

Corporate bond victims mount legal challenge for 'justice'

Thousands of investors join action group to pursue 'gatekeeper companies' they believe failed in their duty of care and advice

By Simon Read

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Thousands of investors who lost money in a corporate bond scandal last year are being urged to take their fight to law to get their cash back. An action group has been set up to get justice for the estimated 2,000 people who have been turned down for compensation after losing the cash they invested through the financial company Keydata.

Leading the fight is businessman Tony Lahert, who invested £250,000 into a bond sold by Keydata as part of his retirement fund. "It seemed like an extremely safe investment," says Mr Lahert, 57, a former Argos executive who lives in Buckinghamshire.

His money was invested in corporate bonds issued by a Luxembourg-based company called SLS Capital. That company in turn invested legitimately in a life settlement contracts. In short, these are life insurance policies sold by people to get at the cash. Investors who buy them continue paying the premiums and become the beneficiaries when the person named on the policy dies. They are a popular investment in the US and are considered a pretty safe investment.

Mr Lahert's bond offered a return of 7.5 per cent a year over five years and was promoted as low risk. Life settlement contracts are considered low risk as there are a good number of second-hand policies maturing to ensure promised returns can be met.

But in what appears to be an global swindle, about £400m invested in the contracts by Britons and expats seems to have "disappeared".

The Serious Fraud Office is investigating the affair, which has left a trail spreading from Luxembourg to the Far East, but investors expect to get nothing back. Instead, they are targeting a number of international financial institutions.

"I'm not going to get my money back from the people who stole it and there's also no point in going of the financial adviser who I bought the policy through, because he was duped as I was," says Mr Lahert.

"My focus is much more around the gatekeepers, the financial firms with global reputations who were supposedly looking after the assets. They were paid significant fees to undertake the role they were performing but it has turned out that they failed to do their role properly."

He hopes to go after several of these global companies in a lawsuit which he warns could take three years to complete. In fact, the Keydata scandal affected a host of other people who bought the firm's Secure Income Bonds. It had almost £3bn of assets under management and 85,000 retail investors.

The firm was put into administration by the Financial Services Authority in June 2009, ostensibly over irregularities about the Isa status of some of its products. But it soon transpired that the cash and life settlement assets backing the SLS bonds had been liquidated and misappropriated. It meant total losses for all those who invested in the bonds.

In November, the Financial Services Compensation Scheme (FSCS) said it would compensate those who invested through an Isa but claims by people who did not would be assessed on case by case. Mr Lahert's action group aims to represent up to 5,000 people who may have missed out on the FSCS bailout.

The group has the backing of law firm Addleshaw Goddard and support from some financial advisers, including AWD Chase de Vere, who recommended Keydata savings plans to clients.

Patrick Connolly, of AWD, says: "We have some clients invested in these products and so joined the action group to try to help them. We want to establish culpability and determine the best way to recover the investments of action group members."

The Keydata-SLS-LSC Investors' Trust Action Group says its objective is simple: "To pursue a complete recovery of the losses suffered by its members, including costs and accrued interest."

It intends to carry out an investigation to determine which institutional parties failed to carry out their obligations to safeguard investors' funds. The evidence gathered may then result in legal action against the firms to recover the losses of the action group members, and the more members sign up, the greater chance of success.

"I am angry but I'm focused on getting justice," says Mr Lahert. "I have been quietly working for some months on this and talking to the FSCS, but now it is time to start taking action."

He urges anyone affected or who has received notification that they do not qualify for compensation to register an interest at the action group's website at **www.ksl-it.com**