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RBC Faces Another Lawsuit From Ex-Earl Jones Client

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TORONTO (Dow Jones)--Royal Bank of Canada's (RY, RY.T) retail brokerage unit, RBC Dominion Securities, is facing a C\$1.5 million lawsuit from Barbara Macleod, a former client of convicted investment fraudster **Earl Jones**. Regulators are also looking into the case.

The lawsuit, filed this week at the Superior Court in Montreal, alleges that RBC enabled and assisted Jones to hijack, then fraudulently transfer, withdraw and misappropriate funds of the joint account held by Macleod and her deceased mother.

Jones also allegedly fraudulently withdrew funds from a separate registered retirement savings account by Macleod, issuing a series of directives to send checks that were fraudulently double-endorsed and deposited to Jones's own account.

Jones had an ongoing relationship with the McLeods on estate and trust issues. Jones became the sole estate liquidator when Macleod's husband died, and dealt with her on income tax preparation issues on estate trusts, according to the court filing.

The Investment Industry Regulatory Organization of Canada is currently conducting an investigation into the issue and Gillian McArdle, an RBC spokeswoman, said the firm is "cooperating fully" with regulators.

The advisers involved in the case, Jean Pierre Menard and Serge Leclaire in Montreal, "remain with the firm in good standing," according to McArdle.

Macleod is part of the pending C\$40 million class action suit filed against RBC also by victims of Jones, alleging that the bank allowed him to use his trust account at the bank to perpetrate his **Ponzi** scheme. The class action suit against RBC is expected to involve around 180 claimants.

Kevin Curran, part of the **Earl Jones** Victims Organizing Committee, said Macleod remains a member of the class even with her separate suit against Jones.

McArdle said the firm intends to defend itself against the new lawsuit. "The plaintiffs' trust in **Earl Jones** was misplaced and we are very sympathetic to their plight, but that does not create an obligation for RBC to account for Mr. Jones' wrongdoings," she said.

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