

Press release: Student housing investors jailed after 'Ponzi' scheme defrauds clients

Liam James Collins (45) and David James Robert Bone (37), both from Manchester, appeared at Manchester Crown Court on Friday 7 June.

The pair, who are both subject to extended bankruptcy restrictions*, were set to start a 5-week trial on 15 May 2019 before entering guilty pleas on the first day.

They were each given a 21-month custodial sentence by HHJ Cross QC having been convicted of one offence of participating in fraudulent business by a sole trader, contrary to section 9 of the Fraud Act 2006.

The court heard that Liam Collins and David Bone had been directors of a number of companies, known as the CBS Group. The enterprise secured funds from investors to purchase and renovate student housing.

In 2009, however, these companies failed and entered into voluntary liquidation, owing over £3 million to investors. But rather than allow the investors to become creditors in the liquidation, the pair gave promissory notes promising to pay back their investments with interest in a number of years.

Liam Collins and David Bone then immediately set-up a new investment enterprise, called the Collins and Bone Partnership (CBP), and from January 2010 offered new investors the opportunity to finance the purchase and refurbishment of student accommodation.

Just a few months later in May 2010, however, Collins and Bone were given legal advice from solicitors after financial regulators claimed that what they were doing was in breach of the law. The financial regulators also advised the directors to warn their investors they wouldn't be able to seek financial redress if things went wrong.

Despite promising to stop accepting new clients and investments, as well as warn their investors, the pair elected to continue sourcing further investments.

Between May 2010 and April 2011, the pair secured approximately £274,000 from new financiers, attracted by exaggerated interest payments and promises that the investments would be safe.

However, investors did not see any returns because instead of using the funds to invest in new property, Liam Collins and David Bone used the money to pay-off their original investors. This included settling debts on 27 properties with negative equity that they had carried over from the previous enterprise – the CBS Group.

Funds were also not ring-fenced and instead paid into David Bone's personal account, before being used on costs to run the defendants' new company and on themselves, including supplementing David Bone's wedding in Las Vegas.

Michael Talbot, Senior Lawyer for the Insolvency Service, said:

Liam Collins and David Bone showed a callous disregard for the investors and sought even more funds, even after being warned that their actions were dishonest.

The court's decision to impose custodial sentences should serve as a stark warning to other rogue directors and traders that The Insolvency Service will strenuously tackle financial wrongdoing in order to protect members of the public.

*David Bone is subject to a [14-year Bankruptcy Restriction Undertaking](#), ending in July 2027

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