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Goodman v. UBS Financial Services, Inc.

United States District Court, D. New Jersey - June 30, 2022 - Slip Copy - 2022 WL 2358403

Richard Goodman ("Bondholder") purchased – at a premium – a significant number of taxable municipal bonds, which he held in a brokerage account controlled by UBS Financial Services, Inc. ("UBS"). Bondholder alleged that for the tax years between 2015 and 2018, UBS incorrectly reported the amount of the amortized bond premiums on his 1099 Tax Form, causing him to significantly overpay his federal taxes.

Bondholder alleged that instead of following the policy set out in the UBS Form 1099 Guide, the Form 1099s that UBS provided to him, included only the amount of interest, without including the amortizable bond premium, either as a gross amount or as part of a net calculation.

Bondholder brought contract and tort claims on behalf of himself and similarly situated individuals and UBS moved to dismiss.

The United States District Court held that:

- Bondholder plausibly alleged that UBS violated two interrelated implied terms of the Client Relationship Agreement ("CRA"). The Court found that it is implied in the CRA that UBS would provide accurate tax forms and that UBS would follow its stated policies in providing tax forms;
- Bondholder failed to state a claim for the violation of the implied covenant of good faith and fair dealing;
- Bondholder had not plausibly alleged that there was a fiduciary relationship between him and UBS related to tax information reporting, and thus could not state a claim for breach of fiduciary duty;
- Bondholder failed to plausibly allege a duty of care that sufficed to state a claim for negligent misrepresentation; and
- Bondholder stated a claim for negligence. Factual issues precluded dismissal at this stage and the economic loss rule did not bar his claim.

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