

# Pennsylvania Court Holds Fiduciary Duty Exists Only Where Consumer Cedes Decision-Making Control to the Fiduciary

September 26, 2017

The Pennsylvania Supreme Court recently held in *Yenchi v. Ameriprise Financial, Inc.* that a financial adviser owed no fiduciary duty to a couple who purchased a life insurance policy based on the adviser's advice where they did not cede all of their decision-making control to him. An Ameriprise financial adviser (Holland) established a relationship with the Yenchis with a cold call. After a series of initial meetings, he collected an adviser fee and prepared a financial management plan for the couple. Based on Holland's advice, the Yenchis cashed out several existing life insurance policies to purchase a new life policy, but declined to follow some of his other recommendations. Years later, when they learned the life policy was severely underfunded, the Yenchis sued Ameriprise for breach of fiduciary duty. The trial court dismissed the fiduciary duty claim because no fiduciary relationship existed where the Yenchis continued to make their own investment decisions, but the appellate court found error where the trial court focused too rigidly on the couple's decision-making control. The state's high court was careful to address the concept of fiduciary relationships that exist based on undue influence exerted by the fiduciary over the individual. In those instances a party with some special vulnerability — such as disease, advancing age, or inability to understand the transaction's nature or terms — puts her entire trust into someone else's hands such that she has effectively ceded her control and decision-making processes to the other party. However, the court emphasized, no fiduciary relationship exists even where a special vulnerability is present if the party continues to act on her own and does not submit to the "overmastering influence" of the relationship. Applying that framework to the Yenchis' relationship with Holland, the court sided with the trial court, finding no fiduciary relationship existed because the Yenchis continued to make their own decisions, albeit with the benefit of Holland's advice. Of particular importance was the fact that the Yenchis declined to follow some of Holland's recommendations while choosing to follow others, demonstrating autonomy and control over their own decisions and undermining the idea that they were subject to any overmastering influence. The court specifically rejected the Yenchis' argument

that they had relied on Holland's expertise and specialized skill (juxtaposed with their high school education) because such a standard would grant fiduciary status to any relationship where one party had a marginally greater skill level than the other. Instead, the critical issue is whether there exists something beyond mere reliance on superior skill or knowledge that shifts the relationship to one of overmastering influence such that the individual effectively cedes her decision-making control.

## Related Practices

[Financial Services Regulatory](#)

## Related Industries

[Life, Annuity, and Retirement Solutions](#)

[Securities & Investment Companies](#)

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.