

BlackRock Faces Fourth Fee Suit; J.P. Morgan Also Targeted

By Beagan Wilcox Volz, [Ignites](#), May 8, 2014 [subscription required]

A growing number of plaintiffs are suing fund firms over alleged excessive fees.

The trustee of a trust filed a [lawsuit](#) Tuesday in New Jersey federal court against BlackRock, claiming that it breached its fiduciary duty to shareholders by charging excessive advisory and subadvisory fees for its nearly \$59 billion Global Allocation Fund. The trust holds more than \$1 million of the fund's shares.

It is the fourth such suit to name BlackRock as a defendant in as many months. Unlike the other three suits, the most recent one is a class action. The others are so-called derivative suits, or cases brought by plaintiffs on behalf of a fund or multiple funds.

With class action suits, any damages recouped by the plaintiffs would generally go directly to them, rather than to the fund, as is the case with derivative suits. In addition, any settlement amount would be public in a class action, but not in derivative cases.

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The lawsuit is very similar to the first excessive-fee suit filed against BlackRock in February, which also focuses on the Global Allocation Fund, says Niels Holch, executive director of the Coalition of Mutual Fund Investors.

Like the previous suit, the plaintiff in the latest one contends that BlackRock charged an excessive advisory fee for the fund given that an affiliated subadvisor did most of the work. The plaintiff also claims that fees paid to BlackRock's affiliated subadvisor were excessive compared to the amounts it charged other unaffiliated clients to subadvise similar products.

“[The suit] raises the issue of what fund investors are paying for advisory services compared to what the advisor is charging others for subadvisory services,” says Holch. “And to the extent those services are similar, why is there such a disparity in the fees?”

A spokeswoman for BlackRock said in a statement that the suit is without merit and the firm intends to defend against the action vigorously.