

## Editorial

### "Ostrich Nest Eggs"

Press coverage of the recent winding up proceedings involving the Ostrich Farming Corporation (OFC) has provided a field day for punning headline writers: "nest eggs", "feathers flying", "problems hatching". Naïve investors with their heads in the sand are said to have found themselves saddled with a turkey. The texts of the stories themselves have been hardly less bizarre (a Sunday broadsheet quoted, with a straight face, the opinions of an "ostrich broker and consultant"); but for the estimated 3,000 or more investors themselves, who sank millions into this unusual and widely advertised investment opportunity, the situation is far from comical.

The OFC is currently under investigation by the DTI and the Serious Fraud Office. Other ostrich farming companies have come under critical scrutiny. But meanwhile it looks as though a lot of people may have lost a lot of money.

Ostriches may seem a flight of fancy away from the hard-edged investments that featured in recent investment company débâcles, such as the Barlow Clowes saga – and the scale of possible losses, though substantial, looks to be a good deal smaller – but some of the morals of the story are not dissimilar. For one thing, this episode underlines two very familiar, almost platitudinous, messages to the fortune seeking investor. If an advertised rate of return looks much too good to be true, then it probably is not true. If easy fortunes are to be made from get rich-quick schemes, then it is not the small investor who is going to make them.

The more serious concerns have to do with regulation and with transparency. The nature of the product put the OFC beyond the reach of the Securities and Investments Board, and investors are not covered by the Investors' Compensation Scheme.

Yet it seems that the SIB did look into the matter and passed on its concerns about the Corporation to the DTI more than a year before the story broke. Eventually the Department did conduct an investigation, but the investing public had no wind of its concerns until it lodged its winding-up petition at the beginning of April – and even then, the nature of the complaint was not disclosed, pending a full hearing. Investigative journalism was left to plug the information gap.

Of course, the DTI is caught in a perennial dilemma. Premature disclosure may destroy a business that must be presumed innocent until proved otherwise. But failure to disclose leaves a lot of dispossessed punters angry that they were not warned by officials who had private knowledge of the situation. In Barlow Clowes, the sheer scale and political embarrassment of the scandal, the more direct involvement of the DTI as a licensing body and the decisive intervention of the ombudsman, eventually shamed the government into offering generous compensation. None of these factors applies here, and indeed, even if all the allegations are eventually upheld, any public and political sympathy is likely to be blunted by the somewhat risible aspects of the story and by a recollection of the cruel maxim that fools and their money are soon parted.

People cannot and should not be denied the right to risk their money, or even throw it away, on speculative schemes, but at least at the point where the DTI is sufficiently confident to take a company to court, a bit more openness is surely called for. And a possible extension of the present jurisdiction of the investment regulators needs also to be considered.

*Gavin Drewry*