

Police catch a flash rat

With a luxury canal front home, waterfront office and a fleet of expensive cars Gary* looked and acted like a successful international banker. At least that is what his clients believed when they were persuaded to invest money in his international short-term banking loans. The promise of 14 percent returns in three months was lucrative and Gary was convincing.

Investors borrowed money or withdrew their entire superannuation funds to give to Gary. He explained the money was being invested with international banks for short-term 'take over' money. It was all made possible through the contacts he had made while working in the merchant banks in New York.

As promised, the investors received all their money back—plus interest—at the end of the agreed period. Growing in confidence, they invested more money and encouraged their friends, and the list of investors and amounts deposited grew.

Gary came to the attention of police unexpectedly when he became a victim of a crime himself. His imported vehicle was stolen, and Fraud and Corporate Crime Group (FCCG) detectives became involved due to a chance conversation with the vehicle insurance company.

Investigators looked into Gary's bank accounts which showed millions of dollars moving all around the world. Although no complaints had been received, it was clear that something was amiss, and police launched a joint operation with the Australian Securities and Investments Commission called Operation Delta Boss.

The FCCG undertook a covert investigation to secure the monies identified. The concern was that if Gary became aware of the interest of police, all

money moving overseas would stay overseas and be out of the reach of authorities. As a result of the investigation police arrested Gary and seized over \$4 million in assets.

FCCG investigators contacted the investors to break the bad news. Some reported that in recent times the arrangements had changed, with Gary recommending the capital remain invested for a longer term—a sure sign he was starting to run out of money to give back to them.

Gary had processed over \$18.5 million through his accounts over 20 months. Not one cent had gone to merchant banks for investment, nor had he ever left Australia, let alone been to America or worked for a bank. He had lived the high life at the expense of investors, returning just enough to keep them investing in a classic 'Ponzi' scheme.

Ponzi schemes—sometimes described as 'robbing Peter to pay Paul'—are destined to collapse because they rely on new investment money constantly flowing in, and do not actually generate any real profits. FCCG forensic accountants showed that Gary's scheme would have totally collapsed in the near future with investors losing an estimated \$8 million.

Witnesses travelled from New Zealand, Zimbabwe, Canada and all parts of Australia for his trial. Gary was sentenced to the maximum 10 years jail, returning for his third term in jail. Some investors lost nearly \$1 million, while many lost a large portion of their superannuation, several of whom suffered severe health issues.

** not his real name.*

By Detective Sergeant Damien Powell, Fraud and Corporate Crime Group

Online shoppers get police protection

People love shopping online. It can be more convenient, cheaper and there is often a greater range of goods. Occasionally though, unscrupulous operators use the anonymity offered by the digital environment to defraud customers. But customers and crooks alike should realise that the Queensland Police Service are one step ahead when it comes to sniffing out online auction fraud.

In February 2007 police received a number of complaints Australia-wide concerning items that had been purchased—but not received—from popular auction site eBay.

The items were all computers and LCD/Plasma televisions, most of which sold for between \$500 and \$1,000. In March 2007 the police received further complaints from the Department of Fair Trading.

Initial investigations revealed that more than 15 eBay user-names were linked to the scam. All the suspect eBay accounts instructed people to make payments to the same bank account.

Efforts to locate the owner of the bank account were thwarted by the fact that nothing was registered in the suspect's own name. All known previous addresses had expired.

However, further information supplied by eBay and information obtained from telephone records provided police with two addresses on the Sunshine Coast. Police were then able to arrest the offender in August 2007.

The offender breached his bail conditions and disappeared after only a few weeks. He was eventually rearrested in Brisbane in March 2008, where

he stated that he wished to confess to further offences he had committed while he was on the run.

Last year the Fraud and Corporate Crime Group launched the eBay Project which enables victims of online auction fraud to report offences online.

The national project is coordinated by the Queensland Police Service and, by visiting www.police.qld.gov.au/onlineauctionfraud, allows anyone in Australia to report an offence.

A report is then electronically sent to the relevant law enforcement agency and, in the case of an overseas suspect, an Interpol report is sent to the relevant jurisdiction. This process also helps to identify serial offenders operating across jurisdictions.

The eBay Project is one way the Queensland Police Service is adapting to the challenges and new crimes presented by the evolution of online shopping. Despite this, police warn that consumers must still be vigilant to avoid becoming victims of this type of fraud.

In the end, 24 victims who had been collectively defrauded out of more than \$22,000 made claims against the offender.

In May 2008 the offender was convicted and sentenced. He was also ordered to participate in an Intensive Drug Rehabilitation Order and to pay restitution to his victims.

*By Detective Senior Constable Michelle Cavanagh,
Computer Crime Investigation Unit*