

## English Court Finds Former Owners of Collapsed Russian Bank Acted Fraudulently, Must Pay Compensation of US \$900M

**(January 24, 2020, London)** — On January 23, the English High Court handed down a judgment that establishes that Ilya Yurov, Sergey Belyaev and Nikolay Fetisov, commonly known as YBF, had been in charge of a Russian bank involved in a massive fraudulent scheme. In finding that the trio was responsible for the collapse of National Bank Trust (NBT), the court also ordered YBF to pay compensation of US \$900 million.

In December 2014, NBT collapsed and required a state bail-out of more than RUB100 billion. At the time, it was the 27<sup>th</sup> largest bank in Russia with more than 1.5 million depositors and 400 branches. Since 2005, the bank had been owned and controlled by three Russian bankers.

What is now apparent is that YBF were engaged in a serious fraud over many years. This involved causing the bank to lend billions of roubles to offshore companies secretly controlled by YBF in the form of unsecured and uncommercial loans funded by depositors made by the bank's customers. The main purpose of these loans was to give the impression that the bank was healthy and had a performing loan book, when the truth was that the bank's financial position was hopeless and the bank was bust. Rather than disclose this to the Central Bank of the Russian Federation (with the likely outcome being the revocation of the bank's licence and criminal proceedings), YBF embarked on an illegal scheme to conceal the real position, defrauding the CBR, the bank's auditors and the 1.5 million customers. YBF engaged an English "fixer," Benedict Worsley, to run the offshore network, and Worsley employed a team of people in Cyprus that was churning out fake documents in what can only be described as a document factory.

The scheme depended on attracting deposits with expensive media campaigns featuring "Die Hard" actor, Bruce Willis, who was unwittingly recruited by the bank.

By the time that the bank collapsed in December 2014, YBF had fled Russia with their families leaving the Deposit Insurance Authority to sort out their mess. Yurov and Fetisov are now living a luxurious lifestyle in England, whilst Belyaev is living a luxurious lifestyle in the United States.

At the heart of the fraud was the deception of the CBR to prevent the CBR from discovering the truth that YBF owned and controlled most of the borrowers, the bank was in breach of regulatory ratios and the assets of the bank largely comprised irrecoverable bad debts.

In issuing the decision, the English High Court judge stated:

*"Had the CBR discovered that the Bank was undertaking balance sheet management (in the senses in which it was being deployed including to evade banking standards including N6, and to facilitate connected lending to companies of which the shareholders were the ultimate beneficial owners, all without appropriate reserving) and/or if the accounts had not been falsified and the true financial position had been revealed, the CBR would have revoked the bank's license, and would have done so with immediate effect."*

A spokesperson for the bank stated:

*“Since NBT collapsed, Mr. Yurov, Mr. Belyaev and Mr. Fetisov have denied any responsibility for the huge hole in NBT’s balance sheet, which was well in excess of RUB116 billion (around US \$2 billion).*

*The court rejected YBF’s suggestion that “balance sheet management” was legitimate. The court said that balance sheet management was a massive fraud. YBF were making loans to companies they secretly controlled to give the false impression that NBT was solvent. These were not genuine loans and much of the money was never returned to the bank and was misused by YBF. This scheme was dishonest and was used to mislead the CBR and the bank’s depositors.*

*Unfortunately, most of the corrupt loans made to companies owned by YBF are in default and the monies are irrecoverable. However, we intend to take immediate action to recover assets owned by YBF, including their expensive houses and millions of dollars in their Swiss bank accounts.”*

Neil Dooley, a partner at Steptoe & Johnson UK LLP, acting for the bank stated:

*“The court has confirmed that Mr. Yurov, Mr. Belyaev and Mr. Fetisov acted dishonestly over a period of 10 years to conceal the true financial position of the bank, whilst deceiving regulators and members of the public. They were aided in this process by using nominees and various financial institutions outside Russia who were prepared to look the other way for a quick profit. Rather than facing up to their serious frauds, Mr. Yurov, Mr. Belyaev and Mr. Fetisov embarked upon a public relations campaign and ill-advised litigation to seek to blame others. The court saw through those cynical attempts.*

*Although the Bank has the benefit of worldwide freezing orders over the Defendants’ assets, those assets are spread around the world and the next phase is to recover those assets for the benefit of Russian depositors and taxpayers.”*

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