

Lawyer kept mum on conman's \$30m fraud



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High-profile Sydney lawyer Leigh Johnson stayed silent about infamous conman Peter Foster's involvement in a fraudulent \$29.6 million sports gambling scheme, engaging in "misleading or deceptive" conduct, a court has found.

Investor Ian Mackinnon took legal action in the NSW Supreme Court on behalf of 153 people who invested in the Sports Trading Club.

The scheme purported to "trade" on the outcome of sporting events, using highly skilled account managers supervised by a senior analyst and chief investment officer. In an added flourish, it was claimed savants were used to give STC a winning edge.

The 12 defendants in the civil action included Foster and Ms Johnson, who was a partner in the scheme and involved from its start.

A judgment on Monday by judge James Stevenson said STC was “a fraudulent scheme devised, masterminded and controlled by Mr Foster”.

Foster was a “notorious confidence trickster” involved in fraudulent schemes in Britain, the US, Australia and elsewhere over the past 30 years, Justice Stevenson said. “The moneys advanced by the group members were misappropriated at Mr Foster’s instigation and direction.”

Ms Johnson knew Foster was involved in STC from the outset and that he was using the alias Mark Hughes, the “national sales manager”, the judgment said. She knew his involvement had to be concealed and must have known a proposal used to solicit investment contained false statements.

By certain points, she knew Foster was in control of STC and was deeply suspicious that investors’ funds were being misappropriated. “She engaged in misleading or deceptive conduct by remaining silent, notwithstanding having those suspicions,” Justice Stevenson said.

Ms Johnson’s past clients include one of Anita Cobby’s killers, Gary Murphy. Her name, image and good standing as a solicitor were used to promote STC. Investors were reasonably entitled to expect that she would speak out, the judgment said.

Ms Johnson, who has claimed Foster threatened to put a bullet in her head if she revealed his role, was the only person to actively defend the proceedings.

Justice Stevenson found she was an “extremely unreliable witness” who gave inconsistent evidence. The court will hear arguments about whether her conduct damaged investors.

The 153 STC members involved in the legal action invested a combined \$12.3m, with only \$6.4m recovered. Foster is liable for the unrecovered balance, the judgment found. Orders for payment will be made at a later stage.

STC claimed to have “trading rooms” in Sydney, London and Hong Kong. In reality, it was based at a Byron Bay residence under Foster’s control.

Foster last year pleaded guilty in NSW to a charge of making a false statement for financial - advantage, admitting he used the Mark Hughes alias to entice an investor into spending \$1.3m for STC’s South African rights.