

April 22, 2009 - 8:11 AM

Minnows claim toxic investment deal victory



Credit Suisse will compensate some 1,700 clients who were sold Lehman Brothers products (Reuters)

Thousands of small investors who saw their money wiped out during the financial meltdown stand to get a partial refund following a landmark deal with Credit Suisse.

Credit Suisse has set aside SFr50 million (\$43 million) to compensate some 1,700 clients who were sold Lehman Brothers products that were later rendered worthless when the United States bank collapsed.

This comes on top of SFr100 million already paid out to around 2,000 clients, who accepted earlier deals.

The new deal was brokered with the Fédération Romande des Consommateurs – the consumers' association in the French-speaking part of Switzerland. But it will be extended to thousands of other clients both in Switzerland and abroad.

Matteo Pedrazzini, the lawyer representing the 400 consumers' association clients, told swissinfo the offer represented a major victory for small customers against such a large bank.

"It is very unusual for small clients to have such a claim accepted," he said. "It is the first time in Switzerland that I know of that the consumers' association has had the possibility of a fair negotiation with a big bank."

Pedrazzini's clients were part of a loose alliance of investors represented by some 20 lawyers in Switzerland.

"Goodwill gesture"

An initial Credit Suisse offer at the beginning of the year to provide compensation to clients with up to SFr500,000 at the bank, and with more than half of that sum invested in 100 per cent capital protected Lehman Brothers products, was rejected.

Credit Suisse on Tuesday said it would offer 50-70 per cent refunds to those people who had 20 per cent of their savings tied up in the toxic investments. And it promised to look into hardship cases of clients that fell outside those criteria.

The bank said the offer was a "goodwill gesture" and it did not accept liability for selling the products.

"Client trust and satisfaction are paramount for Credit Suisse. We fully understand the difficult situation faced by clients as a result of Lehman Brothers' declaration of bankruptcy and began early on to seek ways of accommodating them," said private banking chief executive Walter Berchtold in a statement.

"Reputational risk"

The bank also looks to have avoided an embarrassing attack by shareholders at its annual general meeting on Friday. Lawyer Daniel Fischer, who represents another tranche of investors, said the deal should appease most of his clients.

"Credit Suisse knew that there would be a lot of problems at the annual general meeting. It would have been a major reputational risk for them," he told swissinfo.

But Fischer warned that a smaller number of wealthier clients, who are not included in this deal, might go ahead with their own legal action.

Pedrazzini said most small investors would be happy to get some of their money back.

"People accept that they should bear part of the risk. The idea was to reduce the consequences of the financial crisis as much as possible for the little people. They had nothing yesterday and they have something today," he said.

Some lawyers had threatened to bring the first ever class action – prosecution by a number of individuals connected by the same complaint – in Switzerland. But Pedrazzini believes it would have

been difficult to persuade the Swiss courts to hear such a case.

"We don't have class actions in Switzerland but it was a victory for class negotiation," Pedrazzini said.

swissinfo, Matthew Allen in Zurich

SWITZERLAND AND THE FINANCIAL CRISIS



OMBUDSMAN WELCOMES DEAL

The Swiss banking ombudsman said it was also satisfied with the fresh terms offered by Credit Suisse on Tuesday.

It had been concerned that compensation would only be limited to clients who had invested at least half of their Credit Suisse savings in Lehman Brothers products.

The ombudsman had campaigned for this to be reduced to 10%, but said it would settle for the 20% cut-off point.

Ombudsman Hanspeter Häni said earlier this year that he had received some 1,800 complaints directly related to Lehman Brothers product investments after the bank went bankrupt last September.

Not all of these complaints involved Credit Suisse bank.

In total, Häni's office was inundated with 4,073 complaints of various nature in 2008 – up from 1,505 the previous year.

LINKS

- Credit Suisse (<http://www.credit-suisse.com/ch/en/>)
- Credit Suisse statement (http://www.credit-suisse.com/news/en/media_release.jsp?ns=41145)

URL of this story:<http://www.swissinfo.ch/eng/swissinfo.html?siteSect=105&sid=10600867&ty=st>