

ALERTS

Seventh Circuit Insulates Good Faith Casino from Insider's Fraudulent Transfer Liability

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So-called “red flags” were not “sufficient to impose a duty on [a gambling casino (‘Casino’)] to investigate” a Chapter 11 debtor’s pre-bankruptcy fraudulent transfers to its insiders who gambled at the Casino, held the U.S. Court of Appeals for the Seventh Circuit on Oct. 13, 2015. *In re Equipment Acquisition Resources, Inc.*, 2015 WL 5936354, at *6 (7th Cir. Oct. 13, 2015). Affirming the district court’s dismissal of the Chapter 11 plan administrator’s complaint against the Casino, the court explained that the Casino may have “had some indication that the insider’s money came from” the debtor, but “it had no reason to suspect that this money was obtained by fraud.” Moreover, “even if [the Casino] had investigated, it is unlikely — in fact, virtually impossible — that [the Casino] would have uncovered the fraud or [the debtor’s] financial distress.”

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