



Grant Thornton

An instinct for growth™

# Revealed: The largest Ponzi scheme the world has ever seen

Judgment was handed down today by the Cayman Court in favour of the Liquidators of Saad Investments Company Limited (SICL) in a case that will become known for the revelation of the largest Ponzi scheme the world has ever seen. The Court found that members of a Saudi family, the Al-Gosaibis, together with another Kuwaiti born individual, Maan Al Sanea, who married into the family, have been responsible for running a massive fraud against more than 100 Saudi and international banks for more than two decades.

The case arose out of the collapse of businesses owned by the Al-Gosaibi family (AHAB) and Al Sanea in 2009. In an attempt to deflect liability, AHAB accused Al Sanea of forging signatures and documents to borrow billions of dollars in its name, and then of stealing the cash to expand his own businesses.

In a 9 year case led by Joint Official Liquidators (JOLs) Steve Akers, Hugh Dickson and Mark Byers, Partners at Grant Thornton UK LLP, and Directors of Grant Thornton Specialist Services (Cayman) Ltd, it was revealed that AHAB's activities involved the churning of borrowings totaling approximately \$330 billion over 20 plus years and were only brought to a halt by the freezing of the credit markets in 2008/9.

In 2009 Forbes magazine had ranked Al Sanea at No. 62 on its rich list, but once AHAB's claims emerged and spread to Al Sanea's Saad Group, his companies were plunged into crisis. The non-Saudi side of his business was established in the Cayman Islands, and in response to a \$9.2 billion freezing order obtained there by the Al-Gosaibis in July 2009, the group's lenders took steps to appoint the JOLs over the main Cayman entity, SICL. A further 8 Cayman companies, also targets of AHAB's claims, were wound up and brought under the Grant Thornton partners' control, including Singularis Holdings, and are known collectively in the judgment as the Grant Thornton Defendants (GTDs). Other Cayman entities in the Saad Group were also sued by AHAB and are referred to in the judgment as the AwalCos and SIFCO5.

After examining thousands of pages of evidence and hearing from witnesses including three Al-Gosaibi family members, Chief Justice Anthony Smellie concluded that the real fraud was rather different from the one claimed by the Al-Gosaibis. The family had not been defrauded by Al Sanea, it was in fact the banks that had been systematically defrauded in a scheme devised in the 1980s by the then head of AHAB, Abdulaziz Al-Gosaibi.

Evidence before the court revealed that Abdulaziz had ambitions to expand the family business into financial services and to own a Saudi bank, ambitions which could not be funded by the family's then existing trading businesses. Abdulaziz instigated a program of ever increasing borrowing to fund the purchase of bank shares and the servicing of earlier loans, which banks were persuaded to enter into by the provision of false accounts.





Following Abdulaziz’s incapacitation in 2000 and subsequent death in 2003, the court found that the fraud was continued by succeeding family patriarchs, with Al Sanea playing an instrumental role in its execution. A key finding of the judgment is that the senior Al-Gosaibi family members were fully aware of Al Sanea’s role in the fraud and they came to rely on his assistance.

The court also found that while Al Sanea did in fact borrow huge amounts of cash from AHAB, he did so with the knowledge and authority of the family. The judgment states that this was something the Al-Gosaibis were prepared to accept for Al Sanea’s assistance in deceiving the banks and maintaining the spiraling cycle of borrowing, which allowed them to keep the reality of their financial situation at bay and to maintain the veneer of financial respectability the family wished to project.

In short, the judgment concluded that the Al-Gosaibis knew precisely what sort of scheme was being run in their businesses, and through that knowledge, they lost any right to pursue SICL and the other Cayman companies.

Steve Akers, JOL and Partner at Grant Thornton UK LLP welcomed the judgment saying: “The outcome of this hard fought litigation has highlighted an extraordinary fraud perpetrated over a protracted period of time. The losses involved are many billions of dollars. Revealing the truth has required a huge investigative, forensic and legal effort, which was handicapped by a lack of access to records and an unconscionable strategy by the Al-Gosaibis to brazen things out. Creditors of these businesses have had insult added to injury by the burden of the costs caused by the Al-Gosaibis bringing this “smokescreen” litigation. The case should never have been started and it is to be hoped that they now accept the game is up.”

The JOLs were advised by Walkers in the Cayman Islands and by Linklaters in England.