

The *Mix*

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A Potpourri of Encounters and Impressions

THE MONEY TRAP

REAL PEOPLE.
REAL MONEY.
REAL MISTAKES.

FOREWARNED IS FOREARMED

Sometimes you can do everything right, and still have something go disastrously wrong. When the calamity is nothing more than a missed bus, or a morning gone awry, it's possible to let go of the frustration with a philosophical shrug. But if you just lost hundreds of thousands of dollars, that's a lot harder to do

An Open-and-Shut Case

[THE PLAYERS]

Names: Shaul and Sarah Weinblum

No. of Children: 10

Ages: 49 and 46

Place of Residence: Bnei Brak

[THE LURE]

Convenient Banking, but better exchange rates. What could go wrong?

[THE BACKGROUND]

Collecting repayment from a recalcitrant debtor seems like it ought to be pretty straightforward: Reuven owes me \$10,000, he refuses to pay it, I hire a lawyer, take him to court, the judge rules in my favor, and all's well that ends well.

If only it were so simple.

Every lawyer can tell stories about his clients: the ones taken in by convincing con artists, the ones who neglected to read the contract terms... but also the ones who did nothing wrong at all. They

had airtight contracts in simple dealings and assumed their lawyer would get their money back.

Unfortunately, *beis din* and court proceedings are rarely cut and dry, says Yosef Daskal, a Jerusalem-based real estate lawyer with ten years of experience. A good opposing lawyer or *to'en rabboni* can muddle the facts, and a host of other things could go wrong to thwart the expected victory.

Even if you win your lawsuit, you could be confronted with a bigger problem — collecting on the judgment. It's up to you to run after your money; *beis din* and the court won't do it for you. Yes, there are legal means at your disposal to go after the debtor's assets. But if there's nothing there, then it doesn't matter that the courts agreed you were owed that money — you're not going to get it.

In Israel, any citizen burdened with crushing debts has the right to open a file with *Hotza'ah Lapo'al*, where the agency will review his financial situation and determine how much restitution he can afford to pay. Based on their conclusions, his debt will be

consolidated and likely reduced significantly.

Say, for example, someone owes you NIS 100,000, out of a total consolidated debt of NIS 1 million. *Hotza'ah Lapo'al* determines he can afford to pay a total of NIS 200 each month to retire his debts. Your share of that monthly NIS 200 will be a grand total of 20 shekel, about \$5.71 per month at current rates. So you can expect it to take quite a long time — 416 years, to be exact — to get your money back.

If the delinquent is in such dire straits that he files for bankruptcy, then his slate will be wiped clean completely — all his outstanding debts will be erased (except for certain exemptions, such as child support). You can say goodbye to your money then and there. If you can somehow prove that you were swindled, then you can still have some legal recourse to recoup your money — but in many cases, cautions Daskal, this is extremely hard to document.

If he's adept enough at hiding his assets, a devious deadbeat might not need to declare bankruptcy. In that scenario, finding where he socked away all the money is extremely

Boosting Your Odds

Attorney Yosef Daskal offers some words to the wise about handing large sums of money over to someone who's not a large, licensed, regulated, insured financial institution.

The most obvious advice is: Don't do it. Granted, even big companies go under, as we saw in 2008. But if you're really looking to increase your chances for a truly catastrophic failure, then by all means, give your money to someone like Shaul's money changers. Just keep the following things in mind:

1) Know to whom you're giving your money. While it may be tempting to invest with someone promising you high rates of return, it is a much safer bet going with solid financial institutions like regulated banks or insurance companies, where your money will likely be insured. In any case, it is vital to do your due diligence in checking into the reputation of the party you are investing with. Are they honest? Do they have a long, established track record of paying money back on schedule?

2) Never hand over money without a contract. Unless you are a legal expert yourself, it is a good idea to have this contract reviewed by a lawyer to make sure it is airtight, and doesn't contain any hidden clauses that may come back to haunt you in a beis din or court of law.

3) Check their financial resources. Will they have the funds to pay you back? You want to protect yourself as much as possible. Have your bank or your lawyer check whether they have collectible assets such as property or securities that can be drawn from in the event you need to bring action against them to recoup your investment.

4) Recognize the risk. At the end of the day, it's important to understand that any time you hand over your money to another individual, you are taking a risk. They might not be honest. You might not win your case in court or beis din. Even if you win, you might not be able to collect because they have hidden their assets. And, even if they are perfectly honest, and had the best of intentions, the money may simply be gone, and you have nowhere to collect from. Heed the most important rule of investing: Only invest money that you can afford to lose.

5) If you did everything right, and you still lost your money, you have a decision to make. You can accept that we don't get to choose what *kapparos* we get, only Hashem does. Or, you can try to pursue the perpetrators in beis din, and, if necessary, in secular court.

In most cases, Yosef Daskal encourages people to go after their debtors to try to recoup their money. (Recognize that he is a lawyer by profession.) With a good lawyer handling the case, the chances of success are much greater. And, he adds, it's important for the offenders to realize that their victims won't let them off the hook so easily.

But as Shaul's story shows, going this route can cost a great deal in terms of finances and emotional and spiritual well-being.

difficult. Even in the case where he squirreled it overseas to a country that has a treaty with your own, you still need to hire a lawyer in that country who can oversee the process of discovering and recovering your assets. It's a lengthy and expensive ordeal, and success is not at all guaranteed. And if in the meantime the money has been spirited away to yet a third country, or deposited under someone else's name, then your legal costs spiral while the chances of success dwindle.

Unfortunately, many victims have endured years of heartache and stress, not to mention large financial outlays, in their effort to recoup their funds. Even if they do end up getting some of it back, they've already spent at least that much already in legal fees. And the emotional fallout is even worse.

"Even if they choose not to go to court because they don't have the resources to invest in the process, these people suffer terribly," says Daskal. "They've lost all their money, often they've lost their relatives' money as well, because they convinced them to join in to this 'no-fail investment.' And if they do go to court, it can be terrible to meet the person who swindled you out of all your money, and encounter his self-confidence, his utter callousness."

In short, handing a large sum of money over to someone in exchange for a promise can lead to drastic, life-altering consequences. Such is the story of Shaul, who now wishes he'd deposited his money in a conventional financial institution.

SHAUL'S NARRATIVE

I made aliyah 25 years ago. After eight years of learning in kollel and working in the marketing field, I switched to real estate, buying run-down apartments, fixing them up, and turning them over. This was at a time when there were cheap apartments to be found in the older sections of cities like Jerusalem and Bet Shemesh, and baruch Hashem, I was able to make a parnassah. Most of the money for these real estate transactions was coming from overseas, so I was very impacted by exchange rate fluctuations. I was always on the lookout to get the very best rate. Everyone knows that money changers give better rates than banks, so naturally I brought my funds there.

Back when I was in yeshivah, money changing was known as a black-market business — guys on street corners giving you fantastic rates for your cash. By this point, though, about 20 years ago, the industry was regulated, and the place I brought my money to was a reputable business. I opened a personal account, and began to regularly wire money over from the US, holding it in my account and pulling out smaller sums of money as needed. To my mind, it had all the advantages of a bank, with the

added convenience of being a small local business, with a certain heimishness I appreciated. And, most importantly, they gave me a much better exchange rate on my dollars. A win-win situation.

Then, one day, about nine years ago, I went to the exchange place to take out some money, and found they were closed. I called up the proprietor and asked him what was going on. He apologized and said they needed to take some time off, and would open again next week. It sounded a bit odd, but I accepted it at face value. Meanwhile, they weren't cashing checks or handling any monetary transactions. I had \$150,000 in my account at the time, and I badly needed access to my funds, but there was nothing I could do but wait until they reopened.

I waited and waited. But they never reopened.

It's not an easy thing to process the loss of such a huge sum of money. I eventually came to the realization that they were closed for good. But accepting that the huge balance in my account might be completely wiped out was another matter entirely. After all, the money had to be *somewhere*, and it was legally mine.

I was far from the only one affected by the closure of the exchange place. As the dust started to settle and information began to emerge, we learned that the owners, two enterprising European businessmen, was out some \$10 million. They had badly mismanaged the funds entrusted to them, using some of it to buy personal property for their own purposes. They had run into such serious debt that when people came to them asking for their money, they simply didn't have it. In an effort to infuse some cash into the

business, they took out several large bank loans, but in the end they were overwhelmed in red ink and were forced to close. To the first customers who came demanding their money, they gave checks written in US dollars. Those checks turned out not to be worth the paper they were written on.

It suddenly became clear they had no intention of paying back our money.

The consequences were terrible. Hundreds of families lost their life savings, their retirement funds, the money to marry off their children. People living overseas wired hundreds of thousands of dollars to accounts with this money changer to buy houses and pay contractors in Eretz Yisrael. These were families who had sacrificed so much to make aliyah; every shekel was important, and suddenly, it was all gone.

The blow stung all the more because it had been inflicted by a chareidi team.

Because so many people were impacted by this, we had a built-in support group. Together, we cried, shouted, and tried to come up with a plan of action. We knew we needed to take action immediately. Our first step was to hire a lawyer. We decided to band together as a group, about 80 of us in all, to save on the considerable legal costs. We were only one of several such groups, which gives you an idea of how many people were affected.

Some of the groups went straight to the secular courts to sue for their money, but our group went to beis din first. Under state law, a *psak* handed down by a beis din has the status of an arbitration agreement, but the beis din has no power to enforce its decision. The litigant must

take the signed beis din decision to a secular court of law, where the judge can order it enforced.

While the *dayanim* at the beis din were very willing to help, they told us that, since the case was already in the court system anyway, no judge would sign off on the beis din's decision until the secular legal proceedings were finished. They advised us to join on to one of those groups, which we did.

Ours was an open-and-shut case; no one was disputing that we were in the right. The owners of the exchange place acknowledged that they owed us money. The problem, the *y* said, was that they didn't have it. Our lawsuit had forced them to declare bankruptcy.

We were the small-fry creditors here; the men owed millions of dollars in bank loans, and, unfortunately, in such cases, the banks are always first in line. They went after whatever assets they could find, and foreclosed on all of their properties. The banks, too, did not recoup all of their money — but by the time they were done at the table, there hardly any crumbs left for us.

Where did all the money go? While the owners claimed that they'd lost it all through a combination of bad luck, poor market conditions, and bad financial decisions, some believe that they moved it overseas, that it's still out there somewhere. But therein lies yet another conundrum.

Unless you have loads of money to spend on hotshot lawyers and private detectives, it is next to impossible to track down assets like that. Cash can be moved anywhere on this planet. As it was, we had already spent more than

we could afford on the legal proceedings, which dragged on for a year and a half until our lawyer finally said enough. He wasn't prepared to start traveling overseas to track down the money, nor did we have the funds to send him on a wild goose chase. We were lucky that we had only our own lawyer to pay; since we had included the banks in our suit, legally, those banks could have demanded we cover their legal costs when we withdrew. But thankfully, the banks decided not to press any claims against us, understanding what we had suffered.

In the end, there was nothing we could do but chalk the whole experience up as a *kapparah*. As a *frum* Jew, I told myself that this was *min haShamayim*, and that these men were just Hashem's messengers. If I was meant to suffer, at least it hit my pocketbook and not my health. But that doesn't make it any less bitter or difficult.

Even today, I still feel the repercussions. The \$150,000 that I lost represented my life savings. Every part of our lives was affected — from the type of bar mitzvahs I made to what I bought in the grocery store. At the time, my oldest children were on the verge of shidduchim, and I was now entering this high-expense stage of life with zero spare cash. Naturally, financial stress that reaches such gargantuan proportions affects *shalom bayis* as well. Thank G-d, my wife and I were able to weather this challenge and emerge stronger in our *bitachon*, but not everyone handled it well. I know of some couples who ended up divorcing as a result of the emotional fallout. Some people sank into a depression,

More than nine years later, my life is still not the same. With the loss of all my capital, I was forced to give up my property business. Today I learn in kollel, and run a small home business on the side. We're still trying to recover from the financial blow, even today, and we still have a long way to go.

When something like this happens, you tend to look back and agonize over what you did wrong, what you could have, should have done. Today, I understand that it isn't safe to keep large sums of money in exchange places, which aren't insured the way banks are. But I also learned that sometimes, even if you win your case, you can still lose, if there's no one to collect from.

It's a nightmare to watch that much hard-earned money disappear in a puff of smoke. As bad as it must be to read about it, trust me — living through it is worse than you can imagine. ●