

# SPLITCOIN

Cryptocurrencies such as Bitcoin are growing in popularity among the wealthy – as a means to hide assets from their spouses. And it's making divorce cases much, much harder for forensic accountants

Watching BBC One's legal drama *The Split*, you'd be forgiven for thinking that marital disputes are glamorous, theatrical affairs, involving teams of quick-witted, sharp-tongued professionals battling it out for their clients in plush boardrooms with fantastic City views. That's not, of course, the reality for most couples going through messy, mundane divorces.

Yet what the show portrays well, at least in relation to high-net-worth individuals, is the underhand ways in which people attempt to hide assets from their spouses and the courts.

For the forensic accountant hired to dig into assets as part of divorce proceedings, this behaviour poses challenges. And those challenges are about to increase, because the emergence of Bitcoin and other cryptocurrencies has created another hiding place – one that is notoriously difficult to trace.

The number of divorce cases involving cryptocurrency is currently quite small.

"Compare how many people get divorced with the small percentage of wealthy individuals who actually use cryptocurrency and it's a drop in the ocean," explains Roger Isaacs, forensic accountancy partner at Milsted Langdon.

However, *The Times* recently reported that growing numbers of UK divorce cases involve cryptocurrency, and Isaacs agrees that cryptocurrency could become more of an issue in the future.

### **Volatile values**

Bitcoin's volatile nature and constantly changing value make it more difficult to dig into than most currencies and transactions.

As Isaacs points out, the value of cryptocurrencies such as Bitcoin can fluctuate enormously over a short period: "What both parties agree on one day won't necessarily reflect the value of the assets on another."

Jessie King, forensic assistant manager at Roffe Swayne,

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agrees: “The contentious issue in marital disputes involving cryptocurrencies is the point [date and time] of valuation,” she says. “A fear of the unknown also plays a part in this. This is likely to aggravate the distrust between divorcing couples.”

Jeffrey Davidson, managing director at Honeycomb Forensic Accounting, explains: “Trading in cryptocurrency is secret, so the real difficulty is not whether an individual has bought or sold cryptocurrency but what they’ve done with it once they’ve acquired it. There is no money trail. You can hold quite a lot of assets without anybody knowing anything about it. In theory, you could buy a house or a Picasso using cryptocurrency and no one would really know.”

**Case in point**

That’s almost exactly what happened during a recent divorce case that Davidson was involved in, where an individual had been

**“In theory, you could buy a house or a Picasso using cryptocurrency and no one would really know”**



How many Bitcoin factories, like this one at a secret location near Reykjavik, are contributing to marital strife?

HALLDOR KOLBENS/AFP/GETTY IMAGES

secretly purchasing art with cryptocurrency. He had been buying art for years, but suddenly his cash payments stopped.

"This was suspicious," Davidson recalls. "He was still acquiring art but there were no money trails. It became obvious that he was using cryptocurrency to purchase artwork in secret. He eventually admitted to what he had been doing and had to disclose his assets as part of the separation proceedings."

Given the secretive nature of cryptocurrency, an irregularity such as that can be a vital indication of what's been going on. "It can be difficult for forensic accountants to uncover

assets obtained using cryptocurrency, so you try to find the side door because the front and back door won't tell you anything," says Davidson. "People's financial behaviour patterns can be relatively stable and then suddenly will change. So you look for patterns and any anomalies. You're effectively looking for what you can't see, and that will be the clue."

However, in a court of law you need to prove what you're going to find before you find it. "It's a catch-22 situation," says Isaacs. "You have to produce evidence of browsing history, emails - anything that may prove cryptocurrency trading has taken place."

That could mean seizing the spouse's computer, something unheard of in most divorce proceedings. In some situations, a court may order an individual to hand over their computer, but this step isn't always successful, says Isaacs. "If they are genuinely trying to defeat the courts, it's surprising how often computers will get stolen, lost in a fire or trodden on by elephants before they ever get handed over."

King insists that concerns relating to cryptocurrencies are driven by uncertainty. We will only truly understand how Bitcoin and the like affect divorce settlements, she says, once they become more common in marital disputes.