

Red Flag 4

Complex Contracts



When you're dealing with unregulated investments, the first part of the process always feels polished. The phone calls are warm, the sales pitch is smooth, the brochure is glossy. It's all designed to make you feel comfortable, confident, and positive. But here's the reality: the front of the process is sugar-coated. The back end — the contract — is where the poison lies.

This is why complex contracts are one of the most dangerous red flags to look out for.

The Glossy Brochure Phase

It always starts with the glossy brochure. Thick, colourful paper, elegant design, impressive photographs, and promises of professionalism. Brochures are carefully engineered to build trust. They make the company look serious. They give the impression that money has been spent on branding, so the business must be real.

But here's the truth: a glossy brochure proves nothing. You can print a brochure for a few hundred pounds. You can hire a designer on the other side of the world to create something slick and convincing. A scammer only needs to look legitimate for long enough to take your money.

So the glossy brochure is part of the trap. It's bait. And because it's written down, it will often be carefully worded to avoid outright lies. Instead, it's vague enough to sound convincing but not specific enough to be legally binding.

The Phone Calls

Unregulated firms don't have to record their phone calls. This is crucial.

Regulated firms, under FCA rules, must record every sales call and keep it for a minimum of six months. Why? Because those recordings can be used as evidence if there's ever a dispute. That rule forces regulated firms to be careful about what they say. They can't make wild promises. They can't misrepresent facts. Everything they say can be played back to the Ombudsman.

Unregulated firms have no such restrictions. They don't record calls. That gives them free rein to make outlandish claims, bend the truth, or even outright lie. And here's the sting: even if you know they've lied, how do you prove it? Unless you personally recorded the call — which most people don't — it's your word against theirs. And in the unregulated world, your word doesn't count for much.

The Bait and Switch

The early part of the relationship is all positive. Glossy brochures. Promises of security. Friendly phone calls. Maybe even an office visit or lunch meeting. This is the charm offensive — designed to lower your guard.

But once you're close to signing, things change. Suddenly, the terms of business appear. Suddenly, the contract is on the table. And suddenly, the shiny brochure feels very different to the dense legal document in front of you.

The bait has been set. Now comes the switch.

The Contract Trap

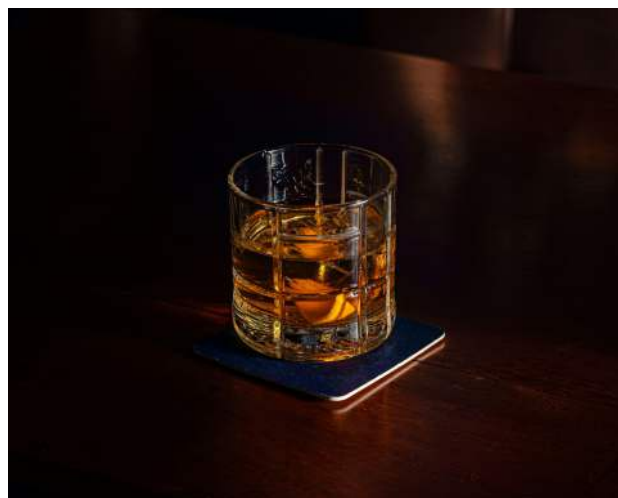
Here's where the real danger lies: the contract itself.

Unregulated firms love complexity. The more complicated a contract is, the harder it is for you to challenge them later. You'll often see:

- **Small Print:** Contracts that run 20, 30, even 50 pages long, full of jargon and caveats. Hidden in the middle is usually the get-out clause — the part that says you can't complain, can't cancel, or can't sue.
- **Unclear Language:** Vague terms like “reasonable efforts,” “anticipated returns,” or “industry-standard storage.” These words mean nothing legally but sound safe to the investor.
- **Ambiguous Details:** Contracts that never actually guarantee ownership, or leave it unclear whether you're buying an asset or just the “rights” to it.
- **Technical Terms:** Especially with niche assets like whisky, wine, or carbon credits. The contract might mention warehouse bonds, insurance policies, or industry regulations you've never heard of. Most investors don't know the difference — and the scammers rely on that ignorance.

In short: if you don't understand the contract, you shouldn't sign it.

The Whisky Example



Take whisky cask investments as an example. Most people don't know much about whisky storage, insurance, or export rules. That's what makes it so easy to hide traps in the paperwork.

Contracts might include vague promises about storage in “secure bonded warehouses” without naming which ones. They might talk about insurance but never specify the provider. They might claim the cask is in your name but then add a clause that the company retains “custodial ownership.”

Unless you are a seasoned whisky



- If the contract is long and full of jargon, you assume the company is professional.
- If the contract looks similar to ones you've seen before, you assume it must be legitimate.
- If the contract is too complicated to understand, you assume you should defer to the "experts."

All of these assumptions work in the scammer's favour. They know most investors won't read every line. They know most people will just flick through and sign. And they know that once you've signed, they've got you.

The Verbal vs Written Game

Another trick is the split between verbal promises and written contracts.

Over the phone, salespeople can be bold. They can say, "You'll definitely get 12% returns," or "The casks are fully insured." But when you look at the contract, none of that is guaranteed. The small print might say "returns are not guaranteed" or "insurance is at the company's discretion."



The scammer knows you'll remember the verbal promise, not the written caveat. And if you complain later, they'll point to the contract and say: "It's all there in black and white. You signed it."

That's why the glossy brochure and the phone calls are so positive — because the contract won't be.

What You Should Do

Here's the golden rule: if you don't understand it, don't sign it.

You don't need to be an expert in every investment niche. You don't need to understand whisky storage, fine wine insurance, or gold mining logistics. What you do need is clarity. If the contract isn't clear, if it's deliberately ambiguous, or if the small print feels overwhelming, that's not a sign to trust — that's a sign to run.

And if you really are tempted? Get a regulated solicitor to review the contract. Yes, it will cost money. But that cost is nothing compared to losing your savings in a scam.

The Bottom Line

Complex contracts are one of the easiest red flags to spot, but also one of the most overlooked. Too many investors are seduced by the glossy brochure and the smooth phone call, and then they skim the paperwork. They trust the charm instead of reading the detail.

But here's the reality: contracts are not written to protect you. They're written to protect the firm. If the contract is unclear, vague, or overly complex, that's by design. And if you sign it, you've handed them all the power.

So next time you see a 30-page document attached to an "alternative investment," remember this: complexity isn't sophistication. It's camouflage. And behind that camouflage is usually a trap.

Red Flag 4

In "Red Flag 4 - Complex Contracts," readers uncover the deceptive tactics used in unregulated investments where glossy presentations mask a web of complex contracts designed to ensnare the unsuspecting investor. The book reveals how charming initial interactions give way to dense legalese filled with ambiguous terms and hidden traps, leading to financial peril for those who don't read the fine print. Empower yourself with crucial insights to recognize the red flags of investment scams and protect your hard-earned money.

