

# Earl Jones victims can sue RBC in class action suit

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A Superior Court judge has approved a request to file a class-action lawsuit against the Royal Bank of Canada on behalf of the victims of Earl Jones.

Pierre Obendrauf/The Gazette

Nicolas Van Praet, *Financial Post* - Wednesday, Jul. 14, 2010

Montreal – The Royal Bank of Canada’s role in the Earl Jones affair will be exposed after a Quebec court authorized a class action lawsuit against the bank launched by victims of the convicted fraudster.

In the first step of what is shaping up to be a quicker-than-normal legal battle, Quebec Superior Court judge Robert Mongeon ruled on Wednesday that the lawsuit can go ahead. Victims of the former Montreal financial advisor are asking for roughly \$40-million in compensation.

Lawyers for the bank did not contest the motion seeking the court’s permission to sue. RBC spokesman Claude Lussier explained that decision by saying the bank wants to permit both sides to reach a settlement as quickly as possible. He said the bank would present a “solid defence” when the substance of the allegations is disputed in the months ahead.

Judge Mongeon gave the parties 180 days to come up with a schedule of motions and examinations preparing the groundwork for trial, a short time period in this type of case. The case could go to trial next year, said Neil Stein, lawyer for the victims.

“Just the fact that this has been certified is a step forward,” the suit’s lead petitioner, Virginia Nelles, told Radio Canada. Ms. Nelles’ family lost nearly \$1-million in the affair. “The bank will have a challenge against the victims of Earl Jones.”

On Jan. 15 this year, Earl Jones pleaded guilty to fleecing his former investment clients of millions. While he is currently in jail serving an 11-year sentence, his former customers have never recouped any of their money.

The class action suit against the Royal Bank alleges that from October 1981 to August 2008, Jones collected an estimated \$70-million from more than 150 people party to the suit for the purpose of managing it for them. It states that at all relevant times, Jones told the clients that the funds he was administering for them would be deposited in a trust account at the Royal Bank of Canada and would be invested to generate returns.

“Earl Jones’ representations were false,” the suit states. “Earl Jones never invested any of the funds that he collected from [the depositors] and the funds never generated any investment returns. Instead, through the period, Earl Jones operated a fraudulent Ponzi scheme.”

In order to carry out the scheme, Mr. Jones used a bank account at the Royal Bank’s Beaconsfield branch in Montreal’s west island, the suit alleges. Opened in the name of “Earl Jones in Trust” for the purpose of administering funds like trusts and the estates of deceased individuals, it turned out to be treated as nothing more than a personal bank account for Mr. Jones, according to the allegations.

“Earl Jones could not and would not have been able to carry out a Ponzi scheme to the detriment of [these plaintiffs] were it not for the negligence and willfull blindless of the Royal Bank of Canada,” the suit alleges. It states that the bank treated him as a VIP client because of the large monthly balances in the account, which gave him numerous irregular and inappropriate privileges.

One such privilege was allowing him to deposit cheques into the account, payable to third parties and which contained the statement “pay over to Earl Jones in Trust” on the back, without ever verifying the authenticity of the endorsement, the suit states. “In fact, substantially all of the ‘endorsements’ were forgeries, which the Royal Bank would have easily uncovered had it made elementary verifications,” it states.

None of the allegations against the Royal Bank have been proven in court.

In evidence made public during his trial, Jones told a representative of RSM Richter, the trustee overseeing the bankruptcy of his business, that he was surprised that the bank checks were not more rigorous.

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##### DRIVER50

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10:43 AM on July 14, 2010

And for this they expect \$40 million?

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##### MATTSON1

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11:01 AM on July 14, 2010

Let us all hope they can recover some of what was taken from them. RBC appears to complicit by not enforcing banking regulations created to prevent this kind of fraud in the first place.

 1 reply

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##### REGGIANO

Score: 1

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1:02 PM on July 14, 2010

Sure, as long as RBC gets to sue them to recover expenses after they lose. Were they not adult investors? If the guy had made them money, could RBC sue them for a cut?

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##### CANADIAN PATRIOT

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5:49 PM on July 14, 2010

Seems to me this is a game of " Sorry I Got Greedy, Lets Start Over Now That I Have Been Rewarded For Stupidity".