

## TUVALU AND THE LEADERS OF THE WORLD – A PHILATELIC SCANDAL

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*Although this article is written based on the legal proceedings initiated by the government of Tuvalu, stamps of other countries were also involved, including Gibraltar, the Republic of Kiribati, Saint Kitts-Nevis, Saint Vincent and the Grenadines, Montserrat, the Virgin Islands, and St. Lucia.*



The Tuvalu Philatelic Bureau was established in December 1975, shortly after legal separation of the Ellice Islands from the Gilbert and Ellice Islands Colony, which occurred two months earlier. The first postage stamps of the new colony, renamed to Tuvalu, were to be released on January 1<sup>st</sup>, 1976. This was the date that full administrative autonomy would be transferred to the capital, Funafuti.

Earlier in 1975, a British firm called Philatelists Limited approached the soon-to-be administrators of the new colony and were able to secure a contractual agreement whereby they would undertake the management of the Bureau and help with stamp subject issues. This firm already had a similar contract with the government of St. Vincent in the West Indies, which was a successful venture at the time.

Philatelists Limited had been aggressively approaching smaller countries with the offer of establishing a philatelic service, complete with staff training and recommendation on “wise” policies, recommended stamp issues, and staff training. For this service the company might typically receive 25% of the gross sales or ask a 20% shareholding in a Government Controlled Limited Liability Company specifically set up to run a Bureau on commercial lines. The only additional charge was in respect of the salary, travel and accommodation expenses of a trained Bureau Manager whom they could provide. Philatelists Ltd. could provide all capital required to set up and equip a Bureau and then be reimbursed as a first charge on subsequent profits.

In 1976, printing of Tuvalu’s stamps was contracted out to the Crown Agents of London, responsible for similar tasks for many other colonies for well over 100 years. However, with the first stamp issue in 1977, Philatelists Limited also took over control of the designing and printing of all issues. In effect, they gained complete control of the production of Tuvaluan postage stamps, once a new issue had been approved by the Tuvalu Stamp Advisory Committee. No doubt they had considerable influence on the stamp subjects, especially given the obvious lack of philatelic knowledge by the government of the new colony of Tuvalu.

In 1980, the firm's name was changed to Philatelists (1980) Limited, under the control of Ronald Grover of England.

On December 19, 1983, Tuvalu undertook a contract with Philatelic Ltd. and Philatelist Caribbean Ltd. and those companies acquired the rights to produce and distribute Tuvalu stamps. Participating in the program for the series, Leaders of the World (LOW), Tuvalu released Locomotives, Part 1, on February 29, 1984. This issue consisted of 4 values, see tenant (8 stamps) and during that year alone a total of 24 sets consisting of 246 stamps were issued in the LOW programme. Dates of contracts and their details are not known.

On January 15, 1987, receivers were appointed at Philatelist which were thought to have £20 million of LOW unsold stock. Issue No. 13 of this magazine reported the Tuvalu Government appointed a UK solicitor to purchase and dispose of all stock of Tuvalu stamps and that printers were paid directly for these. Format International Security Printers, Ltd. was also in financial difficulties through their association with the LOW issues and Clive Feigenbaum acquired 60% of the shares.

Also in January 1987 the London and New York International Stamp Company Ltd. (LYNI) and Philatelic Distribution Corporation Ltd. (PDC) paid £300,000 for the right to reprint certain stamps whether reprinting was subject to the Tuvalu Government giving consent is not certain.

The Government of Tuvalu entered into a contract with Philatelic Distribution Corporation Ltd. (PDC) in June 1987. PDC under a further agreement purchased from the Tuvalu government some 16 million stamps for £65,000. Over 2 million were alleged to be flawed.

A further contract, which was to give rise to litigation, was made on the 17<sup>th</sup> of October 1987 between PDC and Tuvalu. Tuvalu gave PDC strictly defined rights to design, produce, sell and distribute thematic stamps for Tuvalu and its Islands. Clauses in this contract required stamps to be produced "under the supervision of PDC by a security printers acceptable to the government" and required PDC to "uphold the integrity of the Government". PDC used the printers, Format International Security Printers, Ltd.

By March 1988, the Tuvalu Government suspected this contract was being breached. They were concerned about advertisements which offered flawed Tuvalu stamps. During a series of communications with Clive Feigenbaum at PDC, Tuvalu were misled about the relationship between PDC and Format; nor were they informed that Format had been instructed to print a substantial quantity of flawed stamps. Instead, Tuvalu was told that Format were extremely reliable and made every effort to minimize the risk of errors during printing. However, the Tuvalu Government made it clear that Format were not to be used as printers but PDC continued to give orders to Format.

On the 3<sup>rd</sup> of March, the Tuvalu Government terminated the contract of the 7<sup>th</sup> of October, 1987. They also sought and were granted injunctions restraining any production or dealing in material bearing the name of Tuvalu or the use of printing materials. The 'ordered material' were described as:

*"all and any stamps or other articles of Philately and all plates dies artwork materials and other goods....bearing the name of Tuvalu or any of its islands and produced by or for or at the direction or at the direction of any of the Defendants."*

Variations to this order were agreed. March 7<sup>th</sup>, Mr. Fred Hughes, on behalf of Format, undertook not to use any ordered materials including a number of plates locked away on their premises. On April 25<sup>th</sup>, Mr. Roger Apsley, stock controller of PDC, Mr. Allan Hayward, financial adviser and controller of the group of companies, Mr. Clive Feigenbaum and LYNI undertook not to dispose of or remove or tamper with ordered materials with the exception of certain authorized and unflawed stamps. Feigenbaum stressed the losses that might be made without these variations. (For example, LYNI would suffer a loss of £465,000 and be liable to pay compensation to its customers).

Meanwhile, on the 18<sup>th</sup> of April, an employee of PDC gave an order to Format to print Tuvalu stamps and Format complied. In accordance with the then existing arrangements with PDC, Format was required to print approximately 21,000 sets of unflawed stamps and 14,000 sets of flawed stamps, a total order of almost 4 million stamps with a rough

value of £2 million. This was essentially a repeat of an order made prior to any court proceedings. In addition, the marketing manager of Philatelic Collections, Ltd. had placed an order for album pages for Tuvalu stamps. Breaches continued until the beginning of May, 1989.

On April 27 1988, Scotland Yard Fraud Squad together with officers of the Gibraltar Fraud Squad executed a search warrant at Format's premises where Detective Constable Faulds saw a substantial quantity of Tuvalu stamps which had just been printed. On May 14<sup>th</sup>, they removed thousands of stamps bearing the name of Tuvalu as well as other material.

In July, 1989, Mr. Feigenbaum, as Chairman and Managing Director of PDC was held guilty of contempt of the court in breaching the order made on 3 March, 1989 and was committed to prison for three months and fined £3,000. F. Hughes, Managing Director of Format and Roger Apsy, Stock Controller of PDC, were given suspended sentences and fines of £750. They were ordered to pay costs on an indemnity basis.

Clive Feigenbaum appealed and on the 20<sup>th</sup> of October, 1989, the Judge of the Court of Appeal "felt the imposition of a prison sentence a very grave punishment" in view of Mr. Feigenbaum's 'good record and character'. The sentence of three months imprisonment was quashed and there was no order for costs.

### **The Philatelic Exporter, Editor and Publisher Graham R. Phillips, June 1992, Pg. 4-5**

As a result of Scotland Yard's investigation, eight members of the Philatelic trade were arraigned at Bow Street Magistrate's Court on November 28, 1990. On June 12, 1991 they were committed on bail to stand trial. That trial began April 27, 1992 at Southwark Crown Court.

### **Six companies involved**

The defendants are involved with the following companies:

- **Format International Security Printers**, founded and run by Peeling and Hughes, until Feigenbaum took it over and employed Wallen in March 1989
- **Philatelists Ltd**, the philatelic agents established by Grover which went into liquidation
- **Philatelic Distribution Corporation Ltd. (PDC)**, which succeeded Philatelists Ltd as agents, the principals of which were Feigenbaum, Lagerwaard, and Wallen before he was moved to Format
- **Urch Harris & Co. Ltd. (UH)**, owned by Feigenbaum's family was to have been the principal retail outlet for the 'errors'. Also involved were Lagerwaard Grover, and Pillinger
- **London and New York International Stamp Company Ltd. (LNYI)** also owned by Feigenbaum's family, was another outlet for the bogus stamps
- **Casco Ltd. (later Caphco Ltd. after privatization)**, of which John Smith was managing director, philatelic agents to Commonwealth countries.

The trial began on April 27 at Southwark Crown Court (London) of eight men charged with fraud and conspiracy concerning the alleged production of certain issues of Commonwealth countries' postage stamps during the mid to late 1890s. Had the fraud been allowed to succeed, the prosecution, led by Mr. Michael Worsley QC, alleges the millions of pounds would have been involved. The errors included missing colours, misplaced watermarks, imports, etc and were to have been gradually sold to the public as 'rarities'.

The start of the case was delayed whilst the 18 barristers and their reams of paper were found room in the crowded court. The trial is expected to last three or four months.

### **The Defendants and the Charges**

- **Clive Feigenbaum** (51), Mount Park Road, Harrow-on-Hill, Middlesex: one charge of fraudulent trading, three of conspiring to use a false instrument, and three of conspiracy to defraud.
- **Ronald Grover** (56), Lodge Road, Beulieu, Hampshire: one charge of aiding and abetting fraudulent trading, one of conspiring to use a false instrument, and one of conspiring to defraud.
- **Frederick Hughes** (69), Downs Road, Thornton Heath, Surrey: one charge of fraudulent trading, two of conspiring to use a false instrument, and two of conspiring to defraud.
- **Aart Lagerwaard** (44), Cranberry Close, Marchwood, Southampton: one charge of aiding and abetting fraudulent trading, two of conspiring to use false instrument, and two of conspiring to defraud.
- **William Peeling** (69), Northdown Road, Woldingham, Surrey: one charge of fraudulent trading.
- **Brian Pillinger** (51), Over Lane, Over Almondsbury, Bristol.
- **John Smith** (38), Canford Gardens, New Malden, Surrey.
- **Ronald Walden** (44), Allington Lane, West End, Southampton.

Each of the last three named face one charge of aiding and abetting fraudulent trading, one of conspiring to use a false instrument, and one of conspiring to defraud.

The offences are alleged to have taken place on dates between October 1 1985 and July 29 1989.

Peeling has admitted his one charge and will be sentenced at the end of the trial.

The others have pleaded not guilty to all charges.

### “Funnies”

Outlining the prosecution’s case against the defendants, Mr. Worsley told the jury that it concerned the deliberate production of postage stamps with errors which were then sold to collectors who believed they were rare examples which had occurred by accident.

He said that the defendants were some of the principal people concerned, and that a number of other people were involved, some guiltily and some innocently, but so many that a courtroom would not be big enough to hold them. The Crown had limited the number they charged and endeavored to put in the dock those principally involved at the top of the tree.

“Bogus stamps were printed wholesale” Mr. Worsley said, “It was an Alice in Wonderland situation that checkers in a security printers who were supposed to be checking stamps were being employed and paid to make sure the errors occurred. It is a Cloud Cuckooland situation”.

The stamps, referred to as ‘funnies’ and ‘Mickey Mouse stamps’, included Andrew and Sarah’s wedding and the Queen’s 60<sup>th</sup> birthday. Others included a St. Vincent tennis stamp with a missing ball; the actual printing plate of which had been found at Format.

Mr. Worsley said it was quite inconceivable that the colonial governments had ordered such errors, as had been claimed by the defendants. The bogus stamps had been ordered by the agencies, he stated.

### Police Raids

The first of a series of police raids took place in April 1989 when Format’s premises at Camberwell were searched and a stack of about 44,000 St. Lucia stamps with misperfs and missing colours was discovered, which Hughes said were awaiting destruction. But another employee told police they were being sent to PDC. Hughes was arrested later that day and on being interviewed he told police he was merely following the system adopted by Peeling, whom he had replaced at Format.

On May 9 1989 it is alleged that a special meeting chaired by Feigenbaum, described by the prosecution as the “prime mover” in the fraud, took place at Urch Harris. After this meeting important documents were shredded and following a police raid on a south London warehouse 91 boxes of stamps were also shredded.

On May 10, police visited Caphco in Sutton and arrested John Smith. On being shown a quantity of Pitcairn Is stamps

with inverted watermarks he is claimed to have accepted that they were deliberately produced to promote the interests of the islands but were sold at face value, mainly to Urch Harris, to boost the shrinking collector market.

In February 1990 property was seized by police from Urch Harris and Philatelic Distribution Corporation, and a large quantity of stamps was found at LNY's warehouse in Stratford, east London. Feigenbaum was arrested at his home, where bogus stamps were found in his study. He said LNY was owned by his family, UH was a subsidiary with no other shareholders, and he was the managing director of PDC.

“Right at the center of the group of related people and companies was Mr. Feigenbaum in a position of control. Wherever you look you find him - something more than a coincidence” Mr. Worsley told the court.

On May 3 1990 Wallen was arrested and said he was the stamp production manager at PDC firstly under Lagerwaard and then Feigenbaum. He transferred to Format in March 1989. The same day Grover and Lagerwaard were arrested. The latter said he worked in various capacities at UH and philatelists, and became a director of UH in 1987. He also said “specials” were created to boost sales.

### “Errors to order”

The first prosecution witness to be called was William Peeling, who had earlier pleaded guilty to one charge of fraudulent trading.

70 year old Peeling described himself as a craftsman, having worked in stamp production since he was 14. He had set up Format in 1969 with three others, all directors and equal shareholders, including Hughes one of the defendants. In April 1988, he told the Court, he was summoned to the director's office by Hughes who told him his services were no longer needed and that Hughes was replacing him as managing director. He added angrily that he left the company instantly and that he was forced to sell his shareholding in Format and another company he had helped to found, Caldew Colour Plates, to Feigenbaum.

“We did nothing unless it was ordered” he said referring to the flawed stamps, which were passed to Philatelists and then PDC. He recalled working with Grover at Philatelists producing stamps for islands with “so many weird names”. His first meeting with Feigenbaum was in March 1987 when the latter became owner of PDC.

On his second day in the witness box Peeling told the Court of the “burden” that the deliberately produced errors had become to his two companies. Format and Caldew, saying “I felt it was wrong, it was obviously wrong, I kept those feeling to myself.” Whenever printing contracts were placed by Philatelists and PDC deliberate variations were always ordered, but on the rare occasions when Format dealt directly with a postal administration no such mistakes were asked for.

In 1985 Format got into financial problems because of the collapse of Philatelists. A promised £100,000 from Feigenbaum to relieve the pressure never materialized, and by the time Peeling left the company in 1987 its finances were in a poor state, although it was waiting for a £900,000 payment from an unconnected American firm.

Cross examined by counsel for Lagerwaard, Peeling said that as the main person who dealt with Format's clients, he had the impression that both Feigenbaum and Grover were dynamic and convincing”.

In 1983 when Format's relationship with Philatelists first began Peeling was shown a contract which gave him the impression that Grover had a license to print varieties.

Early in 1987 Peeling said he saw a contract between Feigenbaum and Grover to “satisfy he had purchased the rights from Mr. Grover to reprint. It contained exclusion clauses from overseas countries saying there should never be a reprint.”

“It did disturb me that my reaction was not to refuse. I must have had a blank at the time”. He added.

As we closed for press (May 11), Peeling completed his fifth day in the witness box. The case continues.

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**From The Philatelic Exporter, Editor and Publisher Graham R. Phillips, July 1992, Pg. 3**

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**“Deliberate Errors” trial continues**

Southwark Crown Court has been hearing further prosecution evidence in the “deliberate errors” stamp fraud trial which began on April 27. In last month’s *Exporter* William Peeling’s evidence was reported.

Det. Con. Ronald Faulds, Scotland Fraud Squad, told of interviews with Frederick Hughes, in which Hughes had described how Format’s financial situation had deteriorated following the collapse of Philatelists Ltd., the takeover by Feigenbaum, and the loss of some business because of previous Fraud Squad investigations. Hughes said he was reduced to “Jack if everything” and that Format was continually kept short of money by Feigenbaum. Eventually, in mid-1989, Format was forced into liquidation with debts of £270,000. Because of the inter-relationship between several of the companies involved, Feigenbaum, owner of Format, was also the main creditor of the firm.

**“No one supported Feigenbaum”**

Evidence given in an interview by Aart Lagerwaard was read to the Court, which hears of “violent and heated arguments”, and punches and tea being thrown by Lagerwaard at Feigenbaum when the former, at the time managing director of Philatelic Distribution, had discovered that errors were being deliberately printed and distributed through PDC and another Feigenbaum company, Urch Harris.

Lagerwaard had warned the Tuvalu postal administration that deliberate errors and varieties were being produced contrary to the terms of their contract. He had threatened to go to the police and had consulted solicitors because he was “alarmed at what was going on”. He further stated that no one at PDC supported Feigenbaum but as they had to pay their mortgages, apathy forced them to accept “misleading the public”.

Lagerwaard had joined PDC as managing director in February 1987, having been with Philatelists Ltd. since January 1984. When Philatelists crashed PDC was formed by Feigenbaum to take over its stamp agency contracts. Lagerwaard said he had wanted to stay on to gather information. Eventually in January 1988, he left PDC because “he was not to be trusted”.

Even though PDC was a successful operation it was constantly short of funds because “Feigenbaum was always in need of ready cash...money was siphoned off”. Sometimes, Lagerwaard stated, he had to pay bills out of his own pocket because PDC cheques kept bouncing.

During his time at Philatelists, under Ronald Grover, progressive proofs of St. Vincent Locomotives were sold to the public at highly inflated prices because “only 250 were printed”. Infact 3000 had been sold.

Ronald Wallen, arrested at the same time as Lagerwaard in May 1990, said in an interview with the police that inverts of the Queen’s 60<sup>th</sup> birthday had been produced. He told officers that Feigenbaum was a brow-beating chairman who had announced that “it’s about time we had a new variety”.

When we closed for press the prosecution continued to present its case. The trial is expected to last for several more weeks.

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**From The Philatelic Exporter, Editor and Publisher Graham R. Phillips, August 1991, Pg. 3**

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**EIGHT CLEARED OF “DELIBERATE ERRORS” FRAUD**

The eight men charged with various offences relating to deliberately produced stamp errors and varieties have been cleared of all charges.

The trial at Southwark Crown Court, London, which has begun on April 27, ended on July 16 when Clive Feigenbaum was acquitted of one charge of fraudulent trading.

On June 30, six other defendants - Ronald Grover, Frederick Hughes, Aart Lagerwaard, Brian Pillinger, John Smith, and Ronald Wallen had been found not guilty on the direction of Judge Eugene Cotran. All but one of the charges against Clive Feigenbaum were dropped when no evidence was offered by the prosecution. The eighth defendant, William Peeling, had earlier pleaded guilty but was allowed to reverse his plea and was then also discharged after no evidence was offered against him.

The Judge told the six acquitted men that "You should not feel in any way that this prosecution has blotted any of your characters". Addressing John Smith personally, Judge Cotran said that he hoped most sincerely that he would be reinstated in his position as head of the Crown Agents Stamp Bureau. All were awarded costs.

The acquittals left just Clive Feigenbaum to answer the one remaining charge of fraudulent trading in stamps with deliberate imperfections between April 1988 and July 1989.

He told the Court that he saw nothing wrong in what he had been doing, and still does not. He explained that the major points concerning stamp varieties were the price and description. He agreed with the Judge that, of course, rarity was also an important factor. A famous stamp with an aeroplane printed upside down on it would have been worth exactly the same whether the mistake had been deliberate or not, he claimed. He said he never really considered whether an error was deliberate, "either way, it frankly does not matter. It would make exactly the same price".

When advertising the errors and varieties he said he had always attempted to be prudent and reasonable in the descriptions. Some errors and varieties had been advertised without his knowledge as genuinely rare errors.

He said he was being accused of fraud for selling stamp varieties but varieties had existed since the very first Penny Black.

He claimed that contracts giving him authority to produce stamps for certain Commonwealth territories also allowed him to produce varieties and reprints to meet collector demand. During the trial Judge Cotran had made it clear to the jury that the production of errors and varieties was not in itself illegal. The offence occurred when they were sold as if produced accidentally.

Clive Feigenbaum suggested that the prosecution had confused his "open contracts" with colonial governments, which allowed reprints and varieties, with those that the Crown Agents negotiated with their principals, which did not. He maintained that 'revolutions' in the stamp trade had allowed these 'open contacts'.

The 'not guilty' verdict came after four hours deliberation by the jury members, who were gratefully and enthusiastically thanked by Mr. Feigenbaum, who himself had been thanked by Judge Cotran for his "Patience with us but the verdict of the jury has vindicated your stand."