

# Alert over bitcoin investment scams

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Celebrities' testimony has been used to advertise digital currency investment schemes but they are often fake KIM HONG-JI/REUTERS

The Prince of Wales is not a noted bitcoin investor; neither is Jennifer Aniston. Nonetheless, on a bitcoin trading website photographs of Prince Charles and the *Friends* actress appear above gushing testimonials about the wonders of digital currency investing.

Elsewhere on the web, pictures of Lord Sugar, Sir Richard Branson, Money Saving Expert's Martin Lewis and Deborah Meaden from *Dragons' Den* have been used to advertise digital currency investment schemes. More often than not they turn out to be scams, promising sky-high returns that are unachievable on the stock market.

Now an international crackdown by the United States and Canada has culminated in regulatory action against six UK-registered schemes. The operation has revealed that Britain is a hotbed for bitcoin scams: more UK-registered schemes have been identified in the crackdown than in any other country besides the United States.

Digital currencies such as bitcoin exist only as strings of computer code and have no physical form. Most were launched with the goal of becoming decentralised currencies out of the reach of regulators. Their popularity exploded last year, with the price of bitcoin rising from \$960 in January to a peak of almost \$20,000 in December.

Watchdogs have warned about the dangers of digital-currency investing and have tried to shut down rogue schemes. There has been little co-ordinated international action to address the problem.

Operation Cryptosweep, a joint investigation by state financial watchdogs in the US and Canada, is investigating digital-currency investment products and initial coin offerings, or ICOs, which are the digital currency equivalent of a public share offering. It has prompted a flurry of cease-and-desist letters from state regulators.

BTCrush, which is registered to an address in Rotherham and operates out of London, received an emergency cease-and-desist letter from the Texas State Securities Board this month. BTCrush purports to offer investment opportunities in digital currency “mining”. It promises investors a daily return of 4.1 per cent, with payouts every ten minutes. The site says that if an investor were to pledge \$10,000 annually, they would receive back \$149,650 a year. BTCrush also offers commissions for investors who act as sales agents and bring in new investors, equal to 15 per cent of the first deposit. Videos on its website purport to show its three cryptocurrency mining centres, named Hephaestus, Maverick and PowerRebel.

The Texas regulator said that BTCrush created the videos by “manipulating stock footage available for sale on the internet”. BTCrush was “engaging in fraud” and making statements that were “materially misleading or otherwise likely to deceive the public”, the regulator said. It warned the operators that they would be liable for fines and jail sentences of up to two years if they failed to comply with Texas law.

BTCrush said: “Absolutely all advertising and economic activities of our company were and remain focused on the European market and never aimed to work with foreign clients from among United States residents or citizens.

“We sincerely regret that such precedents could have taken place.

“The video . . . was made by our order by a promotional group and is exclusively of an advertising nature.”

The number of Britons losing money to cryptocurrency frauds has soared over the past year. Almost 1,600 people reported this type of scam to the police over the past 12 months, three times more than the previous year.

Martin Lewis is taking legal action against Facebook over its alleged failure to deal with adverts posted by criminal gangs. “I find it sickening that these people are leeching off the trust I’ve spent years building in order to target vulnerable people and attempt to steal their money,” he told *The Times*.

## **WHAT TO LOOK OUT FOR**

### **Fake coin offering**

Many cryptocurrency scams involve a fake initial coin offering, known as an ICO. Genuine ICOs occur when a business starts selling cryptocurrency. Many are fictitious and worthless. People think they are buying in at the bottom and their investment will rise but they lose their money.

### **Binary trading scams**

Binary trading is a legitimate, risky form of investing. Fraudsters pose as binary trading platforms to encourage people to trade in cryptocurrencies only to pocket their money.

### **Ordinary scams**

Fraudsters exploit the hype around bitcoin by, for example, offering free software to mine bitcoin from a personal computer but it steals the victim’s bank details.

