

Almost one million investors lose £5.3bn in massive China Ponzi scam

Police make 21 arrests as they bust one of the biggest financial frauds in the country's history

Facebook **61**

Twitter

Pinterest **0**

LinkedIn **3**

Share **64**

Email



Another new year, another fraud in China Photo: Reuters

By Neil Connor, Ailin Tang and agencies, Beijing

11:40AM GMT 01 Feb 2016

 [36 Comments](#)

Authorities in China have arrested 21 people on suspicion of defrauding almost one million [Chinese](#) investors of 50bn yuan (£5.3 billion) after an online peer-to-peer lender turned out to be a giant Ponzi scheme, state media has alleged.

Police used two mechanical diggers for 20 hours to retrieve 1,200 account books that were buried six feet underground as part of the investigation into one of the biggest financial frauds in the country's history, [Xinhua state news agency](#) said.

A total of 21 people were arrested at Ezubao, the company at the centre of the scam, which rose to become China's largest online financing platform in just 18 months.

The firm launched in July 2014 and attracted business by offering investors annual returns of between 9pc and 15pc, far higher than mainstream financial products.

One investor was quoted by the state news agency as saying: "If I put 100,000 yuan in to the bank, I only get about 2,000 yuan in interest. But at Ezubao, I was guaranteed interest of 14.6pc, so I will earn about 14,000 yuan."

Others were attracted to the lending platform because it allowed them to withdraw their investments early.

Another investor, Mr Zhang, said he was guaranteed his interest - even if the investment company failed, according to state media.

By December 2015, more than 50bn yuan had been invested by 900,000 people, according to Xinhua.

"Ezubao is a complete Ponzi scheme," Zhang Min, the former president of Ezubao's operating company was quoted as saying as he was held in custody.

Yong Lei, the company's risk controller, was quoted as saying: "As far as I know, 95pc of the listed projects are fake."

Ezubao had embarked on a massive advertising campaign to raise funds, with many investors falling for the slick adverts screened on state media.

"I told my mother that this is like a pyramid scheme and they are seeking to brainwash investors," said a man in an online post.



A Ponzi scheme is also known as a pyramid scheme Photo: AP/FOTOLIA

“But she told me that Chinese Central Television (CCTV) carried the advertisements – and I did not know how to react to that,” said the post on Weibo, China’s version of Twitter.

State broadcaster CCTV aired "confessions" today from two former employees at Ezubao. These so-called 'purported confessions' on television have been criticised by rights groups, but have become increasingly common in China.

Ding Ning, Ezubao’s 34-year-old founder, spent some of the firm’s capital on lavish gifts for Mr Min, including a villa in Singapore and a pink diamond ring.

His younger brother had his salary at Ezubao increased to over one million yuan a month, Xinhua reported.



Bernie Madoff ran the biggest financial fraud in history Photo: Getty Images

A ponzi scheme, also known as a pyramid scheme, is a fraudulent investment operation where the operator pays returns to its investors from new capital from new investors, rather than from profit it generates.

Police allege Ezubao fabricated most of the projects on its website and paid old debts with money from new investors, Xinhua said, adding that police raided the company after discovering that its executives were transferring funds and planning to flee.

China has been struggling to regulate its spiraling online investment industry and illegal fund-raising is widespread.

Protesters gathered at government buildings in Beijing in December after Ezubao – which was based in the eastern Anhui province - was shut down by police.

The Ministry of Public Security is launching a website victims can use to record their losses, Xinhua added, as authorities continue to investigate.

Source: <http://www.telegraph.co.uk/finance/china-business/12133514/Almost-one-million-investors-lose-5.3bn-in-massive-China-Ponzi-scam.html>