Shareholder advocates applaud Supreme Court fiduciary ruling

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Shareholder advocates were taking comfort yesterday from a Supreme Court of Canada ruling that awarded a Quebec investor millions of dollars after a stockbroker made inappropriate investments for him.

While legal experts and regulators played down the impact of the decision, which they said applies only under Quebec's Civil Code and did not deal specifically with the broker's liability, other observers say it will give an important morale boost to anyone taking similar legal action.

"The case should provide encouragement for those people who have hung in there or who have bit the bullet and started legal action," said investor advocate Glorianne Stromberg, a former commissioner at the Ontario Securities Commission.

"It does send some signal to the industry that the [securities laws]have to be followed," added Jim Roache, an Ottawa investor who has been fighting a lawsuit against a full-service broker over the risky investments it made for his portfolio.

Under the ruling handed down Wednesday, Montreal-based Prudential-Bache Commodities Canada Ltd. and stockbroker Jules Roy will have to pay $2.3-million to 73-year-old Armand Laflamme, as compensation for making high-risk investments that drained his retirement nest egg.

Pru cquired this problem when Mr. Roy joined the firm and brought Mr. Lafl account from Burns Fry Ltd. in 1988.

The court ruling dealt mainly with the amount of the penalty the broker would pay as a result of breaching his fiduciary duty to make investments in Mr. Laflamme's best interests.

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