

CASE NO. **VOLUME** **PAGE**
Cite as: Williamson v. Williams, 1997 NSCA 100

DOUGLAS WILLIAMSON

GEORGE WILLIAMS, SCOTIA BOND
 COMPANY LIMITED, MIDLAND WALWYN
 CAPITAL INC.

- and -

(Appellant)

(Respondents)

C.A. No. 132942

Halifax, N.S.

FREEMAN, J.A.

APPEAL HEARD: April 7, 1997

JUDGMENT DELIVERED: June 9, 1997

SUBJECT: Contract, breach of fiduciary duty, damages.

SUMMARY: The respondent stockbroker, Williams, persuaded his client, the appellant Dr. Williamson, to place \$200,000 in a separate account to be used for high-risk options trading on the understanding the amount at risk would not exceed the \$200,000. Williams was given unfettered discretionary control of the account within that limit. After operating for some months within the limit, Williams began trading on margin and the level of risk increased far in excess of \$200,000. When Dr. Williamson returned from travelling abroad in April, 1990, the \$200,000 had been diminished, on paper, to \$138,000. Urged by Williams not to worry, Dr. Williamson did not revoke his authority until September 1990, by which time the level of risk was approaching \$700,000 and the \$200,000 had shrunk on paper to \$18,500. It fell further, then recovered, and stood at about \$50,000 when the account was finally closed out in July, 1991. The appellant sued the broker and the two companies which employed him jointly and severally in 1992 for damages for breach of fiduciary duty, breach of industry regulations and standards, breach of contract and negligence. The action was dismissed on all issues and Dr. Williamson appealed.

ISSUE: (1) Was there a breach of a fiduciary duty?

(2) If so, what were appropriate damages?

RESULT: (1) The broker, Williams and Scotia Bond, the company which employed him at material times, were in a fiduciary relationship with Dr. Williamson and under a duty to operate the options trading account within the agreed \$200,000 limit of risk. That duty was breached when Williams misused the margin authorization to expose Dr. Williamson to a much higher level of risk, as a result of which substantial losses occurred. (2) Dr. Williamson was entitled to restitution for damages consequential on the breach of fiduciary duty, amounting to about \$145,000. The appeal was allowed and the matter returned to the Supreme Court of Nova Scotia for assessment of damages and

determination of costs.

This information sheet does not form part of the Court's decision. Quotes must be from the decision, not this cover sheet. The full court decision consists of 47 pages.