



Cryptocurrency investment scams

Find out how cryptocurrency investment scams work, how to avoid scams and what to do if you are scammed.

UK consumers are being increasingly targeted by cryptocurrency-related investment scams.

Cryptocurrencies (such as Bitcoin or Ether) themselves are not currently regulated in the UK. So the transfer, purchase and sale of cryptocurrencies, including the operation of a cryptocurrency exchange, all fall outside the regulatory remit of the Financial Conduct Authority (FCA).

However some types of cryptocurrency products may be or may involve regulated investments depending on their nature and how they are structured. For example, firms that sell regulated investments with an underlying cryptocurrency element may need to be authorised by the FCA to do so. The FCA has previously issued consumer warnings on the risks of investing in [cryptocurrency Contracts For Difference \(CFDs\)](#) [1] and [Initial Coin Offerings](#) [2].

In recent months, the FCA has received an increasing number of reports about cryptocurrency investment scams, some of which may involve regulated activities, others which don't, but all of which use similar tactics.

How cryptocurrency investment scams work

Cryptocurrency fraudsters tend to advertise on social media – often using the images of celebrities or well-known individuals to promote cryptocurrency investments. The ads then link to professional-looking websites. Consumers are then persuaded to make investments with the firm using either cryptocurrencies or traditional currencies.

The firms operating the scams are usually based outside of the UK but will claim to have a UK presence, often a prestigious City of London address.

Scam firms can manipulate software to distort prices and investment returns. They may scam people into buying non-existent cryptocurrencies. They are also known to suddenly close consumers' online accounts and refuse to transfer the funds to them or ask for more money before the funds can be transferred.

Action Fraud has also issued a [warning on cryptocurrency scams](#) [3].

How to protect yourself

Be wary of adverts online and on social media promising high returns on investments in cryptocurrencies or cryptocurrency-related products.

Most firms advertising and selling investments in cryptocurrencies are not authorised by the FCA. This means that if you invest in cryptocurrencies you will not have access to the [Financial Ombudsman Service](#) [4] or the [Financial Services Compensation Scheme](#) [5] if things go wrong.

While we don't regulate cryptocurrencies (such as Bitcoin or Ether) themselves, we do regulate certain cryptocurrency derivatives (such as futures contracts, CFDs and options). A firm must be authorised by us to advertise or sell these products in the UK – check our [Register](#) [6] to make sure the firm is authorised. You can also check our [Warning List](#) [7] of firms to avoid.

You should do further research on the product you are considering and the firm you are considering investing with. Check with Companies House to see if the firm is registered as a UK company and for the names of the directors. Search online for the firm name, names of the directors and the product you are considering, to see if others have posted any concerns.

Always be wary if you are contacted out of the blue, pressured to invest quickly or promised returns that sound too good to be true.

If you have been scammed

You can report the firm or scam to us by contacting our Consumer Helpline on 0800 111 6768 or by using our [reporting form](#) [8].

Because cryptocurrencies themselves are not regulated by the FCA, your investment is not protected by the UK's Financial Services Compensation Scheme and you're unlikely to get your money back.

If you have already invested in a scam, fraudsters are likely to target you again or sell your details to other criminals.

The follow-up scam may be completely separate or related to the previous fraud, such as an offer to get your money back or to buy back the investment after you pay a fee.

If you have any concerns at all about a potential scam, contact us immediately.

Source URL: <https://www.fca.org.uk/node/50086>

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Links

- [1] <https://www.fca.org.uk/news/news-stories/consumer-warning-about-risks-investing-cryptocurrency-cfds>
- [2] <https://www.fca.org.uk/news/statements/initial-coin-offerings>
- [3] <https://www.actionfraud.police.uk/news/well-known-names-being-used-in-cryptocurrency-scams-apr18>
- [4] <http://www.financial-ombudsman.org.uk/>
- [5] <http://www.fscs.org.uk/>
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- [11] <https://www.fca.org.uk/scamsmart/how-avoid-investment-scams>
- [12] <https://www.fca.org.uk/scamsmart/warning-list>
- [13] <http://www.actionfraud.police.uk/>
- [14] <https://www.moneyadvice.service.org.uk/en/articles/beginners-guide-to-scams>

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Be a ScamSmart Investor

ScamSmart

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