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Brokers' Offices Are Harassment Cases Waiting to Explode

Top-producing financial advisers act with independence unheard of elsewhere in corporate America and wield power over their assistants' pay.

By Sabrina Willmer

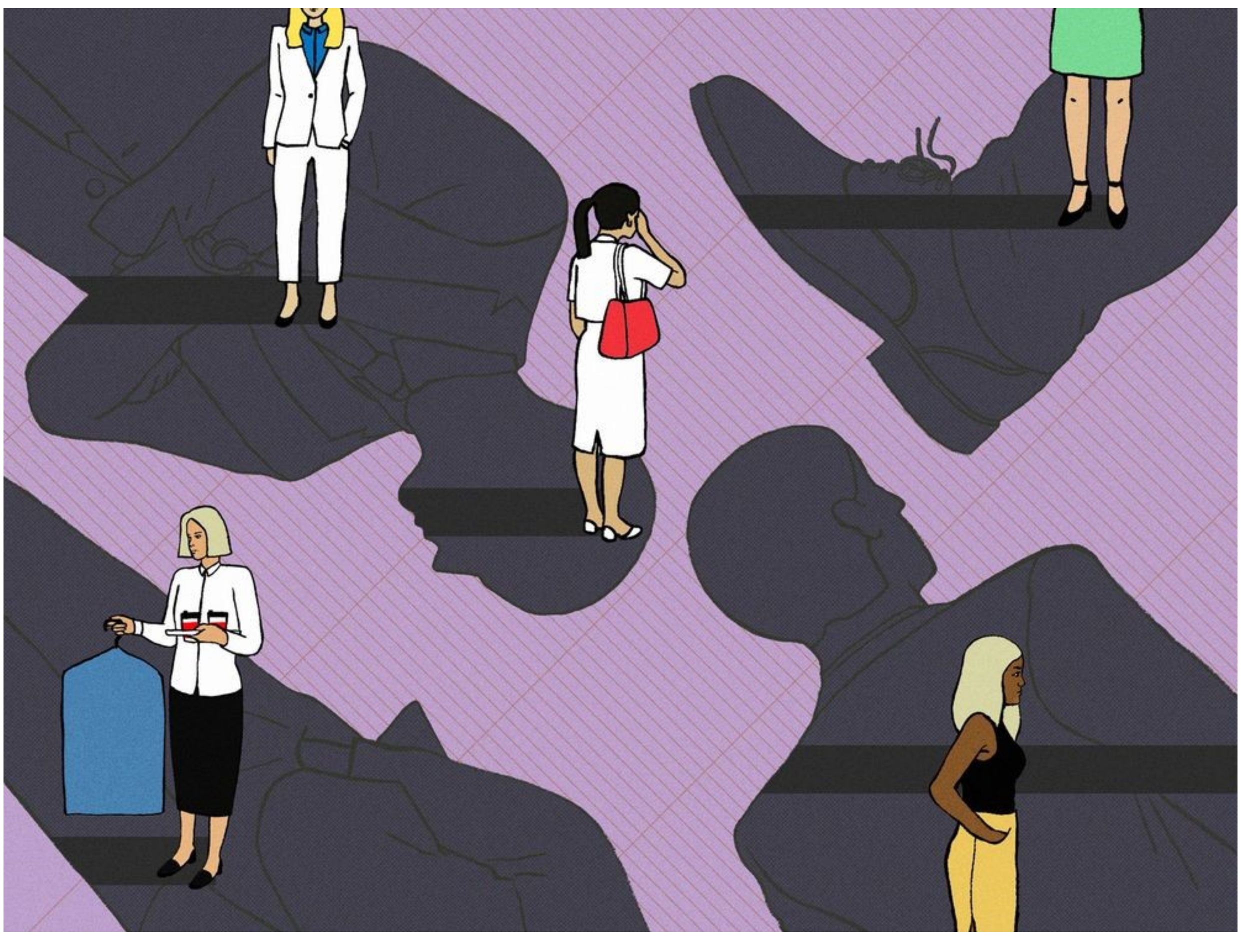

ILLUSTRATION: MANSHEN LO FOR BLOOMBERG BUSINESSWEEK

He was one of Morgan Stanley's top financial advisers in Beverly Hills. She was a Brazilian waitress and bartender at an L.A. Sports Club. He asked her to fly to Brazil to work as a translator for him and one of his celebrity clients, pop star Katy Perry, she recalls. He then offered her entree into the securities industry as an administrative assistant.

In March, the assistant, Lorena Alcantara, accused the adviser, Michael Ladge, of sexual harassment, saying he had an ulterior motive for hiring someone with no administrative experience and limited English skills. Ladge's real purpose "was to try to exploit his power with Alcantara, to subject her to demeaning and harassing behavior, to use her beauty to attract clients, and to pursue a sexual relationship with her," her attorney wrote in a lawsuit filed in Los Angeles Superior Court.

Ladge, who is now a member of Morgan Stanley's elite "President's Club" for top advisers, showed Alcantara pictures of his sex partners, including prostitutes, according to her complaint. In a sworn statement filed with her suit, another former administrative assistant corroborated much of her account. Ladge denies wrongdoing, according to Morgan Stanley spokeswoman Christine Jockle, who says the company "plans on vigorously defending itself." The case is going through arbitration.

As they have through the age of the telegraph, the ticker, and the computer terminal, the nation's now more than 600,000 securities brokers, most of them men, rely on a corps of largely female administrative assistants. Even at the biggest companies, advisers, as most stockbrokers are now called, at times act as if they were independent shopkeepers rather than part of multibillion-dollar corporations with large human resources departments.

Firms such as UBS, Bank of America Merrill Lynch, and Morgan Stanley let advisers use their own earnings to fund part of their assistants' pay, according to records in recent court cases and people familiar with the arrangements. These systems are designed in part to give brokers, who work in offices scattered across the country, the chance to act flexibly and more like entrepreneurs. If brokers feel they need more assistants than the company will fund, the advisers may then pay for the staffers themselves out of their commissions.

Such freewheeling personnel arrangements for assistants are unheard of in the rest of corporate America, according to Melissa Mahoney, chief operating officer for the International Association of Administrative Professionals <https://www.iaap-hq.org/> , a trade group representing assistants.

“Whenever there are individuals going out, recruiting, and paying their assistants from their own pocket, it is a sexual-harassment, gender-discrimination lawsuit waiting to happen,” says Mary Blair-Loy <https://sociology.ucsd.edu/people/faculty/faculty%20members/mary-blair-loy.html> , a founding director at the Center for Research on Gender in the Professions at the University of California at San Diego.

Morgan Stanley says the company, not its brokers, makes final decisions about hiring support staff and is seeking to hire more women as advisers. Branch administrators help check the power of individual brokers by overseeing performance reviews and managing support staff, according to Andy Tasnady, a brokerage firm compensation consultant.

Wall Street, of course, has a long history of demeaning behavior toward women. A 1996 class-action suit against Smith Barney described a locker room atmosphere in which male brokers threatened to take female employees who displeased them to a basement “boom-boom room.” As the #MeToo <https://twitter.com/search?q=%23MeToo&src=tyah> movement has called attention to sexual harassment, the financial-services industry <https://www.bloomberg.com/news/articles/2018-01-11/why-wall-street-hasn-t-had-its-metoo-moment-yet> has mostly avoided the spotlight. Wall Street leaders say that’s because the worst excesses have been eliminated.

Yet three-quarters of financial advisers are men, according to a 2017 study by a Stanford researcher and two others. Assistants, most of whom are female, average $50,000 in annual pay, while top brokers can earn hundreds of thousands, even millions, according to federal and industry data. And long after the boom-boom room, administrative assistants continued to complain about their treatment and prospects at brokerage firms.

In 2011 a jury in Kansas City, Mo., awarded a former UBS sales assistant almost $10.6 million <https://www.bloomberg.com/news/articles/2011-05-04/ubs-unit-loses-10-6-million-sexual-harassment-jury-verdict-lawyer-says> —later reduced by a judge to $8.4 million—for being subjected to an environment of sexual harassment and retaliation. At the time, the company said it would “ensure this kind of conduct does not occur again.”

That same year, a class action brought on behalf of thousands of Merrill Lynch assistants accused the company of denying them overtime pay and creating “a culture ripe for hostility and bias,” because the women depended on financial advisers’ commissions for much of their compensation. The plaintiffs dropped the bias claims and later settled the overtime dispute for $12 million in 2013. Merrill Lynch denied the allegations. Spokesman Bill Halldin says the company is working to improve the diversity of its financial advisers.

Employment lawyers say most harassment cases never see the light of day because brokers tend to settle them privately, often through compulsory arbitration agreements. That’s why Alcantara is now pursuing her claim against Morgan Stanley and Ladge through arbitration rather than court.

In 2012, James Collins, a UBS stockbroker, met a 23-year-old college student named Samantha Lambui while she was tending bar in Huntington, N.Y. Collins, a vice president for wealth management at UBS, hired her as an intern, which she saw as a life-changing opportunity. It was a $10-an-hour, part-time job funded out of her boss’s salary. Collins, a middle-aged married man, would treat her to expensive meals, according to a complaint she filed in 2014 in federal court in New York. One day, he asked her to buy new clothes at UBS’s expense, then send him photographs of her wearing them for his approval, she said. That night he told her if she’d meet him in a hotel for sex, he would give her a pair of Christian Louboutin shoes, she alleged in her lawsuit. She said she refused. Collins denied her account of events.

In court papers, Collins acknowledged once trying to kiss Lambui before her internship began. He said Lambui invited his advances and that he hadn't harassed her. UBS said it investigated and told Lambui it had found Collins's conduct improper. The company discharged Collins in July 2013, citing an unspecified human-resources violation, according to a notice filed with the industry's self-regulatory agency. UBS and Collins, who declined to comment, settled with Lambui for an undisclosed sum.

One in 11 male financial advisers has a record of misconduct, three times the proportion of women in the field, according to the 2017 study by the academic researchers. Yet the men are far more likely to face milder sanctions or find jobs elsewhere. (The study didn't break out the kinds of misconduct.) Two months after Collins left UBS, and before the lawsuit, he started work as a financial adviser at an Oppenheimer & Co. branch in Hauppauge, N.Y. In a statement, Oppenheimer said its policies and training reflect a "a strict zero-tolerance for any form of workplace harassment."