

But for the Plan

(The Rogue Financial Advisor)

Mr. B (not his real name), an actively employed union member nearing his 30 years of service for retirement eligibility, considered himself to be a prudent and knowledgeable investor. For many years he faithfully made maximum contributions to his own RRSPs as well as to spousal RRSPs, with a well known, Canadian-based investment company that boasts itself to be one of Canada's largest and most respected.

Unfortunately, even one of Canada's largest and most respected companies is not immune from having one of its employees turn rogue.

The B's long-time financial advisor was transferred to a different office, and they were assigned a new financial advisor - slick, aggressive and full of ideas to dramatically increase their returns after the difficult economic times in 2008 and 2009.

The new advisor persuaded them to obtain a large line of credit, secured against the equity of their home, and to use the credit line for aggressive investments.

With promises of at least 12% and up to 24% annual returns, the new advisor solicited and personally received almost \$250,000 from clients B, over a period of approximately 11 months. In return, he provided promissory notes, signed by him, which stated interest rates of 12%, 18%, and 24%. The promissory notes were to be destroyed when payments were deposited into the clients' investment accounts.

Only a few deposits were made before Mr. Rogue Advisor's Ponzi scheme was exposed, at which time he made an assignment into bankruptcy that showed clients B on a list with other unsecured creditors who, in total, were owed over \$5 million.

Clients B were fully aware of their Plan coverage and, immediately upon learning of their financial disaster, scheduled an appointment with Archie Palinka, an experienced litigation lawyer at our Oshawa Staff Office.

Mrs. B meticulously handled all of the record-keeping, even keeping documents that she was told should be destroyed. She produced several of the promissory notes, together with documentation showing the line of credit and bank drafts payable to Mr. Rogue Advisor personally. In addition, her handwritten notes, made contemporaneously at the meetings held in their home with Mr. Rogue Advisor, were explicit and credible.

Although the investment company's liability insurer quickly agreed to cover the borrowing costs on the line of credit, there was considerable dispute as to whether the promised 12% to 24% interest rates should be paid.

After considerable negotiations with formidable legal counsel representing the liability insurers, we were able to obtain a full return of principal, 18% interest, and a small amount of general damages for anxiety and depression. Needless to say, Clients B were ecstatic with the results.