JULY 29, 2010, 11:55 A.M. ET

BROKER'S WORLD: A Broker's Struggle To Go Home Again

By Annie Gasparro A DOW JONES NEWSWIRES COLUMN

NEW YORK (Dow Jones)--Just because a broker moves to a competing firm doesn't mean the bridge is completely burned. But crossing back over isn't easy, as Joshua Kuo has learned.

Kuo had been a financial adviser at Chase Investment Services in Cupertino, Calif., for six years when he was lured to Wells Fargo Investments in Sunnyvale, Calif., in June 2009. Things didn't pan out as promised at the new job, he says, and he was back with Chase a month later--and with a whole new set of complications.

It's not unusual for brokers to find out the grass isn't greener at their new place of business, but it's rare for a broker to muster up the humility to return to their old firm.

One general obstacle to returning is how quickly a firm is likely to have distributed the advisers' clients among his former colleagues, who immediately call them and do their best to keep them from leaving with the ex-broker.

Kuo says this happened to him, and that he lost clients with $40 million in total assets. Chase also handed off one of the two branches he was supervising, he says, so when he returned, it was to a smaller job with a pared-down client list.

He has no beef with Chase--he said he's grateful they took him back--but he now is in a legal battle with Wells Fargo, which wants back a signing bonus of about $600,000. As is typical, that bonus came in the form of a loan forgivable over several years, and Wells has filed a claim for arbitration through the Financial Industry Regulatory Authority, according to Kuo's lawyer, Stuart Meissner.

Meissner, who specializes in securities cases, shared Kuo's counterclaim in which he argues that he shouldn't have to return the bonus, and in fact deserves $1 million in damages from Wells Fargo for allegedly misleading him about the move.

"His main incentive for moving was the book of business he was supposed to inherit to increase his client base," Meissner said. "But what was an enticement turned into a curse."

Kuo says client accounts he briefly took over at Wells Fargo were riddled with questionable investments and client complaints over, among other things, certain types of certificates of deposit and annuities that were allegedly misrepresented to the clients as more liquid than they really were. An arbitration hearing in the dispute is set for January in California.

Kuo also has filed a whistleblower complaint with the Securities and Exchange Commission following new guidelines in the financial reform bill enacted last week, according to his lawyer, who says the complaint alleges misdeeds in some sales of investments at the Wells Fargo branch. Wells Fargo declined to comment on either the arbitration case or the whistleblower complaint; Kuo's counterclaim indicates that Well Fargo is accusing him of scheming to get the bonus and make a quick getaway, a charge he denies.

Chase also declined to comment on the situation. Meissner says Kuo "is appreciative that Chase recognized his professionalism and that he was fortunate enough to go back to his former employer." But he expects it could take years for Kuo to recover the income from the clients he says he lost and from the reduced supervisory responsibility.

Brokers who fail to fulfill the terms of signing bonuses, which tie them to their new employer for years, typically fare poorly in arbitration when they fight against having to return the money. Arbitration panels routinely rule against them, unless circumstances are proven to be extraordinary.

"This is a very unique case," Meissner argues. "This is much more than a promissory note case."

(Annie Gasparro writes about financial advisers and their jobs, with a focus on the challenges brokers face as the industry moves from traditional stock brokerage to high-net-worth wealth management. She can be reached at 212-416-2244 or by email at annie.gasparro@dowjones.com. You can also follow BrokersWorld on Twitter: http://twitter.com/BrokersWorld.)

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