**HRE Investments capital group - decision by President of UOKIK**

* **President of UOKiK, Tomasz Chróstny, has issued a decision pertaining to HRE Investments capital group - its member companies had more than PLN 12 million fine imposed.**
* **Fines totaling PLN 1.4 million have been imposed on two managers.**
* **Consumers were mislead about a guarantee for return on investment in development undertakings and ensuing risks.**

**[Warsaw, 5 January 2024]** President of UOKiK, Tomasz Chróstny, issued the decision pertaining to HRE Investments capital group. It is composed of the following companies, among others: HRE Investments Sp. z o.o. Sp. K., HREIT SA and Heritage Real Estate SA. The decisions by President of UOKIK relate to the three abovementioned HRE Investments capital group companies as well as to two managers. The investigation was instigated following consumer signals.

Until 8 November 2023, the HRE Investments companies pursued investment and development operations. They offered to purchasers, including consumers, to buy shares in SPVs established by the HRE capital group with the intention to perform various development investment projects. After some time specified in advance, those shares were to be redeemed, in line with a business model, by the group entities, at a specific price and considering rates of return. The said business model assumed that consumers were charged with the risk specific for the company shareholders, that is, much higher risk than the risk of persons depositing their savings at a bank or purchasers of State Treasury bonds. In the event of any difficulties of the SPV or the entity obligated to redeem the share instruments, loss of their liquidity or declaring them bankrupt, such persons, as shareholders, have limited capacity to recover funds. Any possible difficulties in functioning the investment component may have an additional adverse impact on the development component of the project which may affect not only the consumers - shareholders but also the consumers - purchasers of apartments from SPVs. Since 10 November 2023, that is, since the amendment of the regulations governing social funding, it has been prohibited to offer and promote the purchase of shares in limited liability companies which would be addressed to an unknown addressee.

Doubts of President of UOKIK were raised by the wording of the materials prepared by the HRE group or the information encouraging consumers to purchase shares in SPVs, among other things. They were published on some popular websites. **The reservations pertained to a promise to pay out high profit, emphasise security of the investment and its alleged profitability vis-a-vis other forms of investment. The messages stressed benefits, disregarding some material risk-related information at the same time - this way consumers were misled about the guaranteed investment result.**

In the communication sent to the consumers, the words such as: “maximum security”, were used, indicating that the investment projects were intended for consumers who “appreciated security of investment projects”, exposing thereby not only economic security but also “legal security (notarial deed)”. The messages informed about “stable development”, “secure, high” rate of return or “one of more secure harbours for investors”. The business model consisting in unconventional system of investment in purchase of the shares held by SPVs being members of the capital group (whose number in the group amounted to at least a few dozens or so), non-transparent structure of the said companies as well as other group companies, lack of sector supervision and simultaneous emphasis put on security of those solutions prevented consumers from making an assessment of the existing risk and verification of the truth of declarations on accomplishment of the objectives assumed. It is worth mentioning at this point that in the course of the investigation some additional information was obtained from purchasers of residential units made by the SPVs about delays in making the development investments by the HRE Investments group.

*-While reading the messages, a lot of consumers might have concluded that investing in real estate market is more secure and more profitable that other forms of depositing savings. The business model used by the HRE Investments group consisted in obtaining contributions to shares from consumers who had been consistently assured of the security, disregarding some material risks at the same time. By becoming shareholders of SPVs, consumers in fact financed the operations of the capital group and in fact they were the ones to bear the risk of running business operations. One-dimension narration used in the communication, exposing security and guarantees for obtaining benefits as assumed, violated consumer interests and was misleading for them* - says Tomasz Chróstny, President of UOKiK.

**For the violation of collective consumer interests, President of UOKiK imposed a fine in the amount of almost PLN 12 million** (PLN 11 803 666) **on three HRE Investments capital group companies**. **This affected the companies as follows: HRE Investments (PLN 300 632), HREIT (PLN 9 776 023), Heritage Real Estate (PLN 1 727 011).** **The following persons responsible for companies’ management were not capable of avoiding liability, either, namely: Michał Cebula (fine of PLN 450 thousand) and Michał Sapota (fine of PLN 950 thousand).** Those persons intentionally caused the collective consumer interests to be violated, among other thigs, they were responsible not only for preparation and implementation of the offer- and marketing-related messages which exposed benefits and minimised risks, but they were active in promoting this method of investment.

The decision is not final and may be appealed to the court.

President of UOKIK keeps on informing about actions taken towards organisers or promoters of various investment undertakings, including, among others, investment bills of exchange or pyramid-like promotion systems. In addition, President of the Office of Competition and Consumer Protection regularly warns consumers of risks related to investments, including alternative investments. More information about campaigns in which we warn that high and quick profit always involves high risk can be found in [materials available](https://uokik.gov.pl/oszczedzasz_inwestujesz_uwazaj.php) at uokik.gov.pl and at a special website finanse.uokik.gov.pl.