



Timeshare in Europe – 2007

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A report by the **Timeshare Consumers Association** (“TCA”) on behalf of the **Association of Timeshare Consumers in Europe** (“ATCE”) which represents the interests of consumers in Austria, Belgium, Denmark, France, Germany, Greece, Hungary, Sweden, and the UK.

SUMMARY

“Timeshare is a Criminal Industry” – Edward McMillan-Scott, MEP.

- Anti-consumer practices in Europe have destroyed consumer confidence in what is essentially an excellent product.

The result:-

- New sales are now only a fraction of the 2001 figures
- There is an accelerating decline in ownership numbers
- The reputation of the “good guys” is being damaged, discouraging more from entering the industry.
- Anti-consumer practices include:-
 - Lies told by salespeople that are not written into the Purchase Agreement
 - Money stolen from owners through excessive annual fees
 - Persistent harassment and intimidation.
- Frauds and scams within, and on the periphery of the industry, are now endemic. The rogues are taking full advantage of the lack of criminal law enforcement to steal nearly 1 billion Euro every year.
- The trade body, OTE, has done nothing to create a healthy, long term, future for the industry
- Timeshare In the USA continues to enjoy a strong growth – in Europe timeshare is in decline.
- A major change in trade practices, supported by improved consumer protective legislation, could return the industry to respectability and a valued contributor to the EU economy.

The Industry

History and Background

Holiday timeshare was “invented” in Switzerland in 1967 by Hapimag (still a leading operator) but only seriously took off, in the USA, during the early 1970's.

Timeshare returned to Europe (Scotland, 1975) and soon spread into all the popular European holiday areas, notably Spain, Canaries, Portugal and Italy. Now timeshare accommodation is available in almost every country in the world where tourism flourishes, with Asia currently the most rapidly expanding region.

There are currently 5,500 timeshare resorts worldwide, 1,100 in Europe, with nearly 7 million timeshare owners worldwide of which 1.2 million own in Europe.

Development in the USA, now regarded as the most mature of world regions, continues at a steady pace, but development in Europe slowed from 2001 with ownership numbers now some 6% - 8% lower than they were six years ago and falling fast.

This report, the fourth by the Timeshare Consumers Association (“TCA”) in six years, attempts to identify the factors behind the rapid decline in the fortunes of timeshare in Europe. The earlier reports can be accessed on www.timeshare.org.uk/reports.html

The report is hampered by the lack of reliable statistics. For an industry so flamboyant in promoting itself to the public, it is noticeably reticent when it comes to publishing meaningful information about its business. This report has had to rely on information culled from a wide variety of sources, many of which are not necessarily collected using the same criteria.

This report is produced by the TCA on behalf of the members of the Association of Timeshare Consumers in Europe (“ATCE”) – which is totally independent of any trade influence – who receive around 15,000 contacts from consumers each year and estimate that they are aware of approximately 5% of timeshare problems within the EU.

Most of the evidence in this report is based on what these consumers have told us.

Products

Timeshare started as a way for consumers to enjoy the benefits of top quality holiday accommodation only paying for the time period they used by sharing costs with other families. It has evolved into a number of complex products essentially designed to confuse consumers and financially benefit traders

In the minds of consumers the word “Timeshare” is now synonymous with “Scam” so “Timeshare” is now seldom used and combinations of “Vacation”, “Seasonal”, “Holiday” “Club”, “Ownership” etc. are more prevalent. It has become impossible for a consumer to readily identify whether the product they are being offered is mainstream timeshare or timeshare-like from the name.

Timeshare has always suffered from an inherent weakness – the difficulty of selling all 52 weeks in a year to holiday-makers

Although the accommodation theoretically allows for up to 52 owners (weeks) in a year, the natural consumer demand for holiday accommodation is concentrated into a much shorter active season, often of 32 – 36 weeks. A trader has no difficulty selling these active season weeks but great difficulty selling the out-of-season weeks.

To sell all 52 weeks the trader needs to persuade most purchasers they will have access to the peak weeks – the 8–10 highest demand weeks centred on school holidays. To create the impression of this availability the ownership structure has been progressively changed from a “fixed” week system to a “floating” (or points) system which allows the salesman to verbally promise that the purchase of a floating period (or points) will ensure availability of a peak season week. A blatantly false promise which is the root cause of a great many consumer complaints.

Fixed weeks

The owner has the right to use a specified week (numbered 1 to 52) in a specified apartment in a specific resort for a period of years, conditional on the owner continuing to pay the annual fees. If an owner wants to use another week and/or another resort they can swap their “ownership” in any year through an exchange company. This ability to exchange is a major strength of in the timeshare system.

Ownership of fixed weeks is in decline as traders force a move towards one of the “booking systems”.

Booking Systems

Booking systems are, by their very nature, “subject to availability” - a factor not properly disclosed in writing to the purchaser resulting in considerable consumer dissatisfaction

- Floating weeks:- The owner has the right to use a week (the actual week to be booked each year) within a seasonal band of weeks in a specific resort. This enables traders to sell more weeks having made the consumers believe that they would automatically get the week of their choice. Floating weeks suffer from the same problem as all booking systems in that an owner cannot be certain of getting the exact week they want each year which is un-acceptable to those owners who must have peak season weeks because they have school age children etc..
- Points Clubs:- Approximately 20% of all timeshare owners are now in a points club which has been the only mainstream timeshare product to show real growth over the past 5 years with many “fixed week” owners having been seduced into converting to points at a substantial cost. Purchasers acquire a number of points which are then used as “currency” to book holidays each year, in theory the more points owned means longer holidays or better choice.
- Multi-resort clubs:- A consumer joins a “club” which provides access to accommodation in a number of different resorts.
- Bond schemes:- Bond schemes only differ from points clubs in that the purchase is made through a financial bond which can, subject to certain restrictions, be cashed in after a period of years.

- Holiday Clubs (aka. travel discount clubs, travel clubs, vacation clubs, etc.), which were developed solely to circumvent existing legislation, are essentially a sophisticated scam where the salesmen make outrageous promises which fail to materialise:-
 - The ability holiday anywhere in the world
 - at any time of year
 - in Five Star accommodation
 - at prices up to 65% less than a travel agent or internet seller.

Consumers are paying 5,000-15,000 Euro for “fresh air”

Holiday Clubs are a sophisticated designer scam – currently totally unregulated.

Timeshare owners are often panicked into a holiday club membership as the only apparent escape route out of an unwanted timeshare. And contrary to loudly voiced claims that timeshare and holiday clubs are totally different, it is not uncommon for mainstream timeshare operators to collude with holiday club marketers for their mutual benefit.

Examples of this collusion are at Miraflores, Spain where the timeshare trader allows a holiday club marketing company to operate in the resort and at La Pinta, Tenerife which appears to have close links with a bogus holiday club, Freedom Vacation Club.

New products such as Fractional Ownership and Private Vacation Clubs have hardly touched Europe and are not expected to have any real impact on the future fortunes of the industry.

Competition

25 years ago timeshare had a strong Unique Selling Proposition (“USP”) - ***“the certainty of top quality, self catering holiday accommodation worldwide at reasonable prices”***

Over the years this USP has been eroded by the failure of traders to:-

- maintain quality standards, allowing the competition to catch up and overtake
- ensure a healthy resale market so that owners can recover at least a reasonable proportion of their purchase money when they sell.
- keep annual costs at a competitive level, allowing alternative suppliers (rental etc.) to undercut timeshare prices.

Value for Money

Timeshare no longer ensures best value for money for those seeking good quality, self catering accommodating.

A survey carried out by TCA in December 2004 (updated in 2006) established that rental of timeshare accommodation provided the best value for money in all seasonal periods except school holidays when ownership of a fixed timeshare week was essential to ensure availability.

The survey concluded that rental of accommodation in timeshare resorts by the general public during the low season (January, February, March, November and December) was cheaper than the amount timeshare owners paid through their annual fees for using exactly the same accommodation. For example, renting a studio (sleep 2) in Tenerife in low season cost around 300 Euro per week which is a fraction of the 750 Euro (annual fees plus exchange costs) paid by a timeshare owner. Only during the peak demand periods (August and Christmas) was timeshare ownership the more viable option.

Marketing

Timeshare must be the only consumer product where the purchaser gets neither choice nor opportunity to compare competitive offerings.

Previous reports have referred to the marketing techniques used by the industry as rooted in the dark ages where a wife was taken by use of a club and dragging into a cave.

The story remains exactly the same in 2007.

The volume end of the market (principally the blue collar segment) has been dominated by the “bait & trap” technique as an efficient means of creating volume sales and ensuring that consumers are not able to make inter-product comparisons on costs, standards and benefits.

At the other end of the market the Sales Inspection Visit or “try before you buy” is still popular. And those resorts with mixed use combining hotel & timeshare are able to utilise hotel guests as sales prospects.

Bait & Trap Selling (‘Body snatching’ !!)

The bait, usually a scratch card at a holiday destination, is designed to get punters to sales presentations. But the banning or licensing of street touts by some municipalities and the increased awareness of consumers has forced a move towards other methods of baiting.

Innocent package holidaymakers are transported from their hotel by the holiday representative for a “glorious day of luxury” which, unbeknown to the holidaymakers, is at a timeshare resort where they are subject to the intrusive attentions of the sales team.

“Free” holiday promotion

Consumers are telephoned with an offer of a holiday for a nominal cost (50 – 100 Euro) . When the written conditions of the holiday are received there is an obligation to “take a tour lasting no more than 90 minutes”. If the holiday materialises (many don’t !) then life is made miserable for the holiday-maker constantly pestered by sales people.

The sales tactics used by holiday clubs are indistinguishable from the tactics used by mainstream timeshare resulting in consumer confusion as to what they have been induced to purchase.

Sales Inspection Visits

Guests are invited to stay at a resort for a few days at a modest cost to “sample the luxury” etc.. The invitations are by advertisements in national papers and magazines as well as by direct mailing.

Trial Packs & Upgrades

Trial packs (less than 3 years use) evolved as a means of circumventing the Timeshare Directive but then further evolved into a two stage selling process.

Stage one is the sale of a low cost (around 5,000 Euro), 35 month timeshare membership but, before the purchaser gets the chance to try out the membership they are given a “free holiday” (stage 2) during which the salespeople laugh at the consumer “you won’t get anywhere with your trial membership” and pressure the sale of a much higher cost product (perhaps as high as 30,000 Euro) knowing that the consumer is already deeply entrenched in the scheme.

The few companies still actively marketing almost universally use this two stage sales tactic.

Switching products

Consumers have become pawns in a game played by traders, being switched from one product to another – at enormous cost – only for the consumer to find that the new product is equally as useless as the original. Many find themselves still owning two or more products and being pressurised by threats of legal action to continue with all of them. We are aware of consumers who originally bought a fixed week of timeshare, being induced to convert to a floating week and later to a points scheme and, in an attempt to extract themselves, bought into a holiday club – the total cost of all these mistakes exceeding 30,000 Euro for benefits that are readily available in the open market for under 3,000 Euro.

Cancellations

Where a right to rescind exists, cancellation rates vary from around 15% (at the honest end of the market) to over 75% . Some resorts are reporting 100% cancellations in a sales week.

Many holiday makers are now returning from a two-week holiday too late to be able to cancel under the UK 14 day period because of the increase in people taking extended holidays and being “caught” on their first day away. This creates a extra problem for those who take out loans to make the purchase where they find the lender robustly unsympathetic to any attempts at late cancellation.

Where no right to rescind exists (trial packs and holiday clubs) only the very toughest consumer gets away with cancelling as most traders have teams of aggressive sales people whose task it is to “hold in” a sale by any means available including intimidation, harassment and threats of legal action (including from dodgy lawyers). Although we have seldom heard of consumers actually taken to court for cancelling a purchase agreement – the threat is usually sufficient.

When a deposit has been (illegally) taken purchasers find it almost impossible to get the money back and feel constrained to continue with an unwanted contract as being a less worse option to losing the deposit.

Pricing

Prices paid to traders can differ by a factor of three. Whilst ‘supply and demand’ does play a part, it appears that aggressive selling techniques enable higher prices to be charged. For example, Club la Costa and Club la Dorada (un-related company’s) have high intensity selling operations which enable them to charge nearly twice the price of other traders – making a purchase from them even poorer value than normal.

Prices paid in the resale market (where a new purchaser buys from an out-going owner) are substantially lower than those paid to a trader. Trader prices are mostly in the 10000 - 40,000 Euro range for a week (or points equivalent) when exactly the same accommodation can be bought on the resale market (from owners getting out) for between 1,500 and 6,000 Euro.

Decline in timeshare ownership

Consumer confidence in timeshare is now so low that there is only one single natural buyer for every 450 owners trying to sell - TCA statistics 2007

The exact rate of de-population of mainstream timeshare is difficult to assess accurately

“Walk aways”

A confidential report by a timeshare group in 2005 admitted that the average “lossage” (owners refusing to pay annual fees and “walking away”) was 12%.

A further report (2006) suggested that walk aways annually accounted for 15% of a large group membership. Hapimag (the largest trader in Europe) admits to having some 20% of its members on a “want to get out” list.

The desire of owners to get out of timeshare is clearly shown by the ratio of demand for two of the TCA information sheets – “How to get out of timeshare” is requested by 450 owners for every single request for “How to buy timeshare”.

The main reasons for owners wanting out:-

- Age – no longer being able to travel
- Poverty – retired on fixed incomes and unable to pay the rapidly escalating annual fees
- Disenchantment – the product not living up to the salesman’s promises. Interestingly, over 10% of timeshare owners have never used their purchase having realised, too late to cancel, that it wasn’t what they were promised

A best guess at the current level of “walk aways” is 8% – 10% each year.

Reduction in new sales

New sales are now only a fraction of their 2000 levels. Sunterra (the largest UK based company) ceased primary marketing in 2006 because it was “uneconomic” and Hapimag sales in 2005 were 63% down on sales in 2000. Even OTE, in a rare burst of honesty, recently admitted that “UK sales are down between 20% and 40%”. It is estimated that new sales are now no more than 30,000 a year, equivalent to 2½% of the ownership population.

The downturn in sales activity is also affecting the “good guys” some of whom are struggling financially (see earlier reports for details) and are unwilling to make (further) investment in timeshare operations within the EU.

Resort Closures

As owner numbers decline, resorts are being progressively closed or partially closed. As the decline in timeshare ownership accelerates there is a move towards mixed use of resorts – condo-hotels - where the accommodation is used alternatively as hotel or timeshare according to weekly demand. Hoteteur (a subsidiary of a major Spanish company) is converting Airtours Beach Club, Gran Canaria, from a dedicated timeshare resort into a condo-hotel.

TCA have a list of 77 resorts which have recently closed or appear to be in the process of closing, equivalent to 7% of the total resorts in the EU in 2005.

Corporate Fraud

An industry with a history of ingrained dishonesty

It is common practice for a multiplicity of companies to be involved in a purchase – which is very confusing for consumers but even more confusing to the tax authorities as many are registered “off shore” in the Seychelles, Belize, British Virgin Isles, etc.. It has to be questioned why Club la Costa, for example, should need over 100 companies which makes it very difficult to identify their real trading performance and movement of funds.

Tax fraud

Companies routinely avoid paying taxes such as employment tax, sales tax, land registration tax and profits tax.

Examples:- Sunterra Europe admitted to an unpaid tax liability of \$13.4 million but said that the final figure may be substantially higher. The trustees in bankruptcy of John Palmer (convicted timeshare fraudster) have had to pay many millions of Euro to local and national Spanish authorities who hold a lien over the assets that the trustees are attempting to sell. And United Paradise Club, Tenerife are understood to have been threatened with closure by the local authorities if they failed to remit over 3 million Euro in unpaid tax. Whilst Palm Oasis, (Gran Canaria) have recently been indicted for 12 million Euro in unpaid local and national taxes.

Well informed sources believe that these examples are just the tip of the tax evasion iceberg.

Transfer of money outside the EU

Comprehensive investigations into a major fraud in the Canary Islands has uncovered the transfer of millions of Euro to jurisdictions outside the EU in order to avoid both sales and profits tax. There are indications that this practice is widespread throughout the industry and may be the prime reason traders operate companies based outside the EU. The best guess is that around 250 million Euro is lost to the EU economy each year by these illegal transfers.

Contribution to the EU economy

Of the 2, 500 million Euro taken from consumers each year by the timeshare industry:-

- 940 million is taken by fraud, providing consumers with absolutely no benefit and making only a marginal contribution to the EU economy. (Details later)
- 250 million is remitted outside the EU, not only resulting in a loss of tax but also a loss to the GDP
- leaving 1,300 million Euro to contribute to the EU economy

Organisation for Timeshare in Europe (“OTE”)

OTE influence within the industry is weak, ineffective and mis-directed

OTE is the 6th European trade body in the last 20 years and has failed to establish an environment for the healthy long term growth of the industry.

OTE boast that their Code of Ethics is a major benefit to consumers but, in reality, it is almost totally useless as a consumer protective scheme:-

- The Code only applies to a small fraction of traders in the industry. OTE has only 69 trade members out of an industry with around 750 companies. In 2001 OTE had 170 trade members.
- The content of the Code falls well short of what would be considered essential consumer protection. For example the Code provides for a 15 day cooling off period, which on the face of it, appears to be superior to the cooling off period provided by law, but refers to “delivery date” leaving the control of the cancellation in the hands of the trader, many of whom deny receiving a cancellation. And the Code does not ban the taking of a deposit.
- OTE routinely fail to enforce those parts of the Code that *do* provide some limited degree of consumer protection. ATCE members have copies of numerous consumer complaints to OTE which have not been satisfactorily resolved. Many of these complaints relate to frauds perpetrated by OTE members.
- The Code is not disclosed to consumers – potential or actual timeshare owners - making a nonsense of having a Code in the first place.
- The Code is not endorsed by the Office of Fair Trading , London

OTE appear dedicated to perpetuating those practices which have been the downfall of the industry and have consistently resisted attempts to introduce consumer protective legislation. With an un-stable management - 3 Chief Executives in last 4 years and a recent un-planned change of Chairman - OTE are now demonstrating their disinterest in consumer matters by:-

- withdrawing financial support for VOICE (their consumer advice service) which will close at the end of 2007 leaving only TATOC as its consumer facing body.
- dissolution of their Ethics Council
- the apparent process of dissolving their Consumer Council

In stark contrast, the US trade body, American Resort Developer Association (“ARDA”), which was formed in 1969, have enthusiastically encouraged effective consumer protective law believing that it would create consumer confidence and restrict the intrusion of rogue traders into the industry. A policy that appears to have worked.

The USA, with a smaller population than the EU, has a timeshare industry twice the size of the EU – and the USA industry is still growing at a rapid pace whilst the EU industry continues to decline.

CONSUMER PROBLEMS

Buying problems

“People marketing timeshares are slick. They are not afraid to lie, cheat or steal to make a sale” National journalist, December 2005

The classic problems that have been media fodder for the past 20 years still persist today, except that the techniques have become even more devious and sophisticated.

Sales misrepresentation still heads the list of buying problems for consumers.

Sales lies

Lies that do not find their way into the written Purchase Contract:-

- *“This is a good investment, you will get your money back when you come to sell”* which is untrue as most timeshare weeks are now worth only a fraction of their original purchase price. Many are worthless.
- *“Of course you can take you family on holiday in August”*. Yes ? But only if you are willing to share a bed with 9 other people you have never met before !!!
- *“Annual costs are limited to the level of inflation”*. Which is only true for a small number of the resorts – the majority have annual fee increases in the 7% to 10% range each year as traders milk owners.

Harassment

ATCE members have identified a major upsurge in reports of harassment, intimidation and threatening practices against consumers who refuse to buy or attempt to cancel.

Female consumers are being sworn at; males are being threatened with physical harm. A lady in her forties said that she had only been told to “f*ck off” twice in her life, both times by timeshare salesman when she said that she had no intention of buying his product .

Threats of legal action by a trader against a consumer are becoming common. In almost every case reported to ATCE it appears that the threats are only intended to extract payments from consumers without any real intention of taking legal action. In the miniscule number of cases where a court claim is issued, any statement of defence by the consumer results in the claim being dropped.

Complexity of documentation.

At one extreme purchasers in Sunterra and RCI points have to read, and fully digest, over 50 pages of closely printed legalities to understand the rules of membership and their obligations. Consumers are most unlikely to attempted this daunting task.

At the other extreme the paperwork provided by traders selling membership of holiday clubs is almost non-existent. The written contract says absolutely nothing about the benefits of membership - benefits which were fully claimed verbally and are the sole reasons for joining the club.

The failure to provide full details of the benefits of ownership *in writing* is the basis of most complaints about timeshare

Owning and Selling problems

Ownership has long been recognised by consumer organisations as a key area of consumer detriment, but only recently recognised as such by authorities. The principle causes of detriment are the failure of traders to provide “owners” with sufficient control over the quality and cost of their ownership in a democratic environment:.

Rapidly increasing annual costs.

“Theft on a Grand Scale” says TCA in its survey of annual costs

The small number of resorts under the full control of the timeshare owners themselves do not generate any complaints about annual fees which are based on the true costs of running the resort. But the 70% of resorts controlled by traders are the cause of major concerns by owners. Traders appear to be extracting payments out of owners grossly in excess of the actual cost of operating the resort. Many traders charge 200 Euro per week per year more than the true operating costs, which owners regard as corporate theft.

Numerous tricks now being used to improperly extract more money from owners:-

- Where utility costs (electricity etc.) were previously included in management fees, a separate utility charge is now being made and the actual management fees are only increased by a modest amount to give the appearance of a low level of increase – the reality is that the two charges combined now amount to a major increase.
- Traders claiming that the ‘sinking fund’ is insufficient and requires “topping up” with a single, large payment (“levy”). Levies have gone from being the exception to being the rule in some cases having effect of doubling the annual cost in one year - a nasty surprise to those owners on fixed incomes. Levies are now so established that one resort justified its reason for applying a levy as “everyone else is doing it”!
- Traders claiming exceptional costs (which the trader should properly be bearing) but which are charged to owners.
- Traders claiming without any proper justification that an old debt is due to them which has to be paid by the owners.
- Traders claiming that immediate repairs are required to keep the resort in good condition or to satisfy some (un-substantiated) requirement by health & safety authorities. And then closing down the resort having improved the accommodation and infra-structure at the owners expense,

The result of all these tricks has been to increase annual ownership costs two to three times faster than inflation. Two leading companies – Sunterra and Club la Costa – have increased their fees by more than 2 ½ times the rate of inflation over the last nine year period.

Typical averaged ownership costs for a single week for use each year (or points equivalent)

- annual fees - 500 Euro (Range 250 – 1,000)
- exchange membership – 80 Euro
- exchange use - 170 Euro

TOTAL annual cost 750 Euro

[No allowance has been made for the loss of interest on the original capital purchase nor the large loss that would be made on an eventual sale]

But averages hide massive variations. Some smaller resorts have only increased fees by 5% over a whole 10 year period when others, mainly those controlled by the larger traders, have increased by over 200% (ie. by a factor of three). One resort has never increased its fees in a 10 year period and another actually reduced the fees following the take-over of the resort by the owners from a rapacious trader (Macdonald Hotels & Resorts)

With accommodation in many resorts now being offered for rental to the general public it is common for timeshare owners - who may have paid 750 Euro to use a week - to find their next door neighbour on holiday having rented identical accommodation for only 300 Euro. Owners are angry that they were promised exclusive use of the accommodation and now find that anyone can use it at a much lower cost.

Lack of availability

Following the development of “floating weeks” and “points clubs” (which require the owner to book use each year) there has been a major increase in complaints from owners complaining that they cannot get the time period they want or were promised. This mis-selling is expected to be the grounds for a number court cases as owners seek compensation.

Secondary market prices

40% of all timeshares owned by consumers are now worthless in the open market

Purchasers are not made aware at the time of purchasing that the value of their purchase will instantly collapse – sometimes to NIL. Had they known most would not have bought..

The TCA rolling survey of resale prices show that prices have declined overall but that premium resorts/weeks/apartments are still holding their price reasonably well. But the large number of resort/week/apartment combinations that are now totally un-saleable (and therefore worthless) is symptomatic of the overall decline of the industry.

This decline is clearly demonstrated by the change in second-hand value of Club Sunterra points which were trading in the range 35 -50 cents in 2004 but by late 2007 were trading in the 5 - 10 cent range with many sellers offering them “free to a good home”. The original purchase prices were in the range 200 - 280 cents per point.

eBay carries a few invitations to bid for European timeshare weeks. A survey in October 2007 showed 75 weeks on offer of which 8 had received bids, the highest being 150 Euro for a high season week in a top quality resort in Spain. The original owner would have paid over 12,000 Euro.

The “Millstone” of ownership

Caught in a trap between a worthless timeshare and an aggressive management company demanding payment of ever increasing fees, owners have nowhere to turn.

Many owners fall victims to the resale fraud, paying hundreds or thousands of Euro to a company that promises to sell their timeshare for as much as they paid for it – most owners are completely ignorant of the true market price having been told by the salesman many years earlier that it was a good investment.

Others fall prey to the holiday club marketers offering to ‘rescue’ them from their unwanted timeshares

There are at least 20 resort groups threatening to take owners to court for non-payment of annual fees. Most of these owners have attempted to sell their ownership without success and those who have been taken to court find themselves with millstone round their necks for the rest of their lives - and perhaps the lives of their children also.

Resort Closures

Owners are being left “homeless” as a result of resort closures - although some resorts have converted to mixed use (condo-hotels) where accommodation not used by timeshare owners is rented to casual visitors, The legal structure of each of these resorts gives the appearance of providing certainty of occupancy for the full period of the contract, but traders have found ways to reduce owner numbers to a point where the resort is no longer financially viable as timeshare – creating the perfect excuse for closure.

Resorts that have closed are now being utilised for hotel, rental or outright sale of holiday homes which is much more profitable to a trader than continuing to run then as timeshare resort. In one case, Lanzarote Beach Club, a group of 500 Anglo/French ex-owners have launched a criminal case in the Lanzarote courts at their own expense to seek compensation for their enforced removal by the trader.

Other resorts are in the process of partial closure with sections/phases of the resort being removed from timeshare use and owners being transferred to other parts of the resort or even another resort in the same group.

Frauds and Scams on consumers

<p>38 cents out of every single Euro paid by consumers fails to provide them with any benefits whatsoever.</p>

Holiday clubs The Office of Fair Trading estimated that UK citizens paid 1.65 billion Euro last year to join a worthless holiday club, a figure which we consider to be over-stated. Our own calculations suggest the figure for the whole of the EU is around 400 million Euro annually.

Resale fraud, (50 million Euro annually) where timeshare owners are persuaded to part with money to a company claiming to have sold their timeshare (usually for a price 10 times greater than the true market price). But no sale takes place. Whilst the average amount stolen from consumers is around 1,000 Euro, the large number of owners who have been caught – possibly over 25% of all owners – make the fraud substantial in real terms.

Investment (& Rental) frauds (30 million Euro annually) . Consumers are induced into buying a number of timeshare weeks as an “investment” to generate a profit on later sale. This later sale never happens leaving the investor stuck with many unwanted timeshare weeks on which he is obliged to pay the annual fees or lose the whole of the investment. The average value of each investment is marginally over 20,000 Euro and the highest 260,000 Euro.

Cash Back Fraud (85 million Euro annually) Routinely used by holiday club marketers promising “all your money back in 3 years” – a promise that has never been known to materialise.

Frauds on owners Estimated to extract 280 million Euro from owners each year mainly through false accounting of resort costs. (see page 13)

Mis-selling and excessive prices fraud. It is difficult to calculate the consumer loss because of the rapid decline in selling activity over the last few years. But best estimates are that consumers paid at least 200 million Euro more each year for the product than the established open market price.

Other frauds account for a total of 20 million Euro annually – typically the Buy/Sell fraud and Free holiday fraud.

The total value of frauds within the industry is just under 1 billion Euro annually, equivalent to 38% of the gross annual amount taken from consumers.

The resolved number of companies on internet black lists now exceeds 2,000

Complaints to ATCE members during 2007. (Worst at the top by volume of complaints)

ETOO Gibraltar/Spain (claimed resale broker):-

- Obtaining money by fraud from timeshare owners – resale fraud.

Marketing companies for Timelinx Group Spain (holiday club):-

- Obtaining money by deception
- Very aggressive ‘debt’ collection methods

Club la Costa, Spain (leading timeshare operator, member of OTE):-

- Aggressive and misleading sales practices
- breaking the Spanish law
- excessive annual costs
- breaking the OTE Code of Ethics

Resort Properties, Tenerife & Malta (leading timeshare operator, member of OTE) :-

- systematic fraudulent selling of timeshare as a financial investment
- routinely breaking the Maltese timeshare law
- routinely breaking the UK timeshare law (for UK citizens)
- routinely breaking the OTE Code of Ethics

Club Greece, Cyprus & Greece (timeshare operator, member of OTE):-

- aggressive and misleading sales practices
- routinely breaking the UK timeshare law (for UK citizens)
- routinely breaking the OTE Code of Ethics

Marketing companies for Club Class Concierge (bogus holiday club, sister company to ETOO)

- Obtaining money by deception
- Aggressive “debt” collecting practices

Sunterra, UK (Leading timeshare operator)

- systematic mis-selling
- excessive annual costs

Regency Resorts, Tenerife:- (timeshare operator, member of OTE)

- fraudulent selling of timeshare as a financial investment
- breaking the OTE Code of Ethics

Club la Dorada, Majorca (timeshare operator)

- fraudulent selling of timeshare as a financial investment

Petchey Leisure Spain & Portugal (leading timeshare operator, member of OTE)

- mis-selling

Clydesdale Financial Services, Scotland (consumer lender in the timeshare industry)

- collusion in fraudulent sales
- collusion in mis-selling

Anfi Sales, Gran Canaria (leading timeshare operator, member of OTE):-

- breaking the UK timeshare law (for UK citizens)
- breaking the OTE Code of Ethics

United Paradise Club Tenerife (Timeshare operator, member of OTE)

- excessive annual fees
- enforced resort closure

GE Money Consumer Lending, England (major consumer lender in the timeshare industry, member of OTE)

- collusion in mis-selling practices
- irresponsible lending
- aggressive ‘debt’ collection practices

The worst traders generate over 15 complaints each week, the least worst more than 2 complaint a week out of a total number of complaints to ATCE of around 250 week.

Large companies who generate least complaints to ATCE

Not all companies generate consumer complaints – the following have not generated a single complaint to ATCE during the last 12 months. [It can be done !]

- de Vere Hotels and Resorts , UK (timeshare operator, member of OTE)
- Holiday Property Bond , UK (leading timeshare operator)
- Interval International European branch of US company (leading timeshare exchange company, member of OTE)
- Marriott Vacation Club , European branch of US company (timeshare operator, member of OTE)

In addition to these “good guys” there is a respectable number of smaller operators who also fail to generate any complaints. However, the ratio of “bad guys” to “good guys” is well above that which would be considered acceptable within a responsible industry – the highest regarded companies (Marriott, Hilton and de Vere) only represent under the 5% of the total industry business.

Law enforcement

Enforcement of the criminal law in Spain is almost non-existent (corruption is suspected) and is not much better in the main Northern European states where complaints about frauds and scams are routinely ignored by enforcement bodies.

In the absence of proper enforcement the timeshare consumer organisations in Europe are leading actions on behalf of consumers. In Germany many of the industry rogues are routinely taken to regional courts to obtain compensation for victims. In France a long running series of court actions has been successfully concluded in respect of Clube Systeme Vacances and a joint operation between France and the UK has started criminal proceedings in respect of the Lanzarote Beach Club. In the UK a court order for John Palmer to pay compensation to his victims was successfully obtained.

CONCLUSION

The future of the timeshare industry in Europe rests in the hands of the traders who need to recognise that the days of the ‘quick buck’ are over and they now need to work to a responsible business model.

Their first objective must be a long term plan to reverse the downward trend in sales, profits and ownership which will involve dramatic changes in trade practices.

Key to this reversal process must be the recovery of consumer confidence in which they should be helped by improved consumer protective laws – provided that the industry treat the new laws as a marketing tool and not a further challenge to their circumventory skills.

Whilst the prospect of a trade body providing a realistic self-regulatory scheme is remote it is nevertheless a worthwhile exercise which would enable traders to concentrate on those issues essential for their survival. And a widely promoted self-regulatory scheme would make it easier to drive the rogues out of the industry.

If positive action is taken quickly then the timeshare industry in Europe should again become a respectable industry making a valuable contribution to the EU economy

Timeshare Resorts & Ownership in Europe (December 2005)

COUNTRY	RESORTS	UNITS	OWNERS by RESORT - '000's	OWNERS by RESIDENCE - '000's
<i>see NOTES</i>	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>
Austria	42	2520	51	30
Belgium	3	120	2	20
Channel Isles	1	40	1	0
Croatia	2	70	1	0
Cyprus	13	520	9	1
Czech Republic	7	320	6	15
Denmark	14	420	9	5
Finland	38	1900	32	50
France	130	8190	166	100
Germany	28	1620	31	230
Greece	49	2450	36	40
Hungary	16	910	16	40
Iceland	1	20	1	0
Ireland	10	100	2	10
Isle of Man	1	40	1	0
Italy	181	12490	242	100
Malta	25	1750	21	10
Netherlands	3	260	6	20
Poland	2	70	1	20
Portugal	92	5700	114	20
Spain	327	22890	396	70
Sweden	15	900	18	20
United Kingdom	121	4240	89	420
Total EU	1121	67540	1254	1221
Norway	4	160	3	15
Switzerland	29	1450	35	30
Turkey	1	60	2	8
Rest of World (Owners)				20
Total non-EU	34	1670	40	73
TOTAL EUROPE	1155	69210	1294	1294

NOTES:-

1. Number of resorts - accuracy +/- 0.5%
2. Number of Units of Accommodation - accuracy +/- 1.5%
3. Number of Owners (thousands) by country of ownership - accuracy +/- 4%
4. Number of Owners (thousands) by country of residence - accuracy by country +/- 7.5%