

In The News

Michael Napoli Analyzes Fifth Circuit's Stanford Ponzi Scheme Ruling in *Bloomberg Law* Article

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Michael Napoli analyzed a recent Fifth Circuit ruling related to a lawsuit stemming from the \$7 billion dollar Stanford Ponzi scheme first uncovered in 2009 in an article for *Bloomberg Law* titled, “INSIGHT: Stanford Ponzi Scheme Ruling Limits Defenses to Fraudulent Transfer Actions.” In its decision, the Court decision required an investor in the Stanford fraud scheme to return repayment of its investment.

Napoli further explained, “The court, in *Janvey v. GMAG LLC*, held that a recipient who has inquiry notice of the debtor’s insolvency or fraud must diligently investigate the debtor’s circumstances before accepting the payment even if the investigation would have been futile. Failing to do so precludes the good-faith defense to fraudulent transfer claims. Thus, the court rejected the so-called ‘futility exception’ to the requirement of good faith in fraudulent transfer law. While the court’s analysis is logical and follows largely an existing line of precedent, the result is shocking. Following this ruling, investors should remain vigilant and protect themselves. They must be sure not to ignore red flags, continue to participate, take money, and hope for the best.”

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