Plain Speak

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# Smelling A Scam

Financial scams have only one outcome—money is lost by the masses who get conned and there is no recourse to compensate their loss

THE recent frenzy over the arrest of the Sharada group promoter reminded me of the famous line: Operation successful, patient dead. Yes, the police managed to arrest Sudipta Sen, there were scores of debates on TV channels, reams of paper went into chronicling the misdeed. For those who recollect, I had written about Shivraj Puri and the Citibank scam in 2011. If you Google, you will find a new financial scam in the country every few years.

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Some get the name of chit fund, some of alternate investments and there are the multilevel pyramid structure scams. In all these scams, the perpetrator is caught, but the victims never recover fully. This magazine had recently done a story on the recourse available to victims of fraud, however, none of the options clearly spell out if the victim is fully compensated and there is no clarity on how to recover the lost money.

Before you get going about Mamta Banerjee's announcement on setting up a ₹500-crore fund to pay out the Sharada scam, be warned—that is the taxpayer's money and not the money recovered from the scam kingpin. There is no tough law to check the scamsters and all they manage to do is earn notoriety; many become more famous with films these days chronicling their masterminds. There is no harsh enough punishment that goes beyond putting these people behind bars or dragging cases to courts. The case of the Sahara group and its activities is well documented, yet there is nothing that has been done to stop them or others like them, nor have all the investors been paid back.

The common caveat of buyer beware does not hold good when it comes to finances. Because, unlike most other goods, here the buyer does not go out looking for a product. There are a few people who walk in asking for an insurance policy or a mutual fund. On most occasions he is sold a financial product of which he has very little knowledge and awareness. Most policymakers and financial institutions take umbrage when it is pointed out that they have not been able to increase financial awareness. But, in a country where general literacy is poor, there is little done by the institutions to facilitate financial inclusion, despite tall claims of working towards it. The recent Cobrapost expose are indicative of the lax attitude of our financial institutions and the loopholes in the system.

**The way out.** Rather than working towards an ambitious and grandiose financial literacy programme, it is time a policy comes into play the moment someone is into money collection activity of any kind. It is also important for people to complain about the friendly neighbour or a distant relative who arrives with mind-boggling money-making advice. After all, even in remote places, a para-banking agent will have an identity card to prove whom he represents. As for the insurance, mutual fund and even chit fund industry they are registered agents with licences that allow them to do such business.

Anyone soliciting any other financial product without any veracity of their wealth creation schemes are nothing but cheats and crooks. They deserve only one treatment—a trip to the jail. This way, scams will be checked at the first level and not get into an unwieldy loop and size, which is beyond easy management. As always, the government machinery and regulators arrive the way they do in a Bollywood film—after the deed has been done. Politicians and activists are back to their business of playing the blame game. Arresting Sen does not solve the problem faced by the victims. Even if he confesses to cheating, the thousands who put in their life's savings are unlikely to get anything back. ❐

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