

Bond Case Briefs

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UBS Faces Lawsuit Over Alleged Muni Misreporting.

UBS allegedly misreported tax information on taxable municipal bonds, costing its clients millions of dollars, according to news reports.

The company allegedly failed to report amortizable bond premiums on forms used by clients to prepare their taxes, which led to “substantial” overstatement of taxable income and subsequently cost clients “at least tens of millions of dollars,” Bloomberg writes, citing a proposed class action lawsuit filed by Richard Goodman on behalf of himself and other customers who bought taxable municipal bonds in accounts maintained by UBS on or after Jan. 1, 2014.

The suit claims that Goodman’s own financial advisor, Brian Edgar, told the firm’s municipal bond and tax departments in 2016 about the errors in reporting the amortizable bond premium, according to the news service.

Edgar got UBS to amend 1099 forms for his clients, at which point Goodman learned that UBS had overstated his taxable income from 2015 through 2018 by more than \$100,000, Bloomberg writes. The suit claims that Edgar’s other clients’ taxable income was overstated by tens or hundreds of thousands of dollars, according to the news service.

Moreover, Goodman claims in the suit that he learned that UBS would not amend the errors automatically but would only do so if a client or their advisor brought it up, Bloomberg writes.

“Defendant purposely continued its incorrect and harmful practices, and failed to promptly and fully correct its prior erroneous tax information reporting upon learning of the error,” Goodman said, according to the news service.

UBS spokeswoman Alison Keunen tells Bloomberg that the firm disputes the allegations and plans to vigorously defend itself.

Earlier this week, Merrill Lynch agreed to pay \$1.5 million to settle claims brought by the Financial Industry Regulatory Authority alleging violations related to short sales in municipal securities, as reported.

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