

Quindell wins libel case against US short seller

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The embattled insurance outsourcer Quindell yesterday claimed victory in its legal battle against the US analyst that sparked a near £1bn sell-off in shares, despite experts saying the verdict in its favour is "basically a procedural step".

Close to £950m was wiped off Quindell's value in April after Gotham City Research, a little known short seller, claimed its shares were worth up to 92 per cent less than they were trading at and said much of its profits were "suspect". Quindell strongly denied the accusations and started libel proceedings.

Yesterday, shares in Quindell, which handles outsourced legal claims for the insurance industry among other things, jumped as much as 11 per cent after it said the UK High Court had ruled in its favour. Quindell's vice chairman, Tony Bowers, said: "We have consistently stated that we believe the Gotham publication was both defamatory and deliberately misrepresentative and it is pleasing to receive validation of our claim."

But Quindell ended the day up just 1.36 per cent, and still some 70 per cent below its level in April, with some expressing doubts over the company's interpretation of the ruling. Gotham City Research did not respond to legal papers received in July and yesterday's verdict was thus an uncontested case.

Claire Gill, a partner at the law firm Carter-Ruck, told The Independent: "Obtaining a default judgment is basically a procedural step. Judgment is made without any trial or determination of the facts or issues because the defendant has not acknowledged the claim or filed a defence."

Quindell is entitled to damages following the ruling and the High Court will begin its assessment of how much should be awarded in November. But Ms Gill also expressed doubts over whether any money will be recovered, saying: "Recouping losses, and the legal costs it will have incurred, is likely to be difficult, if not impossible. The US courts, by virtue of the Speech Act can refuse to enforce any foreign libel judgment if to do so would undermine the US's First Amendment."

Last month, Quindell pledged to take legal action against the financial blogger Tom Winnifrith after he penned an online blog accusing the company of buying worthless companies to benefit "old pals" of the board.

Quindell strongly denied the claims, calling them a "regurgitation" of Gotham City's accusations. Mr Winnifrith told this paper he has yet to receive legal letters.

Gotham City Research's Quindell note first brought it to investors' attention on this side of

the Atlantic, but it has since hit the headlines for prompting the collapse of the high-profile Spanish wifi provider Gowex.

Gowex initially denied claims by Gotham that up to 90 per cent of revenues were suspect, but its chief executive, Jenaro Garcia, eventually admitted falsifying at least four years of accounts. In a statement responding to the collapse of Gowex, Gotham said: "We are focused on ferreting out individual companies that we believe are frauds, fads and/or failures."

The identity of those behind Gotham is unclear. The company incorporated in Delaware through Harvard Business Services, a company that specialises in helping people set up businesses in the state and acts as the "registered agent". Gotham's website domain is also registered with Domains by Proxy, which obscures the identity of the site's owner.

However, investor Daniel Yu, known as the @LongShortTrader on Twitter, is said to be behind the company. Neither Gotham City Research nor Daniel Yu could be reached for comment.