PLAN B BRAZIL

INDEPENDENT INVESTMENT ADVISORY

How to Recognize a Real Estate Fraud Scheme in Brazil

RESALE, NEW CONSTRUCTION, AND CHOOSING THE RIGHT PARTNERS

Concrete warning signs, real cases — from the Encol collapse to Operation "Black Flow" in Itapema — and a legal protection most buyers don't know about.

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Most real estate fraud schemes in Brazil aren't particularly inventive — they rely on urgency and buyer inattention. Below are concrete signs to watch for before you hand over a single real.

42K+	R$90M	R$200M	~90%
defrauded buyers — the Encol collapse, 1999	losses, Itapema, September 2025	pyramid scheme, 1000+ victims	typical refund when construction halts

The Most Common Schemes

Per legal sources, the most common are: **fake ownership** (selling someone else's property with forged documents), **double sale** (one property sold to multiple buyers), **fake agencies**, **hidden debts** (selling a property with undisclosed liens), and **financing fraud**.

Seven Warning Signs — Secondary Market

🚩 **Price significantly below market**
A classic lure. If it looks too good to be true, it probably is.

🚩 **Pressure to decide quickly**
"There are other buyers," "offer today only" — a tactic to deny you time to verify.

🚩 **Payment requested before viewing or signing**
No legitimate deal requires money before you've seen the property and signed a vetted contract.

🚩 **Seller avoids written communication**
Insists on cash — the absence of a paper trail is a red flag.

🚩 **Seller is hard to find in person**
Reluctance to meet, or contradictory details (address, features, price).

🚩 **Refuses to provide an updated matrícula**
The one document confirming the real owner and any liens.

🚩 **Broker without CRECI registration**
Checkable officially and free — a legitimate broker won't refuse to confirm it.

THE ONE CHECK THAT MATTERS MORE THAN ALL THE OTHERS

Order a fresh **matrícula atualizada** for the property at the Cartório de Registro de Imóveis before signing anything. This document shows the real owner and any liens — it legally outweighs any verbal assurance from the seller.

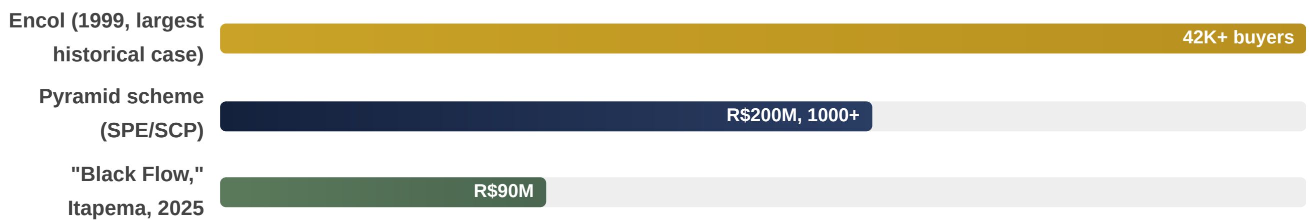
A Legal Protection Most Buyers Don't Know About

Brazil's Supreme Court (STJ) established **Súmula 375** — it protects a good-faith buyer from being accused of "fraud against creditors" (fraude à execução). A deal can only be annulled if a lien (penhora) was registered **before** the purchase, or if the buyer knowingly knew of pending lawsuits against the seller.

The Primary Market — a Different Risk Category: Defrauded Co-Investors

Everything above concerns resale property. But with new construction, the risk works fundamentally differently — it's not about individual units, but money invested in a project that may never be completed.

Scale of real cases (losses/victims)



THE REFERENCE CASE — THE ENCOL COLLAPSE (1999)

Brazil's largest construction scandal: over **42,000 buyers** paid for apartments and received nothing, hundreds of abandoned construction sites across 23 states, 23,000 workers suddenly unemployed. The Encol collapse is what drove the introduction of the patrimônio de afetação protection mechanism, which we covered in our SPE article.

THIS ISN'T ONLY HISTORICAL OR FAR AWAY

In September 2025, Operation "Black Flow" uncovered a scheme causing **R$90 million** in losses right in Itapema — the region next to us. The scheme involved illegal fund transfers between different SPEs and developers within the same group, selling units without incorporation registration, and multiple liens on the same property to different creditors.

Warning Signs Specific to New Construction

- 🚩 Units sold before incorporation registration (registro de incorporação) — a direct violation of Lei 4.591/64
- 🚩 The developer promises "dividends" or guaranteed returns from itself — a classic pyramid-scheme signal
- 🚩 Overly rapid geographic expansion without a matching capital base
- 🚩 Lack of transparent, verifiable financial statements
- 🚩 Fund flows between different legal entities within the group with no clear logic

IF CONSTRUCTION DOES HALT — YOU HAVE LEGAL RECOURSE

Brazilian courts treat halted construction as an objective breach by the developer — this grants the right to rescind the contract and get a refund, typically around **90%** of the amount paid.

It's Not Always Malicious Intent — the Risk of Incompetence

A separate, less obvious risk category isn't fraud in the legal sense, but ordinary incompetence or simply wanting to close a deal at any cost. A realtor more interested in selling something than understanding your strategy may not lie outright — but won't warn you about real risks either. The outcome for the buyer often looks like fraud's aftermath — money spent, the property not matching expectations — just without malicious intent on the other side.

That's exactly why choosing the professional who supports your deal deserves the same diligence as checking the property itself — independence from the developer, willingness to explain the logic behind a recommendation with numbers, honesty about risks, not just upside.

Bottom Line

> Most fraud schemes can be spotted in advance — no legal training required, just attention to the signs above. On the resale market, the decisive check is an updated matrícula. On new construction, it's incorporation registration and transparency in the developer's cash flows.

This material is for informational purposes only and does not constitute legal advice.

Your Path Forward

1

Property Verification

Send us the property — we check matrícula/incorporation registration before purchase.

2

Due Diligence

Full check of the developer/seller, cash flows, liens.

3

Deal Support

Structured through escrow and verified partners.

YOUR PERSONAL ADVISOR

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