Publication: The Straits Times, p A1&A5
Date: 10 July 2009
Headline: 204 DBS High Notes 5 investors suing bank

204 DBS High Notes 5 investors suing bank

By Francis Chan

MORE than 200 investors who lost a total of about $17 million on structured notes sold by DBS Bank are suing the bank in a bid to get their money back.

Legal firm Premier Law, which served notice on DBS yesterday, said the claim is based on the "prospectus and pricing statement relating to the [DBS High] Notes 5".

The investors want the notes declared "void" and their stakes repaid.

"The investors have taken this course of action after careful consideration, having sought advice from their legal advisors," said Premier Law.

A DBS spokesman said last night that the bank remains confident that the case is "without merit and we will defend it".

The Straits Times understands that the 204 investors involved in the suit had lost about $17 million on the complex structured notes.

More than 1,400 investors here bought $103 million worth of DBS High Notes 5. More than half of them invested $50,000 or less.

A report from the Monetary Authority of Singapore (MAS) on Tuesday detailed flaws in the sales processes of 10 financial institutions – including DBS – that sold products like DBS High Notes 5 linked to failed US investment bank

Investors decided to act before MAS report

Lehman Brothers.

DBS High Notes 5 were offered to better-off customers last year with a promised annual return of about 5 per cent, but the investors were told by the bank in October that their entire stake had been wiped out with the collapse of Lehman.

Many investors complained that they had been mis-sold the complex structured notes, with some claiming they were told the notes were a low-risk investment.

The MAS report found that the 10 institutions had applied different internal controls and failed in a number of areas.

It also said that some institutions did not ensure that staff were properly trained and had accurate and complete information needed to sell the notes.

In the case of DBS, the report stated that 49 of its relationship managers, who had not taken the required training course, had sold the notes to 303 clients.

The MAS banned DBS from selling new structured notes for at least six months starting from July 1. The other nine institutions received similar bans, with Hong Leong Finance being barred for two years, the harshest penalty.

However, the MAS made it clear that the institutions' failings and the penalties they received do not automatically mean they will be legally liable to investors.

Premier Law said the investors' move was not in response to the release of the findings by MAS.

"This group of investors have been considering their options for several months away from the media spotlight, and it was only after careful consideration that they have decided to take this route to recover their investment," said Premier Law's Siraj Omar.

The investors also sought the opinion of Professor Michael Furmston, dean of the Singapore Management University's law faculty, said the Premier Law statement.

An SMU spokesman said that Prof Furmston was travelling and could not confirm if he was involved in the case in his personal capacity.

According to the MAS report, DBS paid out $7.6 million to 197 affected investors out of the 866 complaints it had investigated and ruled on.

The bank's payout amounted to about a tenth of the $70 million to $80 million DBS had set aside to compensate investors in Singapore and Hong Kong earlier this year.

The Straits Times understands that most of the investors in the Premier Law group have gone through the three-step complaints resolution process recommended by the MAS.

The MAS had earlier urged investors who could not resolve their differences with the institutions to ask the Financial Industry Disputes Resolution Centre (Fidrec) to resolve their dispute. It also urged investors to avoid taking legal action unless they had exhausted the three-step process.

It is not clear whether any of the 204 investors involved in the suit had accepted compensation offers before embarking on this legal route.

franchan@sph.com.sg