

# WEALTH BRIEFING

## Non-Dealing Clauses Are Bad For Clients, Wealth Management Firms - Raymond James



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### [News Analysis](#)

Wealth managers should own their own client books and be free to take them with them when jumping ship, according to [Raymond James Investment Services](#), speaking in the wake of its victory against UK wealth advisory firm Towry over the issue.

[Peter Moores](#), chief executive of RJIS, which is a subsidiary of US-based Raymond James Financial, thinks that the UK should adopt something similar to the broker protocol in the US, which lays out ground rules for people moves in the industry.

“If you as a wealth manager leave a firm and follow certain rules, you know that you are what they considered to be a ‘good leaver’,” Moores told *WealthBriefing*. “It means that if you have not taken confidential information with you and left all your records and files up to date, you will not be sued.”

The US broker protocol has been in place for 10 years and adopted by about 600 companies, according to Raymond James. Moores said his company would gain from such a system as it is looking to expand its business by hiring entrepreneurial IFAs.

The UK wealth management firm recently won a legal battle against [Towry](#), the UK wealth advisory firm. Towry had sued RJIS for client poaching from seven former Edward Jones advisors at Raymond James. “The judgment does support the efforts of professional services firms like ours, to protect their legitimate business interests, through contractual non-solicitation, non-dealing and confidentiality clauses,” [Andrew Fisher](#), chief executive of Towry said in a statement after the ruling two weeks ago.

“The contracts of the former Edward Jones employees were materially different to our standard Towry contracts in that they did not contain a ‘non-dealing’ clause and we are confident that our current Towry contracts afford us appropriate commercial protection,” Fisher said in the statement.

Moore said that he understands the importance of protecting commercial interests but that there are ways of doing it that also look after the interest of the client. "Some firms are saying that they need a respectable period of time to protect their legitimate business interest, which means that they want to get in front of the client and be able to present their story," he said.

"We don't have any restrictive covenants; we understand why firms do want to have them, but what we are saying is that a non-solicitation covenant is enough," Moore said. "The problem with non-dealing clauses is that the employer and the employee are signing a contract, but the client is affected by it."

### **The US as the model?**

Moore does not think that the UK should mirror the system in the US but pick the best aspects from it: "It should be client-centric: it should allow the customer to have choice and if they don't have any choice, they should at least be told about it," he said.

Meanwhile, [Ronnie Fox](#), principal of [Fox Solicitors](#), told this publication that UK companies have more rights than customers in cases such as the one above, while the opposite is true in the US: "The tradition in this country has always been that if parties enter into an agreement which results in the choices for clients being restricted by their employer in the future, the court will pay more attention to the deal struck between the parties than to the rights of clients to choose their own advisors," said Fox. "It is different in America."

"I think it would take an awful lot for UK regulators to say to their members, 'you must not impose restrictions on solicitations or dealings which may affect your customers' right to choose to follow a particular individual advisor who leaves your firm,'" Fox said.

"This case demonstrates the usefulness of having a non-dealing clause and we believe that non-dealing clauses will become more common in contracts of employment as a result of this decision [the court case]," Dean Fuller, senior associate of Fox Solicitors told *WealthBriefing*, while saying that "with non-dealing provisions, client choice goes out of the window."