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# Credit Suisse Loses \$1.3 Million Arbitration Over Deferred Compensation

**BARRON'S**By [Andrew Welsh](#) Follow

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A Finra arbitration panel ordered Credit Suisse to pay one of its former financial advisors approximately \$1.3 million for alleged breach of contract, according to a Feb. 2 award.

It's the latest in a series of lengthy legal battles between Credit Suisse and dozens of advisors who have accused it of wrongly withholding their deferred compensation following the Swiss bank's announcement in late 2015 that it would shutter its U.S. wealth management unit. At the time, Credit Suisse [entered into an exclusive agreement](#) permitting Wells Fargo Advisors to recruit Credit Suisse's U.S.-based advisors. More than half of Credit Suisse's nearly 300 advisors, however, elected to join other competitors.



Credit Suisse

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Among them was James Garrity, who won the recent arbitration case. Garrity had worked at Credit Suisse for approximately 15 years before leaving to join [Morgan Stanley](#) at the end of 2015, according to [BrokerCheck](#), a public database maintained by Finra, the brokerage industry's self-regulatory organization.

Garrity filed his arbitration claim against Credit Suisse in December 2020, accusing the bank of breach of contract and unjust enrichment, according to the arbitration award. His former employer denied the allegations and filed a counterclaim against Garrity for \$34,000 for allegedly unearned advance of quarterly compensation.

After 40 hearings, a Washington, D.C.-based arbitration panel ordered Credit Suisse to pay \$1.381 million to Garrity for alleged breach of contract, minus \$34,000 for Credit Suisse's counterclaim. The panel also rejected Garrity's request to amend his Form U5, a regulatory document that lists whether an advisor left their firm voluntarily, was laid off, or was terminated for cause.

In addition, the three-person panel ordered Credit Suisse to pay \$50,600 for the cost of the arbitration hearings while Garrity is to pay \$2,550, according to the arbitration award.

Garrity's attorney Barry Lax says his client is pleased with the outcome. Lax's law firm, Lax & Neville, has represented more than two dozen advisors in arbitration against Credit Suisse and has several cases still pending.

"We've tried eight cases to award and won them all," says Lax, who is based in New York. "It's a vindication for the 26 advisors we have represented. They will get their deferred comp that was taken from them in 2016 when Credit Suisse exited the U.S. wealth management business."

A Credit Suisse spokeswoman says the company disagreed with the arbitrators' decision and was considering its options.

"This arbitration award enforced Credit Suisse's rights on its counterclaim, and also recognized that claimant resigned his employment (and was not terminated), which is the key factual point we made throughout the case," the spokeswoman says in a statement. "The partial award in Claimant's favor, however, is legally flawed and we are considering our options."

Credit Suisse has contested advisors' arbitration claims that it wrongly withheld their deferred compensation. The Swiss bank has said that the advisors voluntarily left the company to accept lucrative recruiting deals with other wealth management firms, which replaced the deferred comp they left behind.

Last year, Credit Suisse won two arbitration cases. It also lost a case to advisor David Barnes; an arbitration panel ordered Credit Suisse to pay Barnes more than \$2.1 million.

Over the years, the company has lost some big cases—and then contested arbitrations it lost. For example, in 2021 an arbitration panel ordered Credit Suisse to pay \$6.3 million, plus interest, to a group of seven advisors. Credit Suisse filed a motion in January 2022 in California state court to vacate the loss, arguing that the arbitrators in that case exceeded their authority and erroneously awarded the advisors deferred compensation. A California judge denied Credit Suisse's request in July 2022. The company is appealing the decision, according to court records.

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