# John Paulson On Fraud Lawsuit

**Highlights:**

* John Paulson was sued for defrauding his former business partner with an investment in a luxury car dealership.
  + Paulson was sued for fraud by his former business partner, Fahad Ghaffar.
    - Paulson allegedly misled Ghaffar about his purchase of a convertible note for stake in a luxury car dealership.
    - Paulson allegedly abruptly fired Ghaffar and pretended that the terms of the convertible note had not been settled.

## Paulson Was Sued For Defrauding His Former Business Partner With An Investment In Luxury Car Dealership

### Paulson Was Sued For Fraud By His Former Business Partner, Fahad Ghaffar

**Paulson Was Sued For Fraud By His Former Business Partner Over Failing To Follow Through On A $17 Million Investment.** According to Bloomberg, “John Paulson must face a fraud claim by his former Puerto Rico business partner over a $17 million investment in a luxury car dealership, though a federal judge threw out other parts of the lawsuit against the hedge fund billionaire.” [Bloomberg, [2/5/24](https://www.bloomberg.com/news/articles/2024-02-05/paulson-loses-bid-to-dismiss-puerto-rico-partner-s-fraud-suit?sref=ik1V3sxr)]

**Ghaffar’s Lawsuit Asked For $50 Million In Damages From Paulson.** According to Bloomberg, “Ghaffar’s September lawsuit, which asked for $50 million in damages, revealed a fractious relationship between the two men, who met in 2013 when Paulson was under contract to buy the St. Regis Bahia Beach resort.” [Bloomberg, [2/5/24](https://www.bloomberg.com/news/articles/2024-02-05/paulson-loses-bid-to-dismiss-puerto-rico-partner-s-fraud-suit?sref=ik1V3sxr)]

#### Paulson Allegedly Misled Ghaffar About His Purchase Of A Convertible Note For Stake In A Luxury Car Dealership

**Court Filings Stated That Ghaffar Invested $17 Million To Be Converted Into A 50% Equity State In Paulson’s Car Dealership.** According to Page Six, “In the complaint, filed in federal court Wednesday and obtained exclusively by Page Six, plaintiff Fahad Ghaffar claims he invested $17 million into Paulson’s F40 car company in 2022 that would be converted into a 50 percent equity stake.” [Page Six, [9/6/23](https://pagesix.com/2023/09/06/billionaire-john-paulson-hit-with-50m-lawsuit-for-alleged-fraud/)]

**Paulson Allegedly Failed To Follow Through On A Promised Convertible Note For Stake In A Luxury Car Dealership With Ghaffar.** According to Bloomberg, “US District Judge Camille L. Velez-Rive in San Juan, Puerto Rico, ruled Monday that Fahad Ghaffar could proceed with securities fraud and breach of contract claims against Paulson for allegedly failing to deliver a promised convertible note giving him a 50% stake in the dealership, which was owned by a Paulson family trust.” [Bloomberg, [2/5/24](https://www.bloomberg.com/news/articles/2024-02-05/paulson-loses-bid-to-dismiss-puerto-rico-partner-s-fraud-suit?sref=ik1V3sxr)]

**Ghaffar Claimed That Paulson And His Lawyers Repeatedly Failed To Produce Documentation Of The Convertible Note To Reflect His Purchased Ownership Stake In The Company.** According to Page Six, “Paulson and his attorneys, however, ‘continued to misrepresent to Ghaffar that he had purchased a 50% interest in F40,’ the documents allege. The entrepreneur claims he repeatedly requested documentation of the convertible note that reflected his ownership stake, but as recently as March 23, Paulson’s attorneys ‘indicated that they are still working on the note with Paulson’s general counsel and head of tax, because the features are ‘quite intricate,'’ the filing alleges.” [Page Six, [9/6/23](https://pagesix.com/2023/09/06/billionaire-john-paulson-hit-with-50m-lawsuit-for-alleged-fraud/)]

#### Paulson Allegedly Abruptly Fired Ghaffar And Pretended That The Terms Of The Convertible Note Had Not Been Settled

**In August Of 2023, Paulson Fired Ghaffar From All Positions At The Car Dealership.** According to Page Six, “Around Aug. 18, 2023, Ghaffar claims Paulson, who became famous for earning his money by shorting the housing market in 2007, emailed him to ‘remove him from all positions with F40’ despite Paulson just having confirmed Ghaffar’s role as F40’s president and CEO in an email with Hyundai de San Juan.” [Page Six, [9/6/23](https://pagesix.com/2023/09/06/billionaire-john-paulson-hit-with-50m-lawsuit-for-alleged-fraud/)]

**When Ghaffar Asked For Proof Confirming The Convertible Note, Paulson Acted Like The Terms Of The Convertible Note Were Not Set At The Time Of Purchase.** According to Page Six, “Paulson’s email to Ghaffar, a philanthropist in Puerto Rico, prompted him to demand a letter confirming his convertible note, a short-term debt agreement that converts into equity at a future date. ‘Paulson responded with further empty promises of an instrument for ‘consideration’ as if the terms of the profits interest and conversion feature had not been set at the time of purchase,’ the documents state.” [Page Six, [9/6/23](https://pagesix.com/2023/09/06/billionaire-john-paulson-hit-with-50m-lawsuit-for-alleged-fraud/)]