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Saudi Envoy's Lost Millions Show Shell Company Risk, Judge Says

Kit Chellel Aug 22, 2016 12:24 pm ET

(Bloomberg) -- A lawsuit over the estate of a deceased Saudi diplomat shows the risks of wealthy people using shell companies and undocumented agreements to store assets, a London judge has warned.

Abdulrahman Mansouri, former assistant foreign minister of Saudi Arabia, allegedly transferred investments worth about \$30 million to his niece shortly before his death in 2010. The administrator of Mansouri's estate sought information about the transfers from two London investment firms, Acropolis Capital Partners Ltd. and Acropolis Capital Management Ltd., that refused to provide records.

Judge Robin Knowles ruled that Acropolis had a duty to give the administrator the information. The judge also made observations about the "obscure" ownership of Mansouri's investments, including a property registered to a nominee company in Panama.

"The case illustrates the vulnerability of arrangements when an individual uses a mix of companies, structures, and undocumented arrangements to hold his or her wealth," Knowles said in a written decision Friday. When the person dies "there is the risk, as here, that the facts are not known save by those who are not prepared to disclose them."

There has been a spotlight on the use of Panamanian entities to conceal assets in recent months. Leaked documents from a Panamanian law firm, Mossack Fonseca, showed how politicians, criminals and celebrities used shadow companies to hide their financial affairs. While offshore structures can be legal, the so-called Panama Papers triggered public outcry and regulatory investigations around the world into money-laundering and tax evasion.

Acropolis Capital Partners is a family office that invests in hedge funds, real estate and private equity. The firm said in a statement that it had always acted properly and it will review whether it should appeal.

Taris Ahmad, a representative of the Saudi administrator, said his legal team wasn't able to establish a paper trail for a property in Park Lane, London, that was sold for about 6 million pounds (\$7.85 million). "For me, that's astonishing: that you can have a large flat in central London and not know who owns it," Ahmad said in a phone interview. "That has to change." He said the administrator had also started legal action in Panama and Ireland.

Azzam Faisal Khouj, the administrator of Mansouri's estate, is trying to trace private equity investments worth about \$20 million, and the Park Lane flat sale proceeds, both allegedly managed by the Acropolis companies. Acropolis refused to provide records because, it told Khouj, it has a fiduciary duty to Mansouri's niece Shahzaman Kurdi.

Mansouri also held shares in an Acropolis managed fund registered in the Cayman Islands, worth about \$5 million, and also transferred to Kurdi, according to the judge's ruling.

"Mansouri appears to have been a wealthy man," Judge Knowles said. "It is not clear what has become of his wealth." His heirs have objected to the niece receiving the assets, according to an earlier judgment in the case, and Khouj has disputed the authenticity of documents authorizing the transfer.

The judge added that he hoped the game of "cat and mouse" over Mansouri's wealth would not continue. "This is a matter also of respect for Mr. Mansouri now he is dead," he said. "I am quite sure he would be deeply saddened by the current situation."

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