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Keydata victim prepares for battle against failed investment company

By Jeff Prestridge, Mail on Sunday Personal Finance Editor
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Over the years, Anthony Lahert has built a formidable reputation for turning round ailing businesses, large and small. And he has done well out of it, developing a successful consultancy and living in a five-bedroom house in a pleasant Buckinghamshire village with wife Patricia

But the 57-year-old now faces the biggest challenge of his life - getting back the £250,000 he invested through failed financial services company Keydata, money that was supposed to help fund his retirement.

It is a challenge the former Argos executive will not shirk. He is ready to go into battle with the Financial Services Authority and the international companies that lent their names - and services - to the Keydata savings plans to get back his money. He says he will allow nothing to stand in his way until justice prevails.

Loophole: Regulations are preventing Anthony Lahert from claiming any official compensation

'I have never not finished anything I have started in my career,' says Anthony, whose Step Solutions company advises businesses on how to improve their performance. His clients have included many blue-chip names such as HSBC, Lloyds TSB and Barclays.

'Having decided to go into battle on Keydata, I will not relent until I get my money back,' he says. 'It might take three, four years, even longer, but I will not let go until I get back what is mine.'

More...

- Keydata: How savers lost their money (thisismoney.co.uk)
- The five best Isa deals for this tax year (thisismoney.co.uk)
- Guide: Taking investment advice (thisismoney.co.uk)
- Share and fund tips (thisismoney.co.uk)

Anthony is the catalyst behind the setting up of an action group that has the backing of law firm Addleshaw Goddard and some of the financial advisers who recommended Keydata savings plans to clients.

The Keydata-SLS-LSC Investors' Trust Action Group is a mouthful, but KSLIT's objective is simply 'to pursue a complete recovery of the losses suffered by its members, including costs and accrued interest'.

And it is prepared to take legal action.

The Keydata scandal erupted last summer when the firm, an authorised financial services company, was put into administration after the FSA declared it was insolvent. It acted because Keydata faced a large tax bill from Revenue & Customs.

For most investors, the company's demise was not an issue because it had merely been the administrator for savings plans issued by big banks or building societies - such as HSBC or Leeds Building Society.

In these cases, savers' money is safe. But in 30,000 cases, Keydata had provided the investments itself. These were mainly five-year bonds offering attractive fixed returns in regular income or growth.

They were promoted as low risk and given the reassuring name of Secure Income Bond. The bonds were recommended by leading financial advisers such as AWD Chase de Vere and top building societies such as Norwich & Peterborough.

The money raised was given by Keydata to two Luxembourg businesses - SLS Capital and Lifemark --to invest, but SLS misappropriated the money and the Serious Fraud Office is investigating.

A provisional administrator in Luxembourg has been appointed at Lifemark to review the actuarial model on which returns for investors were calculated. Losses in both cases are currently unquantified, but there is little chance of the money being recovered.

Because Keydata was authorised by the FSA, savers fall under the protection of the Financial Services Compensation Scheme (FSCS) with compensation set at 100 per cent of the first £30,000 and 90 per cent of the next £20,000 - but none for investment amounts above £50,000.

But the FSCS has so far been prepared to compensate only Keydata savers who invested via an Isa. Those who invested outside an Isa have had to apply individually to the FSCS for compensation - and many have been rejected on a 'legal technicality'. It is estimated 1,900 investors have non-Isa plans worth £50 million linked to SLS, but the figures concerning Lifemark are believed to be bigger.

Anthony invested £250,000 in Keydata Secure Income Bond via a pension so he gets no protection from the FSCS. But even if he did, it would only provide him with £48,000 compensation, hence his determination to get the action group off the ground.

He refuses to say who the action group will pursue for the return of members' lost savings, but adds: 'There's no point investors like me relying on Keydata's administrator PricewaterhouseCoopers for the return of our money, given that other creditors stand ahead of us in the queue and there is little chance of sufficient assets being recovered.

There's also no point in pursuing those financial advisers who were duped into recommending the plans. I don't attach blame to the adviser who recommended the plan to me.

'Instead, I want our energies used to pursue with vigour those companies that were supposed to be watching over our investments to ensure they were safeguarded and that have the resources to pay for their mistakes.'

Keydata's product literature for the Secure Income Bond named MeesPierson (part of Fortis Group), HSBC and KPMG as parties involved in ensuring the bond would meet its promises to investors --and also safeguard investors' assets.

Accountancy giant KPMG has recently said that claims made in the product literature about its role in monitoring the bond's underlying investments were 'untrue'. In 2005 it asked Keydata to inform recipients of the literature of this fact - something Keydata failed to do. KPMG also complained to the FSA, which failed to act. Anthony refused to confirm whether the FSA would be targeted in any future legal action.

But Chris Cummings, director general of trade body the Association of Independent Financial Advisers, recently told Financial Mail: 'The FSA failed to mind the shop.'

FIGHTING BACK: Victims are united

The KSLIT action group has been formed to represent investors who lost money as a result of investing in Keydata Secure Income Bond issues 1, 2 or 3 - irrespective of whether the investment was made through an Isa or not.

It also wants to hear from investors who invested into bonds issued by SLS Capital or by Life Settlements Capital - both set up by controversial businessman David Elias, who died last June.

The aim is to recover all the losses suffered by those who join the action group. Savers can join the group by **visiting ksl-it.com** - registration is not legally binding. In terms of funding, the group has received initial support from financial advisers and heavyweight investor Anthony Lahert (see main report).

But it is likely the group will ask members for a contribution, especially if legal action is required. It says this will be about one to two per cent of the amount savers invested.

The group has struck an agreement with the Financial Services Compensation Scheme whereby Keydata victims can receive FSCS compensation but retain their rights against third parties.

This means if the group recovers losses, members will be required to repay the compensation from the FSCS, but will be entitled to retain any amount above this.

Several advisers embroiled in the Keydata debacle have backed the launch of KSLIT.

John Joseph of John Joseph Financial Services in Borehamwood, Hertfordshire, says: 'There are institutions and individuals who we now know were aware at an early stage there were inconsistencies within the Keydata funds. No institution is too big to be a target.'

•• ***For more information on the Keydata debacle, visit the website of administrator PwC at pwc.co.uk/kis. There is also a website for Keydata victims, keydatavictims.ning.com, with which KSLIT is liaising***

Read more: http://www.dailymail.co.uk/money/article-1266758/Keydata-victim-prepares-battle-failed-investment-company.html#ixzz0m2vrckV2