

Putin's Regime Stole My Apartment

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One of Russia's largest fraud schemes over the past 10 years has affected 70,000 homebuyers who were cheated out of their investments after the developer vanished or declared bankruptcy.

The overwhelming majority of the victims were middle-class Russians who bought apartments during the early stages of construction because this is the only way to purchase a new apartment at a relatively affordable price. In addition, because of the high demand for apartments in new buildings, buyers have to purchase early because in most cases, all of the apartments are sold out far before the building is completed.

To make matters worse, there are few legal alternatives for investors to recover their investment. In the summer, Prime Minister Vladimir Putin ordered his subordinates to resolve this problem by mid-2012, but this is unlikely because of the huge scope of the problem, as well as the resistance by bureaucrats who get a share of the profits from these fraudulent schemes.

I was a victim in a typical fraud case. I joined 57 other homebuyers in investing our life savings in apartments with an average price of about \$90,000 in a project located in northwest Moscow. The development company took the money when the foundation was laid but stopped construction shortly after all the apartments were sold.

After one year of bickering and futile attempts to get our money back, we sued the developer. According to the contract, we were eligible to get our investment back and receive an additional compensation because the developer violated the terms of the contract.

Then, we were told that the construction of the incompleting apartment building would be taken over by a state-controlled nonprofit company that was supposed to honor the investments of the homebuyers. We were invited to the local municipal government office for a meeting with officials. When we arrived, we were given a pledge that the apartment building would be built to completion. The only requirement was that the homebuyers would have to drop all legal cases against the original developer.

After six years of endless legal fights with the Moscow government and the original developer, we have neither moved into our apartments nor have we retrieved our investments back. It turned out that the state-appointed company has sold our apartments to another state nonprofit organization, which in turn sold them to a third company that further sold them to other people.

There is no lack of legislation in Russia that is supposed to protect homebuyers against fraud, nor is there a shortage of supervising agencies that are supposed to regulate and control how residential real estate is bought and sold. There are three federal laws in addition to the Civic Code that stipulate the rights and obligations of homebuyers and developers.

In addition, there is also a Federal Service of State Registration, Land Registration and Mapping that is supposed to be a protection against multiple sales of the same apartment, one of the most popular forms of real estate fraud.

On paper, there are more than enough resources to protect homebuyers, but the number of cheated investors continues to grow every year.

There are three major reasons why it is so hard to fight the corruption in this segment.

First, fraudulent developers share a portion of what they stole from homebuyers with the authorities who are supposed to protect these homebuyers.

Second, there is a lack of transparency and accountability among local governments to federal authorities and thus federal legislation to protect homebuyers is difficult to enforce.

Third, because of the huge volume of fraudulent cases, it takes years for the federal government to even review complaints from cheated homebuyers.

Victims of these fraudulent schemes have created their own website, Odnodolshiki.ru, where they share their examples of fraud and publish the names of government officials who are suspected of dragging their feet or accepting bribes to make sure the corrupt builders are not investigated or prosecuted. They have also been among the first groups of people who have staged demonstrations against the government over the past few years.

Cheated homebuyers make up a large constituency that voted against the ruling United Russia party during State Duma elections on Dec. 4. In the Tushinsky district of Moscow, known for its large number of cases of fraud from corrupt residential real estate developers, United Russia received some of Moscow's worst results, which is a direct reflection of voters' disgust with the local government.

In the protest rallies on Bolotnaya Ploshchad and Prospekt Akademika Sakharova cheated homebuyers turned out in large numbers with their banners and placards.

Putin has made a personal commitment to restore the rule of law to protect homebuyers and to make sure that those who lost their life savings because of fraud are compensated. He has not lived up to his promises. The 70,000 swindled homebuyers will certainly use the March 4 election as an opportunity to join millions of other Russians in expressing their discontent with Putin at the ballot box.

Gennady German is a cheated homebuyer, who is currently seeking remunerations for his losses.

The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

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