

1 million Canadians victims of investment fraud: study

Last Updated: Tuesday, October 2, 2007 | 1:43 PM ET

[CBC News](#)

More than one million Canadians have lost money to some kind of investment fraud but most victims didn't report it, a survey done on behalf of the country's market regulators suggests.

The survey — done for the Canadian Securities Administrators — found that almost five per cent of adult Canadians have fallen victim to an investment scam and almost 20 per cent know a family friend or a family member who has been taken for a financial ride.

Many frauds are not the work of complete strangers, it found. About half of the victims were introduced to the fraud through some existing relationship of trust, like a family member, co-worker, friend, or neighbour.

The survey also found that fraud artists stand a very good chance of getting away with their crimes because the vast majority aren't even reported to authorities.

Fewer than one in four (24 per cent) of those who'd been victimized reported the crime, citing embarrassment, lack of proof, or because they hadn't lost much money.

Among the minority who actually reported their victimization, most were not happy with the way their complaints were handled. The survey said much of that dissatisfaction was rooted in a feeling that authorities didn't take action.

About three-quarters of those who said they'd lost money through fraud said they didn't recover any of their losses.

Most Canadians surveyed (about seven in 10) feel that fraudsters get away with their crimes. A similar percentage also believed that even if the con artists are caught, they get a light sentence.

Frauds not taken as seriously as other crimes

Canadians by an overwhelming margin (nine in 10) agree that the impact of investment fraud can be as severe as the impact of an assault or robbery. But half of those surveyed said authorities don't treat fraud as seriously as other crimes.

The study outlined the financial costs of fraud, with almost a third of victims saying it had an extreme or significant impact on their personal finances.

But the impact went far beyond dollars. Victims reported high incidences of stress, anger, and depression — especially among those who lost more than \$10,000 — and their trust in the markets and in people in general had been severely compromised.

Who tends to be a victim of investment fraud? The survey found that having certain attitudes increased one's likelihood that they will fall victim to a fraudster, such as:

- Not trusting investment professionals.
- Believing that it's necessary to "bend the rules" to get ahead.
- Thinking that all investing is really like gambling.

The study found that 4.51 per cent of the people who participated had been victimized. The study's authors extrapolated that prevalence to 1,014,750 adult victims in Canada.

People in British Columbia were most likely to fall victim to an investment scam (14 per cent), while those in Atlantic Canada were least likely (four per cent).

'No one immune'

"We want people to understand that no one is immune to investment fraud," said CSA chair Jean St-Gelais. "The study shows it is a common occurrence in the lives of many Canadians. Everyone is vulnerable and all investors can benefit by doing their homework."

The prevalence of attempted fraud was also high, with almost three in 10 approached within the past three years. About a third of those approaches were through e-mail spam.

The study was carried out by Innovative Research Group for the Canadian Securities Administrators — the group that represents the country's 13 provincial and territorial securities commissions.

After an initial random phone survey, researchers asked 5,868 people about their investment experiences in an in-depth online study that was conducted between July 16 and July 31 this year.

The results are considered accurate to within 1.28 percentage points 19 times out of 20.