Dubai Primary Court 1024/2024: Evidence Requirements and Director Accountability in Cryptocurrency Claims

August 6, 2024

Introduction

As the UAE courts increasingly face cases involving cryptocurrency transactions, it becomes essential to understand the legal complexities and the critical need for robust evidence. The Dubai Primary Court's recent judgment in case number **1024 of 2024**, issued on **21 May 2024**, underscores this necessity. This article examines the importance of presenting acceptable evidence in cryptocurrency claims and highlights the personal guilt of directors and officers in cryptocurrency investment scenarios.

Case Facts

The claimant filed a lawsuit against the defendant, seeking compensation for a failed cryptocurrency investment. The claim demanded the defendant to pay **USD 90,000,000** or its equivalent in **AED 330,300,000**, plus legal interest of **12%** from the due date of **23 January 2023**, until full payment, along with court fees and attorney fees.

According to the lawsuit, the defendant persuaded the claimant to invest in bitcoin, promising extravagant returns if the bitcoin was transferred to the defendant's wallet on the

Binance platform. The claimant complied, making multiple transfers, and initially received weekly reports from the defendant. However, the defendant ceased providing these reports and refused to return the claimant’s cryptocurrency.

A criminal case, numbered **12309/2023**, resulted in a six-month prison sentence and a **USD 10,000,000** fine for the defendant, along with deportation. This judgment was final, as confirmed by the Public Prosecution on **07 May 2024**.

The Importance of Evidence in Cryptocurrency Claims

In cryptocurrency claims, presenting **robust and acceptable evidence** is crucial due to the **opaque nature of cryptocurrency transactions**. The court emphasized that the claimant must prove their claims with **clear and convincing evidence**, particularly given the digital and often non-transparent nature of cryptocurrencies. The claimant’s failure to provide sufficient evidence for the claimed profits and lost potential earnings led to the dismissal of those claims.

The claimant sought several forms of compensation:

1. **USD 10,000,000** as determined by the criminal judgment.
2. **USD 25,000,000** for profits allegedly earned by the defendant from **359 bitcoins**.
3. **USD 35,000,000** for lost potential profits.
4. **USD 20,000,000** for material and moral damages.

Additionally, on **22 April 2024**, the claimant’s legal representative submitted an amended list of demands, highlighting that the value of bitcoin had increased since the initial transfers. The amended claims included:

1. **USD 53,661,779** for the principal amount and profits.
2. **USD 108,661,779** for the return of **809 bitcoins** or their equivalent in USD, including lost profits and compensation for material and moral damages, with legal interest of **12%** from **23 January 2023** until full payment.

The court ruled in favor of the claimant for only **USD 10,000,000** as previously determined in the criminal case and dismissed the additional claims due to insufficient evidence. The judgment states:

“The claimant is required to prove their claims, and the court is not obligated to guide the parties on the necessities of their defense. The only evidence presented by the claimant for the profits and lost earnings was a screenshot from Google showing the bitcoin exchange rate, which the court deemed unreliable. The claimant did not submit expert or financial reports to substantiate their claims.”

“The claimant failed to provide sufficient evidence for the claimed profits and lost potential earnings.”

Consequently, the court dismissed the additional claims due to insufficient evidence.

Personal Culpability of Directors and Officers

The court’s decision also highlights the potential **personal culpability** of directors and officers in cryptocurrency investment scenarios. The defendant’s **personal control** over the claimant’s cryptocurrency investments led to their criminal conviction and civil liability. The court found that the **Binance wallet** used for the transactions was in the name of the director/officer, which directly implicated him in the misconduct. This case serves as a cautionary tale for cryptocurrency investment providers, illustrating how personal control of cryptocurrency by directors and officers can lead to significant legal consequences, including **criminal convictions** and **substantial fines**.

The judgment specifies:

“The criminal judgment, which convicted the defendant, established the foundational facts of the case, specifically that the claimant was the victim, and the defendant was the perpetrator. This binding judgment made it clear that the defendant's actions were wrongful, thereby fulfilling the requirements for tortious liability: fault, damage, and causal relationship."

"The court held that the criminal judgment, which convicted the defendant, established the foundational facts of the case, specifically that the claimant was the victim, and the defendant was the perpetrator."

Takeaways

The Dubai Primary Court's judgment in case **1024 of 2024** underscores the critical importance of presenting **robust evidence** in cryptocurrency claims. Given the **opaque nature** of cryptocurrency transactions, claimants must ensure their evidence meets the stringent standards of proof required by the courts to secure a favorable judgment. Additionally, the case highlights the potential **personal culpability** of directors and officers in cryptocurrency investment scenarios, serving as a precedent for future cryptocurrency litigation in the UAE.

Author: Mahmoud Abuwasel
Title: Partner – Disputes
Email: mabuwasel@waselandwasel.com
Profile: https://waselandwasel.com/about/mahmoud-abuwasel/

Lawyers and consultants.
Tier-1 services since 1799.
www.waselandwasel.com
business@waselandwasel.com