

The Province

Fight for class action opens: 3,534 people lost \$222m when Eron Mortgage crashed

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Color Photo: Brian Slobogian

More than 3,500 people, many of whom lost their life savings, begin a court battle in Vancouver today to win the right to sue the B.C. government jointly for not protecting them against Eron Mortgage Corp.

The mostly small investors, mainly from the Lower Mainland and Victoria, lost about \$222 million when Eron collapsed in October 1997.

The financial fiasco, one of the largest in B.C. history, left hundreds destitute, caused divorces and forced many into bankruptcy, said Dr. James Tindle, chairman of the Eron lenders committee, representing the investors.

"The government knew early on that Eron was suspect but did nothing to protect investors," said Tindle, who lost more than \$300,000.

Tindle's group is seeking to join a suit filed under the Class Proceedings Act by Mary Cooper of North Vancouver, who lost \$94,500.

Cooper, a realtor, is suing Robert Hobart, the registrar of mortgages, and the B.C. government for negligence and failure to police Eron.

The B.C. Supreme Court ruled earlier that she has a case.

Hobart in his statement of defence said his job is not to detect fraud, and the investors should have been aware of what they were getting into.

The government lawyers battling the application say there are too many different issues because there are unique elements to each investor's case.

Cooper's lawyer, David Church, said he will argue that the investors have many issues in common and that a class action would be better than hundreds of independent suits.

Eron Mortgage Corp. was founded in Vancouver in 1993 and expanded rapidly, promising investors returns of up to 24 per cent a year.

The company president was Brian Slobogian and the vice-president was Frank Biller, who has declared bankruptcy.

In all, 3,534 people, mostly from B.C. but with others from Alberta, Europe, the U.S., Australia and New Zealand, invested \$222 million in 64 projects

promoted by Eron.

The company was shut down in October 1997 and the projects frozen. Investigations showed that, among other things, Eron was using money raised from new investors to pay off earlier investors.

"We will be lucky if we get any money back," said Tindle.

Meanwhile, a B.C. Securities Commission hearing began last month and the RCMP commercial-crime squad is investigating.

The securities commission alleges that Slobogian and Biller spent the money "in ways not contemplated by individual investors," buying such things as a Rolex watch for \$34,500, diamonds, luxury homes and cars.

If convicted by the commission, the two could each be fined up to \$100,000 and banned from the B.C. securities market.

Slobogian has refused to attend the hearings. Biller has consistently claimed that he "made the mistake of believing the wrong people."