

Scams aimed at expats in Shanghai/China

Description

[Notes: This is an article quoted from Global Times website (click [here](#) for details). Expats often fall victims to such scams and deceptions. Very often, there is no way to recover your loss either because you don't even know where the bad guys are, or because it is such a small amount that you don't bother to find it back. However, in particular, I would like to draw attention of foreigners in China to the part of news regarding real estate scam. As expats are often restricted from purchasing real properties, they may consider purchasing an apartment or house in the name of a Chinese friend. This is generally a risky investment as legally speaking, under China Property Law, properties belong to the person who are registered with authority as the owner of the property. As mentioned in the news, the foreigner owner may eventually end up sustaining a big loss. The foreigner owner may end up losing everything, if the property is sold without the knowledge of the dormant owner by the nominal owner and the nominal owner disappears, the foreigner will be very likely to get nothing back, even though he has an agreement with the nominal owner. So be careful. This is China, a place you simply don't know that well.]

Once there was a middle-aged Australian couple visiting Shanghai. The couple decided to take a stroll around People's Square. Eventually they met a young couple claiming to be from Inner Mongolia Autonomous Region. The couple struck up a conversation and suggested the Australian couple accompany them to a tea shop. The young man insisted the tea shop was very famous.

Inside the tea shop they were treated to a lavish tea ceremony and the young man from Inner Mongolia declared the tea was amazing. The couple decided to purchase some of the tea for 2,500 yuan (\$391). It was only after their son insisted that they have the tea evaluated that they discovered the tea could be bought at any supermarket for around 20 yuan.

Scams targeting expats happen all over Shanghai, some are minor such as taxi drivers taking a longer than normal route or street vendors charging a little extra, however, some scams can cost expats their savings and potentially tear apart families. The Global Times talked to several local lawyers to discover some of the more common scams people fall victim to.

The romance scam

Even though stories of men being cheated out of their money by beautiful women are as old as time, people are still blinded by love.

Zhao, a lawyer from Shanghai who provides legal consultation to expats, told the Global Times that Chinese women cheating foreign expats is one of the most frequently occurring scams the foreign community experiences in Shanghai. "I alone have worked on two cases where male expats have been cheated by local women. The women are usually from other provinces and suddenly disappear after they have received enough money from the men," Zhao said.

According to Zhao, a young man from the US who was only identified as Carols met a Chinese woman, surnamed Wu, in a local bar. Carols soon fell in love with this woman. After meeting each other several times, Wu asked Carols to help her financially as her parents, based in another province, were seriously ill and could not afford to be hospitalized because they were too poor. Carols agreed to support the family and gave Wu 50,000 yuan. Wu would also often demand purses, clothes and

cosmetics from Carols. However Carols did not suspect any foul play until Wu disappeared with a diamond ring he had given her a week earlier. He borrowed the money from a friend to purchase the ring. "Though the American had a copy of the woman's ID card, we found out that the card was not an authentic one," Zhao said. "In these cases, culprits usually fake their identities and use fake certifications. Only a few foreigners are aware of the importance of checking their partners' real identities when they are in love. Even fewer foreigners take the trouble to go to the authorities to check out whether the certifications are real."

Na Ren, a lawyer from the Shanghai which also provides legal consultation to expats, agreed that foreigners can be ripped off when they think they are in love. Na told the Global Times that the firm has received several cases where Japanese expats have been ripped off by Chinese women. "Chinese women in these cases usually speak good Japanese. It makes it easier to win the trust of the Japanese people. There was an extreme case where a Japanese expat in Hongqiao was blackmailed for 4.8 million yuan after spending a night with a woman," Na said. He added that in such scams, the women follow the same pattern. They have received some training in the Japanese language and they are very sweet and submissive at the beginning of the relationship. They then start constantly asking for money for their ill parents or for their sisters or brothers who are in trouble or they suddenly fall pregnant. Finally they collect the expat's personal information so that they can blackmail him by threatening to tell the expat's overseas spouse or his company about their relationship.

Na suggested the expats protect their documents and do not boast about their financial status. When a dispute or a scam happens, expats can ask for help from the local police or turn to a lawyer for legal representation.

The start-up scam

Foreigners can also be easily scammed when they want to buy a house or open a company in Shanghai. Both conditions involve foreigners' lack of knowledge of Chinese law. "Since Shanghai tightened control over foreigners buying real estate last year, there has been an abrupt increase in foreigners having disputes with Chinese people and claiming that they have been scammed," said Zhao.

A senior executive Frenchman was transferred to his company's Shanghai office and sought to purchase a property in the city. Li, a colleague, told the Frenchman that Shanghai had just tightened regulations over foreigners' rights to purchase houses and suggested that he register a new house under Li's name. The expat agreed and purchased a property near Century Park. However, when Li left the company a year later, he filed a lawsuit and demanded the expat vacate the premises. The court ruled that the house belonged to Li, and Li had to pay back the original property price to the expat. However, the property had increased by 2 million yuan in value.

According to Zhao, foreigners cannot purchase a house in Shanghai unless he or she has worked or studied in the city for at least one year and are able to provide the required papers, and foreigners have to promise the house is purchased for his or her own use, not for investment purposes. Zhao suggested that foreigners sign an agreement proving that he or she owns the house before registering the house under another person's name. *[Comment: as said at the top of this article, even with an agreement in place, there is still a risk that the dormant foreign owner ends up losing everything. In fact, in addition to such an agreement, further action may be taken to ensure the property won't be sold without the awareness of the dormant owner, i.e. to mortgage the real estate to the dormant owner, for details, please contact Jason Tian, the blogger of this Blog]*

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Apart from the scams involving real estate, many expats have also been cheated when starting a business in Shanghai. Zhao mentioned a case where Michelle, an Australian businesswoman, was told by a local man surnamed Wang that it cost a lot of money and took a long time for foreigners to register a business in Shanghai. Michelle decided to pay 500,000 yuan, half of the total registered capital, and agreed to have the company registered under Wang's name. The company was successful because of Michelle's contacts in Australia. However, after she demanded her share of the revenue she was denied. The court then ruled in Wang's favor. **[Comment: *though it may be true, dormant investment exists widely in China. However, it is not that dormant investors will always lose the case. China has once made it clear that in certain circumstances, a dormant investor may surface to be the legal shareholder. For details, please read a previous post on this blog: [legal issues regarding dormant investment in China](#).*]**

According to Zhao, foreigners are able to start businesses with locals or can do so independently. It takes about three months to complete the registration process, and the registration does not require high expenditure. Zhao suggested expats turn to lawyers for help when planning to open a business.

And the rest

Apart from the scams mentioned before, there are some old tricks that are often reported in the media. One well-known example is of foreigners being taken to tea houses or karaoke bars by local young people and ending up being forced to pay a ridiculously expensive bill.

A teahouse called Yamingxuan on Guangxi Road North hired three young men to act as university students traveling from Xi'an. The three would talk to foreign tourists saying they wanted to practice their English. They usually chatted about football or scenic spots around the city, then the tourists were invited to a tea house where they were forced to pay 500 yuan for a cup of tea, according to a report by Xinmin Evening News in 2005.

Another scam targeting foreigners involved foreigners being asked for money – usually not too much – by strangers who claimed to have lost their wallets. Paul Curran, an expat from Ireland who runs a bar in Shanghai, told the Global Times that there is a man who has asked him for help three times on a street near his bar. “The man was in a fine suit and approached me three times telling me that he has lost his wallet and needs 100 yuan to get a train ticket home. I told him he had better start remembering faces – this is the third time you have lost your wallet,” Curran said.

The Internet has become a booming place for new scams. According to eastday.com, a Shanghai-based news portal, in January this year, an expat accessed a fake website for China Southern Airlines, and found that all the domestic plane tickets were sold for less than 30 percent of the original price, and the flights from Shanghai to Beijing were discounted by up to 90 percent. He booked two tickets leaving for Beijing and paid a down payment of 500 yuan to a bank account according to an e-mail sent by a manager surnamed Wang. The expat did not realize he was scammed until he made another phone call to the website's hotline and discovered no one answered the phone.

Another online scam aimed at foreigners was discovered two months ago. The scam cheated 208 foreigners from all around the world. The culprits were a group of Chinese university graduates. The graduates opened an online shop selling USB flash drives on alibaba.com, an international trading

website, and cheated around \$6 million in less than one year. The group set the prices 60 percent lower than competitors to attract customers, and sent out low-quality products after the customers gave a down payment, according to a report in June by Chongqing Evening News.

The Shanghai police recommend people show caution when dealing with online shops offering extremely low prices as they usually use the low prices to attract customers.

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