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Liverpool firm's failure brings police raids in Japan

Investigation as collapse of Invaro, a company that funded litigation, causes \$125m loss at pension fund

Independent on Sunday Business section

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Published: 15 January 2006

A Japanese pension fund has lost up to \$125m (£70m) in the collapse of the UK-based Invaro Group, which had links to the Imperial Consolidated scandal.

The losses at the All Japan Liquor Merchants Cooperative Association (AJLMA) fund has left some 20,000 Japanese people without a pension. The chances of any money being returned are said to be "probably quite small".

Police in Japan are investigating the AJLMA losses and have raided offices in Japan. A former officer of the fund has been arrested.

Invaro, a Liverpool-based litigation-funding company, was run by Terry Lindon, one of the UK's most prominent black businessmen. It went into voluntary liquidation in June 2004, the fifth major firm in the highly controversial sector to have collapsed since Claims Direct failed. The full extent of Invaro's losses are only now coming to light.

The AJLMA invested 80 per cent of its total assets in the Invaro scheme via a Canadian firm, Chancery & Leadenhall, which is owned and operated by South African national Bill Godley, ex-British policeman Gary Lyons and other former officers of the Imperial Consolidated, which collapsed in 2002 amid allegations of fraud.

Last April, Mr Godley was arrested, questioned and later released by Fraud Squad officers investigating the £200m losses at the Lincolnshire-based Imperial Consolidated, where he was once chief executive.

The litigation-funding sector is currently unregulated. The Financial Services Agency (FSA) says Invaro has nothing to do with it as the company was not a regulated entity despite being based in Liverpool. The Serious Fraud Office says it has no interest in the liquidation.

William Ellerton of Bevans Solicitors acts for a number of UK-based private investors in Invaro who also face losing their life savings. He is critical of the regulatory regime in the UK: "Once more, investors have suffered following the collapse of a company which, with comprehensive FSA regulation, would never have been allowed to trade in the first instance."

David Marchant, publisher of the Miami-based Offshore Alert newsletter, who has been monitoring the Invaro collapse, said: "It is remarkable that a group of businessmen can be allowed to operate over and over again without any noticeable regulatory interference or hindrance."

Invaro's liquidator, Tony Murphy of Smith & Williamson, said the collapses of Claims Direct, Accident Group and Invaro meant there was a good case for regulation to be imposed on the sector. "They are not that much different from banks after all."

Mr Lindon, 39, launched Invaro in 2002, claiming it would bring an "ethical" dimension to the sector. The firm's core activity was lending legal fees and insuring lawyers to make personal injury claims in return for a fee. The lawyers

were mainly acting in motor accident or miners' illness cases. At one point, Invaro employed 200 people and had 80,000 claims on its books.

"In a nutshell, Invaro expanded too fast and ran out of steam. The main reason is that it underestimated settlement periods and didn't have enough cash," said Mr Murphy, who added that the running of the company was a mess.

Informed sources say Invaro's total losses may be as high as £90m.

Mr Lindon, of West Kirby, Merseyside, was seen as one of Britain's top black businessmen although he had a long record of involvement with poorly performing companies. In 1994 he was charged with stealing over £360,000 from his failed computer firm, but was acquitted following a nine-day trial at Teesside Crown Court.

Although he had dealings with Imperial Consolidated, he has denied any close connection. "At the outset, neither Mr Lindon nor Invaro had ever been involved with any member or part of the Imperial group of companies," said a spokesman.

In a damning 16-page report by Tokyo-based independent investigators the Hori Hiroshi Law Office for the AJLMA pension fund, it is stated that the Invaro scheme was "questionable from the start" and concerns are expressed about the credibility of those involved, past and present. Hori Hiroshi says: "We must conclude that the chance of recovering any significant sums is probably quite small."

"The association didn't bother to check what exactly it was investing in," said Hiroyuki Tezuka, a Tokyo store owner and former association executive. "I think they thought their investment was 100 per cent guaranteed."

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