

Watch your tread with overseas property



Expats in Cyprus face the threat of repossession Getty Images

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Hundreds of British investors who have lost money in overseas property schemes have found themselves embroiled in time-consuming and potentially costly legal action — in one case accusing the Irish Government of conspiring in fraud.

Their plight should act as a warning for anyone tempted by the dream of owning a home or flat abroad — a growing number according to the latest statistics. Currency broker World First has seen a 30 per cent increase in property-related currency transfers to Spain over the past year. Transfers to Ireland have increased by 89 per cent, and Australia, the USA, Thailand and Vietnam have also seen increases.

Properties never built

The two-and-a-half year battle of a group of UK and Irish investors who ploughed nearly £2 million into a golf resort in America's Deep South is a reminder of the dangers that lurk in a sector where regulation is lax.

The “Little River Victims” (LRV) group, led by Leeds-based Dr Gerard Purdy, has instigated a civil action for breach of contract against Oceânico, the Irish-owned Algarve-based golf tourism company. Its members invested in properties at the Little River Golf Resort in North Carolina between 2008 and 2011 which Oceânico failed to build. The company has refused all requests for it to return the monies.

The LRV group also alleges that the Irish Government, through its National Asset Management Agency (NAMA), set up in 2009 to purge Irish banks of risky property-backed loans, now owns the failed scheme and is blocking it from paying back investors. LRV has written to Michael Noonan, the Irish Minister for Finance, demanding that he intervenes, and has asked the British Government and MPs to lobby on behalf of its members to ensure they get their money back. Dr Purdy, who invested \$150,000, says: “Oceânico assert that they require NAMA, their secured creditor, to sanction the repayment of our funds, but NAMA says there is nothing stopping such payments being made.

“ NAMA and Oceânico seem to be playing off each other and not paying us. As the money has not been used for the designated purposes, this is clearly a fraud and seems to be a crime and, if that is the case the Irish Government, through NAMA , is aiding and abetting a crime.”

Oceânico, owned by Gerry Fagan and business partner Simon Burgess, bought the Little Rivers course in 2007. It also owns prestigious golf resorts in Portugal, including Vilamoura.

The company blamed the financial crisis for the delays, adding that construction started on the properties but was halted when the banks withdrew their funding. A spokeswoman says that Oceânico has no comment on the situation with NAMA but is “working hard to bring the matter to a satisfactory conclusion”. She refutes claims that Oceânico misinformed investors or that the funds were taken dishonestly.

A NAMA spokesman adds: “NAMA is not a party to (nor has it had any involvement in) any arrangement that this group of investors may have entered into with the Oceânico group of companies (the “Group”) and has no responsibility for discharging any liability of the Group to any third party, including any liability that may be owed by the Group to the group calling itself the ‘Little River Victims’ group.”

It denies “participation, complicity or involvement by NAMA in any act of fraud”.

Mortgage repayments soaring

Thousands of expats, second homeowners and investors in Cyprus face an equally distressing problem. They bought in Cyprus with mortgages in Swiss francs at the peak of the island’s housing boom. Swiss franc loans were sold to thousands of Britons and locals by Cypriot banks and their agents in 2007 and 2008, when the interest rate was about half that available in the Cyprus pound or sterling.

They now face ruin, with payments soaring as the Swiss franc has strengthened in value and bank rates have risen. Many have stopped their mortgage payments and fear being repossessed and pursued for debts in the UK.

Duncan McNair, of London-based Cubism Law, says many of the mortgages were mis-sold because the banks failed to spell out the risks of borrowing in a foreign currency. He is seeking the cancellation of hundreds of mortgage contracts through action in English and Cypriot courts. Mr McNair says: “This means we can best assert our arguments under European Commission regulations for the cases to be heard in the English courts. Then we lodge a second in Cyprus as protection in the event an appeal by a Cyprus bank against a favourable decision in England were to succeed later this year.”

Mr McNair advises anyone with a claim to act quickly. “We fear that the banks will seize this opportunity to sue people in Cyprus before they get around to suing the banks,” he warns.

How to buy safely

The Association of International Property Professionals (AIPP) was set up to counter bad practices in the international property sector. Its members must adhere to a code of conduct. If they fail to do so, you can complain to the AIPP, which can take action. Peter Robinson, the AIPP’s managing director, says: “The key is research before you, go and think about your exit strategy. Think about ownership costs, which are always more than you expect.”

A buyer’s guide is available at aipp.org.uk

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