

# CALL CENTER HELL

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***“If you would like to beat your broker with a stick press one.”***

The NASD has finally started an investigation into the infamous Merrill Lynch customer call centers. We warned everybody about these houses of horror five years ago when Merrill the Bull started rounding up all its **POOR** customers and herded them off to call center hell. Susanne Craig of the *Wall Street Journal* has reported that the investigation has been under way for some time and the two sides are close to announcing a settlement. Which is another fine example of Wall Street justice, screw the client and pay your way out of trouble.

A little over five years ago Merrill Lynch instituted another crooked scheme to maximize their bottom line. Send all poor Mom-and-Pop clients with assets less than \$100,000 off to a call center, either in Hopewell, New Jersey or Jacksonville, Florida. In a 1999 memo we discovered, a district director for Merrill Lynch referred to the class of people being herded off to call centers as **“poor people,”** and said advising and helping them was nothing more than **“charity work.”** I bet they don't highlight that policy on their brand new Total Merrill advertising campaign.

If you think it is bad enough to push people off to call centers where they will be handled by pimple-faced rookie **“yes men”** whose ink hasn't even dried on their business cards, what happened to those **“charity work”** clients after arriving at one of Dante's levels of hell was even worse. Those call centers turned out to be churn centers where investors' portfolios were dumped into high commission, under-performing unsuitable investments all in a systematic attempt to boost firm profits and executive's bonuses.

Susanne Craig of *The Wall Street Journal* tells the story of retired Boeing employee James Carskadon, 78 years old. James closed his account at Merrill Lynch after they sent him a letter telling him that the move to the call center was in his best interest. When Merrill Lynch decided to sentence Mr. Carskadon into their call center from hell, they told him in a letter that **“they were putting his financial interests first, because he deserved Merrill Lynch's fullest attention.”** Mr. Carskadon's opening account balance was \$110,000. Merrill turned it into \$10,000.

It has now become common industry practice to rid your firm of small clients, Morgan Stanley just opened a similar operation in Salt Lake City, Utah this past year. Merrill Lynch was the trailblazer in implementing this sick strategy. Merrill will not disclose how many investors are being handled at these call centers but the number according to *The Wall Street Journal* is believed to be greater than one million.

Brokerage firms used to covet clients of all portfolio sizes, but have now deemed that small clients do not generate enough in fees to justify having an advisor. In fact, most industry publications encourage brokers/advisors to **“fire”** their smaller clients in order to maximize their bottom line. We at Markowski Investments find this practice deplorable. The common business practices of Wall Street are becoming more and more disgusting. If you do not want to handle smaller net worth investors that is your prerogative, put the velvet rope up and hire a bouncer. But, to take these people and send them off to what amounts to a churn center is another new low point for Wall Street. Just when I think the big brokerage firms have hit rock bottom in the ethics department, they out do themselves again. All investors need to be treated with equal respect, dignity and service whether their portfolio is \$10,000 or \$10,000,000. We look at our new clients with smaller size portfolios as future millionaires, not a current liability.