

Pearls Ponzi victims win \$90m

EXCLUSIVE

ANTHONY KLAN

More than \$90 million funnelled to the Gold Coast by the masterminds behind India's giant Pearls Group Ponzi scheme will be made available to victims and distributed under an Australian court-supervised remediation scheme.

The Federal Court in Queensland has ruled in favour of a class action by about 45,000 Pearls investors brought by Barrister Niall Coburn, a former investigator with the Australian Securities & Investments Commission, and ruled against handing the money to Indian authorities.

The judgment means about \$87m from the sale proceeds of the Sheraton Mirage Resort on the Gold Coast will be made available to those investors, and two adjacent luxury properties at Sanctuary Cove, also on the Gold Coast, worth about \$5m, will be sold off and the proceeds also handed back to investors.

Over two decades, Pearls raised billions of dollars from more than 58 million Indian investors — roughly one in 20 Indians — under the auspices of investing the money in land lots, but the group collapsed and it emerged that many of the land lots did not exist or were located in areas that meant they were worth very little.

In 2009, with the facilitation of federal government agency Austrade, which had targeted Pearls for "investment" in Australia, Pearls shifted more than \$130m to Australia, of which it spent \$62m buying the Sheraton Mirage and



spending \$20m on renovations, bought luxury properties on the Gold Coast and in Melbourne and invested in several Brisbane apartment tower developments.

After Pearls collapsed, its founder, Nirmal Singh Bhangoo, was jailed and Indian authorities described the \$130m-plus funnelled here as “proceeds of crime”. Corporate regulator ASIC and the Australian Federal Police refused to take any action, saying it was out of their jurisdiction and no Indian authorities had asked them to.

Mr Coburn travelled to India and signed up more than 45,000 victims of the Pearls collapse — a fraction of the overall number of those stung — and took legal action in a bid to recover Pearls money they could track as having come to Australia.

The Sheraton Mirage Resort was sold last year for \$140m, and Mr Coburn successfully took legal action to have the proceeds of the sale put in a trust amid ongoing legal actions to ensure it was preserved for victims, should their case be successful.

In his findings, judge Michael Lee said “the only conclusion” to be drawn was that without the actions of Mr Coburn and his legal team, the proceeds of the Sheraton Mirage sale and two luxury Gold Coast properties would “most likely have been put beyond the reach of investors”.

He noted Mr Coburn had sought assistance from Indian authorities to secure the assets, but had been “frustrated” by their refusal to assist.

