

Maman and Bagby in NYLJ: Beware of Fraud Warning Signs in Due Diligence and Borrower Evaluation

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Following a panel discussion addressing fraud risks in private credit and asset-based lending at the [Haynes Boone 2026 Finance Symposium](#) in Charlotte, NC, Haynes Boone Partners [Michele Maman](#) and [Ingrid Bagby](#) collaborated with Kroll Managing Director [Ann Gittleman](#) and Company Advisor [David Pauker](#) to author an article for *The New York Law Journal* outlining practical considerations for lenders evaluating borrowers and collateral in today's risk environment.

Read an excerpt below.

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Recent high-profile cases involving fraud, double-pledged collateral, and accounting misstatements have underscored the risks facing banks, private credit providers, and other lenders in today's market.

Allegations in cases like First Brands, Tricolor, MFS and others illustrate how these risks can arise in practice and why it is important for lenders to be able to identify warning signs during the diligence, underwriting, and monitoring process.

Lenders who incorporate these early warning signs and incorporate protective steps into their models and practices can minimize the risk of an ugly surprise down the road.

Recent Cases Illustrate the Risks

The September 2025 bankruptcy filing by First Brands Group, an automotive parts supplier, has drawn significant attention across lending markets.

Company executives are accused of obtaining billions of dollars in financing by presenting fabricated invoices and inflated receivables to lenders, while in some instances pledging the same receivables to multiple financing counterparties.

Similarly, the collapse of Tricolor Holdings, a subprime auto lender that filed for chapter 7 liquidation in September 2025, raised concerns regarding the reliability of receivables underlying securitized loan portfolios.

Following the company's bankruptcy filing, investors alleged that certain loan pools supporting securitized notes issued by Tricolor contained inflated or manipulated loan data, prompting litigation against financial institutions involved in structuring or financing the transactions on the basis that they had missed glaring warning signs of the alleged fraud.

Moreover, recent scrutiny surrounding Market Financial Solutions (MFS), a UK-based mortgage lender active in private credit markets, also uncovered risks associated with complex financing

arrangements and cross-border lending structures.

MFS became subject to administration proceedings (a form of insolvency protection) in the UK after creditors raised concerns about financial irregularities and mismanagement.

Since the commencement of proceedings, MFS is facing allegations that it double-pledged collateral to creditors, who allegedly are facing exposures of hundreds of millions of pounds.

These concerns echo lessons from earlier collapses and high-profile cases like Enron, FTX, Bernie Madoff, Worldcom, and Greensill Capital, whose supply-chain finance platform relied heavily on receivables for unproven future counterparties. The failure of these entities—past and present—demonstrates the necessity for independent verification to minimize risk.

Whether the recent filings reflect a genuine increase in fraud or simply greater attention to these issues, the practical reality is the same: lenders must approach due diligence with heightened scrutiny.

Read the full article on *The New York Law Journal* [here](#).