REPORT ON DISCIPLINARY ACTION

Details of Hearing: Paul Joseph Lauzon (Kelowna, BC)

On March 1, 2018, a Financial Planning Standards Council (FPSC®) Discipline Hearing Panel found Paul Joseph Lauzon, CFP® breached the *CFP™ Code of Ethics* and on May 29, 2018, ordered, among other penalties, a ban on Mr. Lauzon from using the CFP Certification Marks and from seeking renewal or reinstatement of FPSC certification for a period of twenty-four (24) months.

Background

Mr. Lauzon was certified by FPSC as a CERTIFIED FINANCIAL PLANNER® professional in October 1996. He does not have a prior discipline history with FPSC.

In August 2015, FPSC received a public complaint from a former client of Mr. Lauzon. The allegations related to Mr. Lauzon's recommendation that the complainant participate in a charitable tax donation program that was not appropriate or suitable given the complainant's personal circumstances, investment objectives or risk tolerance. The charitable tax donation program, Canadian Organization for International Philanthropy ("COIP"), allowed individuals, including the complainant, to participate in the program through a credit purchase which represented the amount in pharmaceuticals pledged to donate to registered Canadian charities.

In 2008, the complainant paid approximately $2,800 for the donation to COIP to purchase, on credit, 2 donation units that amounted to $12,000. A Statement of Tax Shelter Information form was issued by the promotor of the Donation program, confirming that the complainant had acquired an eligible gift amount of $12,000. It was accepted by the Canada Revenue Agency ("CRA") as a charitable donation at the time and a tax credit was issued in 2008.

In 2011, the CRA reassessed the donation claim and advised that the tax credit was being disallowed for several reasons including, among others, that it was not a valid gift and the fair market value of the pharmaceuticals donated was overstated. The complainant did not understand the complexity of the tax donation program and the risks involved, including the possible reassessment of the donation claim by the CRA in the future.

Applicable Standard

The underlying conduct occurred in 2008 and was, accordingly, governed by the:

- *CFP™ Code of Ethics*, in force from April 2005, with a format update in January 2010, until November 2011.

Underlying Conduct

FPSC's Hearing Panel found that, among other things, Mr. Lauzon:

- Failed to act in the interests of his client, by failing to establish that the client would realize any meaningful gains compared to the risks involved with a loan or leveraged donation that the client was required to repay at a later date, contrary to Rule 202 of the *Code of Ethics;*
- Failed to exercise reasonable and prudent professional judgment in providing financial planning, as the recommendation that Mr. Lauzon made to his client was not reasonably aligned to an individual with basic income and in a lower marginal tax rate, contrary to Rule 201 of the *Code of Ethics*;
- Failed to make and/or implement recommendations that were suitable for the client, as the donation program was unsuitable given the client's stated objectives and risk tolerance, and that Mr. Lauzon failed to conduct any specific evaluation of the complainant's financial needs in relation to the donation program he recommended, contrary to Rule 702 of the *Code of Ethics;* and
- Engaged in conduct that reflects adversely on his integrity as a CFP professional, as the promotion of the donation program gives the appearance of focusing more on product sales for commission rather than effective financial planning, given the unsuitable nature of the recommendation, contrary to Rule 607 of the *Code of Ethics.*

FPSC Hearing Panel Decision

The Hearing Panel considered written submissions by FPSC and Mr. Lauzon, and in accordance with Article 7.2 of the *Disciplinary Rules and Procedures*, determined that Mr. Lauzon engaged in misconduct that is deserving of sanctions. In reaching this conclusion, the Hearing Panel noted, among other things, that:

- The misconduct in this case was very serious;
- Mr. Lauzon failed to take responsibility for providing poor advice and increasing the client's level of risk and potential liability;
- Mr. Lauzon refuses to accept that the tax shelter recommendation was unsuitable to the client's financial profile; and
- The client suffered financial harm.

On May 29, 2018, the Hearing Panel Ordered that:

a. Mr. Lauzon is banned from using the CFP Marks and from seeking renewal or reinstatement of FPSC certification for a period of twenty-four (24) months (until May 29, 2020);
b. Mr. Lauzon shall continue to take continuing education (CE) courses. Mr. Lauzon shall complete, at his own expense, the required twenty-five (25) hours of CE in each of 2018 and 2019. In addition, prior to May 1, 2020, Mr. Lauzon shall complete, at his own expense, FPSC courses in the following areas for a minimum of ten credits;
    i. Financial Planning (7 credits);
    ii. Professional Responsibility (3 credits)
c. Mr. Lauzon shall provide proof of completion of the CE credits to FPSC, prior to recertification. Mr. Lauzon shall not be permitted to be recertified as a CFP absent proof of completion of the required CE credits; and
d. Mr. Lauzon shall pay costs to FPSC in the amount of $9,354.50, which costs are due to FPSC on or before September 26, 2018.