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Our ref: Consultations HMT

29 March 2007

Dear Mr Springbett

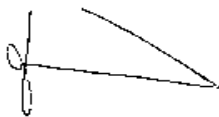
Consultation Paper: Amendments to the CIS Border for Property Transactions

This is the Financial Services Consumer Panel's response to HMT's consultation on amendments to the CIS border for property transactions. While the Panel has no objections to the detailed proposals set out in the paper, as they appear to relate to transactions at an industry level rather than impacting directly on consumers, we would like to take up the invitation in paragraph 3.12 of the Paper to set out our more general concerns in this area.

HMT is no doubt aware of so-called "land banking schemes". Many of these have the appearance for all practical purposes of a collective investment scheme, but are often vehicles used by the unscrupulous to persuade consumers to part with their savings. Either the 'schemes' are fraudulent or they have been structured with the objective of evading regulation. Although there will always be those willing to create new methods of circumventing the law, the Panel believes that a great deal could be done to protect consumers if the relevant legislation and/or regulations were made flexible enough to deal with these schemes without hampering legitimate commercial or social enterprise.

We do not have exact figures for the total amount of money lost in these CIS-type schemes, but the Panel has been advised of roughly three dozen schemes that are being marketed or have recently been marketed, with a typical potential loss to consumers of about £1mn from each, although some schemes exceed this. Consumers do not, of course, have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme when investing in an unauthorised scheme, so must bear losses personally.

Yours sincerely



Chairman, Financial Services Consumer Panel