

# BlackRock Slammed With Second Fee Suit in Month

By Beagan Wilcox Volz, [Ignites](#), April 2, 2014 [subscription only]

BlackRock faces another lawsuit, the second filed in the past month, that alleges its \$59 billion Global Allocation Fund charges excessive fees.

The latest [suit](#) was brought on March 28 in New Jersey federal court, the same jurisdiction in which the previous case was filed in early March. Both lawsuits focus on the advisory fee BlackRock retains in relation to fees paid to subadvisors, with the plaintiffs alleging that the firm collects too much for the work it does as an advisor.

The plaintiff in the recent suit, the trustee of a separate property trust, claims the Global Allocation Fund paid BlackRock a total of \$412.5 million in management fees in fiscal year 2013, and that the firm kept \$177.3 million, or 42%, for itself, “despite doing little, if any work.”

The responsibilities of the affiliated subadvisor of the Global Allocation Fund, BlackRock Investment Management, are “practically identical” to those of the advisor and do not justify the “substantial portion” of fees the advisor retains, according to the complaint.

The suit filed against BlackRock in March is broader in focus and alleges that BlackRock provides the same or nearly the same investment advisory services to unaffiliated funds that it subadvises as it does to the Global Allocation Fund, but for lower fees.

The recent suit was filed on behalf of the plaintiff by law firms **Robbins Arroyo** and **Wollmuth Maher & Deutsch**. Robbins Arroyo represents plaintiffs in similar cases targeting the fees paid to advisors of subadvised funds, including ones against Harbor Capital Advisors, Russell, ING and SEI.

On the other hand, **Szaferman Lakind** and **Zwerling, Schachter & Zwerling** represent the plaintiffs in the suit against BlackRock that was filed in March. Szaferman Lakind also represents the plaintiffs in similar suits against Axa and The Hartford.

“There seems to be a little bit of competition among the plaintiff’s bar regarding these subadvisor suits,” says Niels Holch, executive director of the Coalition of Mutual Fund Investors.

Successes for the plaintiffs of other such suits may be encouraging additional litigation in this area, says Holch. The cases against Axa and The Hartford survived motions to dismiss in 2012.

Holch also notes that the plaintiff in the latest BlackRock suit seems to be the first to focus on an affiliated subadvisor, rather than unaffiliated subadvisors, in the string of suits that allege firms charge excessive fees in subadvised funds.

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