Scams and Swindlers

Understanding the History Behind the Most Famous Frauds of the Past

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This book intends to expand your understanding of the history behind the greatest frauds that have ever taken place. The reader should regularly do more research on fraudulent acts, in order to be fully informed and have a clearer understanding of the existence of this phenomenon.

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Introduction

Although Ponzi went down in history with the pyramid scam that bears his name (nonetheless he was not the creator) the socio-economic history is full of famous scams that have always accompanied it.

The stratagems to get rich illegally may be ingenious, simple, or complicated, and risky, but they are all symptoms of flaws and imperfections in the systems that regulate the economic, social, and sometimes constitutional world.

It is not so difficult to exploit them, abusing people's trust and naivety and the impossibility of often controlling every step of any plot used to create a false reality, such as a title, an inheritance, a company and even a nation.

In this book, 25 of the most famous scams perpetrated over the centuries are recounted, in a light-hearted manner, not too in-depth to make the reading pleasant and relaxing. Scams, which have deliberately not been reported in chronological order, will force you to keep jumping through time.

Scams and swindlers underlined the weaknesses and lust for money, and a better social position, that characterised people of all ages and classes. They did not doubt the veracity of

what was being offered to them, blinded by the alluring prospect of becoming rich and important.

Many of these scams later became the subject of books and movies, highlighting the interest and motives that arose at the time of their discovery. Often scams and frauds are not acknowledged until the deception is revealed.

Do not think, however, for a moment that these scams are just a thing of the past, because even today, in the age of the Internet, there are people who, just like a hundred years ago, continue to sell the Brooklyn Bridge. And they will never go out of fashion; rest assured you will still read about someone who has swindled an indefinite number of people, using the famous Ponzi's Scheme.

Never forget that if something sounds too good to be true, it probably is not. Wisely, it is best to steer clear of anything that seems too financially tempting.

Happy reading!

The Affair of the Diamond Necklace

Chapter 1

If you had happened to be walking past Mount Row, in Lambeth, on the 6th of June 1791, you would have been highly confused by the events that took place that day. This is because, on that day, three men barged into one of the houses on Mount Row, and shortly after, a young woman in obvious distress hurried out. Evidently alarmed and greatly troubled, she managed to convince a neighbour to allow her to take shelter in their house, even though she was unable to speak a single coherent word of English.

Unfortunately for her, one of the aforementioned men happened to see her take refuge in this home from an upstairs window. Unaware of this, the woman did not run away, and they followed her into the building she had taken refuge in.

Shortly after, sounds of struggle and chaos ensued from the house. One of the windows upstairs opened, and the young lady leapt out, colliding with a tree and landing heavily on the ground below. Whether or not she really jumped out or was given a "helping hand" by someone else is still being debated today.

Regardless, the street was bloodied, and total chaos and shock filled the air. The young woman had lost an eye and had broken quite a number of bones.

Even though nobody at the time knew what had taken place, the newspapers in the following days released articles about the events. The stories told that the woman in question had been fleeing from a crime she had committed in France and had fallen out of the window in an attempt to get away.

She was the popular Jeanne de Saint-Rémy de Valois, Comtesse de La Motte, married to the shadowy Count Nicholas de La Motte. They were both criminals who were most definitely not in the good books of the French Royal Family. Earlier on the day of her fall, Jeanne had been arrested by debt collectors. She had managed to trick them by offering to buy them a drink, only to then take that opportunity to run out of the house she was staying in, and into a neighbouring one, where she then fell out of the window. The cash prize for her arrest was thirty pounds.

Jeanne died of her wounds on the 21st of August, roughly three months after her accident. She was buried at Saint Mary-at-Lambeth. However, her husband was not at the memorial service, since he was battling a duel in Belgium. It was an affair of honour, one that would have lethal consequences. It took place in Brussels and was the result of a dispute between the celebrated Comte de La Motte and Mr William Gray, a gem dealer from Bond Street, London. The disagreement concerned the payment for some diamonds that the Count's wife, now dead, had taken.

But now, the important question: what was the great fraud that caused this whole chaos and death in the first place?

It all started with Jeanne's father, who was the illegitimate grandson of Henry II and a poor drunkard who had gambled away his family's fortune. Poverty drove them to Paris, where he died, after which her mother married a Sardinian watchman who assaulted Jeanne and forced her to pay for her keep by begging on the streets.

One day, a certain Marquise de Boulainvilliers, driving past in her phaeton, noticed, and felt compassion for Jeanne, who was begging with a sign stating: "Pity the helpless

orphan with the blood of Valois." She decided then and there to become Jeanne's patron and did so for a decade. Over the years, Jeanne was aided by another woman as well, Madame Surmont, who came to regret her patronage, as her husband became infatuated with Jeanne. To avoid embarrassment and trouble, Jeanne hurriedly married Madame Surmont's nephew, the sentry Nicholas de La Motte.

Jeanne's frequent boasting of her Valois blood led her to be granted a yearly pension by the Crown. However, this money proved to be insufficient for a poverty-stricken young lady with great aspirations. Her chance to better assuage her incessant and expensive tastes came through her acquaintance with Cardinal Rohan, the Bishop of Strasbourg. The Rohan's were a significant, immensely rich, and noble family, but the Cardinal had fallen out of favour with Marie Antoinette and her mother, and thus was scarcely endured at court.

The only other individual the Cardinal confided in was Count Cagliostro, which set him up to having the eighteenth century's two most noteworthy backstabbers as his counsellors. This would, in the end, cost him dearly.

With Cardinal Rohan's support, Jeanne took to frequenting Versailles, petitioning for the money and property she claimed was owed to her, on account of her Valois blood. She became such a nuisance that officials inevitably expanded her pension, with the end goal of getting rid of her, but not even this was sufficient to appease the insatiable Jeanne.

Meanwhile, the Cardinal gulped down Jeanne's lies that she was intimately acquainted with Marie Antoinette. Eventually, she managed to persuade him to attempt to re-establish himself with the Queen by composing a letter to her imploring her to pardon him for his past errors. Jeanne then hired a highly qualified falsifier to create answers from the Queen.

Empowered by these fake missives, Rohan composed more letters to the Queen, with progressively warm replies being sent back. Complimented by this clear enthusiasm, before long Rohan was writing treasonous love letters to her highness. He suspected no foul play, thus, when "the Queen" began requesting significant gifts, he gladly obliged. He appeared not to notice that

the penurious Jeanne was becoming unexpectedly rich. The Count began requesting to meet the Queen, and, having put off the encounter for as long as possible, Jeanne finally orchestrated a meeting in a congested arbour at the nurseries of Versailles. A friend of Jeanne's acted as Marie Antoinette, and the private meeting lasted only a handful of seconds, whereby "the Queen" pushed a single red rose into the Count's hand before hurrying away into the moonless night.

However, it was not just the Cardinal who trusted Jeanne's account of her kingship with Marie Antoinette, the court goldsmiths also began picking up on the gossip about their supposed friendship. They were therefore drawn to her, because of their restless need to sell a huge, highly expensive and precious diamond necklace. It was so preposterously expensive that even the King could not afford to buy it.

The necklace had been custom-made by King Louis XV for his concubine, Madame du Barry. The death of the King left the jewellery unpaid for, thus triggering endless, desperate schemes to sell it to Queen Antoinette. The jewellers placed their trust in Jeanne and her "friendship" with the Queen, hoping she would be able to assist them in tackling their risk of bankruptcy, but Jeanne had her own schemes. She soon observed the possible opportunity in making a fortune through the besotted Cardinal Rohan.

On her directions, her counterfeiter composed a beguiling letter to Rohan stating that she frantically needed the necklace, and that the King was in financial trouble and could not purchase it for her. The letter asked for the dear Cardinal to please advance her the money to purchase the jewellery. The cost was an eye-watering 1,6000,000 livres, a sum so large that even the lovelorn Cardinal began to feel uncomfortable. Yet, the jewellery setters were open to payment in instalments, and when the principal instalment had been made, the Cardinal was assured that the King could be depended on to cover the rest.

Rohan asked the fraudster Count Cagliostro for his advice, and, instructed on what to do, he recommended that the purchase go ahead. Before long, Jeanne had the necklace, which she promptly handed over to her husband who wasted no time in

valuing the diamonds from their settings before heading to Brussels and London to sell them.

The plot fell apart when the first instalment of cash for the accessory fell through, as Rohan was incapable of gathering the large sum in time. The jewellers approached the Queen to inform her that the money was still expected, to which she replied that she knew nothing of the matter. Before long, everyone involved was apprehended and the fraud became a smash hit in France and in newspapers all over Europe, which became enthusiastically interested in the proceedings of the trial.

The general opinion in France was that Rohan was the guiltless victim of Marie Antoinette. They believed the Queen was guilty of using Jeanne and her notorious companions to extricate guilt and embarrassment from herself.

The Parisian court agreed with this view, and Rohan was vindicated of all charges against him, with the full brunt of the fault falling on Jeanne and her assistants. Jeanne was requested to be whipped and condemned to life in prison. She was sent to the Salpêtrière, the infamous jail for prostitutes.

Despite a sentence of life detainment, she served for less than six years before managing to escape to London. It is unclear how she managed to evade prison, but one highly unlikely record suggests that well-wishers helped her smuggle in some writing materials, which she used to sketch a key of the cell door. The sketch was then supposedly pirated out of jail and used to make a real copy, which was later smuggled in.

Once free, she joined her husband in London, where she continued to write her top-rated "Memoires Justificatifs de La Comtesse de Valois de La Motte," which scandalised Europe and added to revolutionary fervour. Unfortunately, this did not bring in a lot of money, and she lived in poor conditions until her death.

As recounted at the beginning of the story, she later died escaping debt collectors, whom she thought were French agents sent to capture her. This, therefore, was the cause of her escape, and later, her fall: all for the brilliant fraud of a preposterously expensive diamond necklace.

A Famous Case of Impersonation

Chapter 2

Whether you choose to see it as a peculiar case involving doppelgängers, or just a plain fraud through impersonation, the trial of the "fake" Martin Guerre is nonetheless an intriguing one, and it began with the stealing of some grain.

Born in 1524, Martin and his family lived in the village of Artigat, in Southwestern France. At the age of 14, Martin married Bertrande de Rols, the young daughter of a wealthy family. A few years later, Martin was accused of stealing grain from his father, so without anyone knowing where he was headed, he took off. As a result of his disappearance, his wife was left alone for years, as the law prevented her from marrying somebody else.

Then, in the summer of 1556, an individual strode into Artigat with the claim that he was the departed Martin. His mannerisms were akin to those of the missing Martin, and he looked like him too. He also knew a lot of information about Martin's life, and because of this, was able to persuade the villagers that his claim was genuine. Even though there were suspicions, Martin's uncle, his sisters, and his wife Bertrande all ended up believing that the man was telling the truth.

Following this acceptance, the current "Martin" lived for three years with his wife and son, during which time they also had two other children together, of which only one daughter survived. This "Martin" imposter took over the family inheritance, even suing his supposed uncle for the other half of the inheritance, upon his father's death.

At this point, Pierre Guerre, the uncle in question, began doubting the current "Martin." He tried to convince Bertrande that her husband was a fake, but she refused to believe him. To support his claims, a soldier who had happened to pass by the village around this time also agreed that the current Martin was a con, as he claimed to have met the real Martin at war, who had apparently lost a leg in the fighting. With a new conviction, Pierre and his sons-in-law went after the fraudster, but were stopped by Bertrande.

This is because, although they attempted to charge Martin for arson, and for pretending to be the real Martin, the support from Bertrande meant that he was found not guilty. The villager's charges were dropped in 1560, just a year later. While this was happening, Pierre spent his time going from place to place, inquiring about the fraudster. He came across some useful information, as he discovered that "Martin" was a poor man from a nearby village, and that his name was actually Arnaud du Tilh.

With this newfound information, Pierre reopened the case, claiming he was doing so for Bertrande. This was because, at this point, only the aggrieved wife could bring the suit forwards. Pierre and her mother therefore tried hard to convince Bertrande to take up the case, and after a long time she finally agreed.

That year, 1560, "Martin" was tired once again, and his wife confessed that she had initially believed that the fraudster was her long-lost husband. She added that she had since come to believe that the man was really a con.

Shockingly, the fraudster was able to provide information on his intimate life with Bertrande, dated from before the real Martin disappeared in 1548. This severely undermined her claims. Turning to his wife, he asked her to swear that he was not her husband. If she could do it, he would give himself up to be hanged. Unable to, her claims were discredited, but numerous other

testimonies suggested otherwise, and eventually the fraudster was found guilty. He was sentenced to be beheaded.

Condemned and charged, "Martin" appealed to the judges at the Parliament of Toulouse, and in a surprising turn of events, the case was dropped once again, with Bertrande and her uncle-in-law being arrested instead, on the grounds of falsely accusing "Martin." The imposter was able to pull this off by spinning an elaborate story claiming that Bertrande was forced to confess against him by Pierre, the uncle, who led the judges to believe the conman was indeed innocent. This was supported by his ability to accurately answer detailed questions concerning Martin's past life before the disappearance.

The proceedings came to a climax when suddenly, a man with a wooden leg made an appearance in Toulouse during the trial. He claimed that he was the real Martin Guerre, yet he could not answer completely all the questions pertaining to his married life with Bertrande. To solve the case, the two men were brought before the Guerre family and appraised. In the end, the case was closed with every single member of the family pointing out the man with the wooden leg as the real Martin, thus accepting that the one who had lived with them for the past few years was indeed an imposter.

The fraudster, Arnaud du Tilh, still claiming innocence, was sentenced to death after being found guilty of impersonation and adultery.

However, a little after his sentencing, the fraudster told the truth, claiming he had heard about Guerre when he was once mistaken for the man. Inspired by this event, he sought help from two other conspirators to infiltrate and learn everything there was to learn about Martin, with the plan of taking over his life. Before his death, he apologised to everyone involved, especially Bertrande, and then was hanged.

No one knows why the real Martin happened to come home right at the time of the trial, but his good timing ended up saving his family. He eventually forgave his wife for failing to recognise her own husband and they lived the rest of their lives together.

Gregor MacGregor and the Bogus Nation

Chapter 3

In 1821, reports began surfacing in London of a formerly obscure country on the Caribbean coastline, now recognised as Honduras. At the time, it was referred to as Poyais, and as far as anyone knew, it was a lavish and undiscovered heaven of productive farmland, moving slopes and gold-rich streams. Its local inhabitants were depicted as a well-disposed and persevering people, and its capital, St. Joseph, was presented as a European-style settlement draped with open structures and even a show house.

Moreover, this marvellous location flaunted a vast water port and a lovely climate that made it invulnerable to the scourge of tropical maladies. On pamphlets and in advertisements, it was guaranteed to be "*one of the most sound and wonderful spots on the planet*." Unfortunately, it was also completely made up! Roughly 250 people were swindled of their savings and hard-earned cash – many of whom went as far as to immigrate to this nation that never even existed.

When, at last, this scam ran out, quite a while later, it had hoodwinked scores of clueless people, and had even resulted in the deaths of more than 150 individuals.

The genius behind the Poyais fantasy fraud was Gregor MacGregor, a Scottish adventurer, soldier and accomplished trickster. He had a glorious history as a soldier, and his skills at self-advancement and double-dealing led him, finally, in 1820, to persuade a local Indian ruler to give him around 8 million sections of land of an area along Central America's Mosquito Coast.

The land was no more than a rugged wilderness, yet when MacGregor came back to London the following year, he reinvented it as a dark, yet prosperous country called Poyais. He claimed to be the nation's "Cazique," or sovereign and reported that he had come back to Europe determined to find and enrol eminent pilgrims.

It did not take long for "His Highness" to become installed in London's high society. A well-off noble set him up in a national estate, and the city's Lord Mayor held a dinner in his honour. MacGregor built up trust by utilising his charm and referring to his past military accomplishments, which he significantly exaggerated.

Additionally, he was equipped with authentic-looking reports and files which he had painstakingly fabricated. These included a handwritten land award from the Mosquito King, a national flag, graphs, and guides indicating Poyais' outskirts, and even a duplicate of an announcement he had made to the nation's locals before taking off for Europe. The fact that news from South America was scarce, especially as a result of their political instability at the time, meant that these archives were considered sufficient evidence by the vast majority who heard about them.

In the wake of this general enthusiasm MacGregor managed to muster in his audience, he was able to trade out 200,000 pounds worth of land, selling out area and titles to would-be-homesteaders. This enrolment rush was mostly focused on MacGregor's local Scotland, where venturesome pioneers were told they could buy 100 sections of land of immaculate Poyais farmland for just £11.

Many wealthy individuals purchased official posts in the Poyais military, whilst different financial specialists were baited with the guarantee of roles as dealers, government workers

and brokers. In his job as the respected "Cazique," MacGregor ended up collecting a few hundred thousand pounds in profits.

In September 1822, the con reached its peak when a boat called the "Honduras Packet" set sail from London with a few dozen Poyais-bound explorers. After four months, a subsequent boat conveyed almost 200 additional pioneers out of Leith, Scotland. Many of these aspiring "Poyers" had put most of their long-term savings into funding their journey to Poyais. Some had even exchanged all their money for Poyais dollars, which MacGregor had started printing in Scotland.

However, on disembarking on the shoreline of Central America, the travellers made an alarming discovery: not only was there no capital of St. Joseph, but there also appeared to be no Poyais at all. Rather than the settlement they had been guaranteed, they discovered mile after mile of thick, bug plagued wilderness.

The confounded pilgrims assembled rickety hovels and attempted to endure whilst they sat tight for help, yet it was not long before fever and an array of different diseases spread through their ranks. "*Affliction and wretchedness were general to the point that few of them had the option to make any effort*," wrote a Scottish traveller named James Hastie.

Help at last showed up in May 1823, when a British boat from a closed state in Belize came by and rescued them. The misfortune had caused significant damage, with approximately 66% of the migrants that had left England and Scotland dying of tropical infections.

Remarkably, after the first Poyais survivors got back, MacGregor was still not brought to justice. His supporters – including a portion of the disastrous pioneers – even safeguarded him from the press, happy to believe that his specialists and teammates were responsible for the disaster that had taken place.

In the winter of 1823, the "Cazique" discreetly fled England and set up shop in Paris, where he endeavoured to rehash the "Poyais scam" there. He published a Poyais constitution, set up a bank credit, and by and by started selecting pilgrims. This time, however, his ghost nation scam pulled in doubt from French

specialists. As a result, MacGregor was tossed behind bars in December 1825, charged with extortion and intrigue. Yet, somehow, he was cleared, due probably to an absence of proof. He was discharged eight months later.

Despite his encounter with the law, MacGregor kept advancing his Poyais scheme – and kept pulling it off – for another decade. In 1827, he re-emerged in London and made another £800,000 in bonds, going on to sell false Poyais land endorsements the following year.

MacGregor finally resigned his legendary nation in the late 1830s, and took off to Venezuela, which had granted him a full military annuity for his support in its wars of freedom in his early career as a soldier. The "Cazique of Poyais" died there, in 1845, having never been charged for a single crime.

He undoubtedly holds one of the trophies for best con man in history.