying to close string of suspected boiler rooms and FCA says victims of share fraud lose average of £20,000



High-pressure sales in boiler rooms, as portrayed in The Wolf of Wall Street, typically alight on whatever investment fad is popular. Photograph: Mary Cybulski/AP

In *The Wolf of Wall Street*, sharp-suited Jordan Belfort, played by Leonardo diCaprio, makes calls from a scruffy strip mall in Long Island. "Good morning, Jordan Belfort with Investors' Center in New York City. The reason I'm calling is that an extremely exciting investment opportunity crossed my desk today. Typically our firm recommends no more than five stocks per year: this is one of them. Aerotype International is a cutting-edge tech firm out of the Midwest, awaiting imminent patent approval on a new generation of radar equipment..."

In reality, Aerotype is a worthless, dilapidated garage in Dubuque, Iowa. But Belfort hooks the investor with "research" that indicates the 6c-a-share stock could rise to a dollar, "or go much, much higher – your profit on a mere \$3,000 investment would be upwards of 50,000... That's right, you could pay off your mortgage." The investor – the "schmucks" in the film – falls for the spiel, parting with \$4,000.

The dialogue in the "Investors' Center" may be fictional, but as police raided 14 addresses across Spain, seizing, among other items, an Aston Martin and a Ferrari, the reality is not far off. The term boiler room was first coined in the US to describe how political parties hired rooms at election times to speed-dial prospective voters, but later became a byword for the cheap offices where brokers would sit in close proximity, serially calling "sucker lists" of potential share buyers, selling worthless stock from a pre-prepared script.

In Europe, Spain's "Costa del Crime" has become the home of boiler room operations, usually manned by British citizens, with sophisticated websites (often cloned from authorised firms) to persuade investors the proposition is real. Like Stratton Oakmont in *The Wolf of Wall*

Street, blue-chip names are used to convince buyers of their legitimacy. A company calling itself First Capital Wealth, which had its assets frozen by the Financial Conduct Authority (FCA) in November, is just the latest in a string of suspected boiler rooms that regulators have attempted to close in recent years. It purported to be operating from a skyscraper in the City of London, selling "innovative real estate options focusing on emerging markets".

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High-pressure sales staff in boiler rooms typically alight on whatever investment fad is popular at the time – from carbon credits to rare earths to land that is about to gain planning permission (but never does).

Victims of share fraud lose an average of £20,000 to these scams, with as much as £200m being lost in the UK each year, says the FCA. Even seasoned investors have been caught out, with the biggest individual loss recorded by the police being £6m. It says the scam firms often have few assets and victims are not covered by the Financial Services Compensation Scheme.

Among the most disturbing tactics used by boiler rooms is what's dubbed recovery room fraud. The callers phone victims of share scams, posing as the police or a regulatory body, and promise to recover their money – for a fee, of course.

From: <https://www.theguardian.com/business/2014/feb/28/wolf-of-wall-street-fiction-boiler-room-fraud-real>