

3 Fraud Hypotheticals: August 14, 2017

1. Flora has a junk shop where she sells antiques and collectibles. In the shop she displays a painting with a price tag of \$5000.

Jim, who thinks he knows a lot about art, decides it is a painting by a well known artist and worth much more than \$5000 - he thinks it is worth 100 times that amount.

Jim assumes Flora doesn't really know much about art at all (she runs what he sees as basically a junk shop) but doesn't want to alert her to the idea the painting may be much more valuable than she thinks

He offers \$4500 for the painting and Flora accepts the offer.

Later it turns out that most people wouldn't pay more than \$2500 for the painting.

Jim wants his money back because he has overpaid by \$2000.

Can he get his money back based on the test for fraud?

2. Lucy has an art gallery in a high rent neighborhood and she has a pretty good reputation. She puts a painting in the window of the gallery with a price tag of \$200,000. Jack likes the painting a lot and because he recently won some money he thinks he would like to buy it.

So Jack offers to pay 200,000 for the painting and Lucy agrees to sell it to him.

Later he finds out it is worth much less and wants his money back

Can he get his money back based on the test for fraud?

3. Tessa has an art gallery. She buys a painting from Joe, who is an art dealer.

Joe says the painting is by a well-known artist and he has documents to establish provenance. Joe has, however, forged the documents and he knows that the story he is telling Tessa is false.

The painting is worth only a tenth of the price Joe asks for.

Tessa buys the painting from Joe and puts it on display in her art gallery at a price appropriate for a painting by the well-known artist.

Jack buys it and later gets an opinion from an expert that it is not by the well-known artist.

Can he get his money back based on the test for fraud?

If Tessa decides to give Jack his money back to protect the reputation of her gallery can she recover her money from Joe?