When the 2026 Crypto Crash Meets the Courtroom

Why Market Losses Do Not Automatically Amount to Fraud

By Narita Bahra KC and Dr Marius-Cristian Frunza

The cryptocurrency market correction of 2026 has wiped billions from digital asset valuations and left many investors facing significant losses. Triggered by a combination of geopolitical tensions, persistent inflation, higher interest rates, reduced institutional investment in Spot Bitcoin ETFs and widespread market liquidations, the downturn has inevitably led to greater regulatory scrutiny, civil claims and criminal investigations.

For lawyers, however, the key question is not whether cryptocurrency prices have fallen. It is whether those losses are the product of fraud or simply the consequence of an exceptionally volatile market.

That distinction matters.

History demonstrates that periods of significant market decline are often followed by increased litigation. We have seen similar patterns in other complex investment markets, including carbon credits, where falling prices and reduced liquidity prompted allegations that investments themselves were inherently fraudulent. In many cases, however, the losses reflected market conditions rather than criminal conduct.

Cryptocurrency cases require the same careful analysis.

In both criminal and civil proceedings, valuation is often a central legal issue rather than a secondary accounting exercise**.** The way digital assets are valued can fundamentally affect allegations of loss, confiscation, compensation, asset recovery and civil damages.

Unlike conventional investments, cryptocurrency values can fluctuate dramatically over relatively short periods. A portfolio may appreciate or lose substantial value between the commencement of an investigation and the conclusion of proceedings. Determining the correct valuation methodology can therefore become one of the defining issues in a case.

Among the questions practitioners and courts frequently encounter are:

- Should loss be assessed at the date of the alleged wrongdoing or at a later date?
- Should the highest intermediate value be adopted?
- Should loss be measured in cryptocurrency or converted into fiat currency?
- Has ordinary market volatility been incorrectly characterised as evidence of fraud?

These are not merely technical accounting questions. They frequently determine the financial consequences of proceedings.

The importance of valuation is not merely theoretical. Narita Bahra KC and Dr Marius-Cristian Frunza recently acted for a defendant, alongside Qian, in one of the United

Kingdom's most significant cryptocurrency prosecutions, involving what is believed to be the UK's largest Bitcoin seizure. During the course of the proceedings, Bitcoin's value increased dramatically from the date of arrest to the conclusion of the case. That movement in value demonstrated how the timing of valuation—and the conversion of cryptocurrency into fiat currency—can have a material impact upon the assets concerned and, ultimately, upon the financial consequences of both criminal and civil proceedings. Determining the appropriate valuation date is therefore often a central legal issue rather than a simple accounting exercise.

For advocates and those advising clients, valuation should therefore be considered at the earliest possible stage. It should not be treated as an afterthought once liability has been determined. A poorly defined valuation methodology may materially alter the assessment of benefit, loss or damages.

The events of 2026 serve as a timely reminder that market volatility is not evidence of fraud. Equally, rising values do not negate criminality. The task of the court is to determine the evidence, not to judge investments with the benefit of hindsight.

The proceedings referred to above formed part of what has been described as the largest cryptocurrency seizure in UK history.

BBC World Service – ***Unmasking China's Cryptoqueen: Behind Britain's Biggest Bitcoin Seizure***

https://www.youtube.com/watch?v=VAoSHnNJk0Y

https://www.bbc.co.uk/news/articles/cvg4w1g9ezko

Narita Bahra KC is a **Tier 1-ranked King's Counsel** at **33 Chancery Lane**, specialising in serious and complex fraud, financial crime, cryptocurrency, money laundering, confiscation and regulatory enforcement. She is regularly instructed in some of the United Kingdom's most significant financial crime prosecutions and related civil proceedings, advising and appearing in cases involving digital assets, international fraud, asset recovery and complex confiscation under the Proceeds of Crime Act 2002.

Dr Marius-Cristian Frunza is the founder of **Schwarzthal Tech**, an AI-powered financial technology company specialising in blockchain analytics, financial crime and Know Your Customer (KYC) solutions. He is an internationally recognised expert witness in financial crime, cryptocurrency tracing and complex commercial disputes, and an Associate Professor of Finance at Université Paris Dauphine**.** Dr Frunza is the author of several books and academic publications on cryptocurrency, financial crime, risk management and digital assets, and has advised financial institutions, regulators and law firms on matters involving digital asset investigations and compliance.