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Morgan Stanley to settle class-action lawsuit

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(Recasts, adds response from Morgan Stanley)

NEW YORK, June 12 (Reuters) - Morgan Stanley (MS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) will pay \$4.4 million to settle a class-action lawsuit with brokerage clients who bought precious metals and paid storage fees, according to a court filing.

The proposed settlement, which must be approved by the federal court in Manhattan, includes a cash component of \$1.5 million and economic and remedial benefits valued at about \$2.9 million, according to a court filing on Monday.

The suit, filed in August 2005, alleged that Morgan Stanley told clients it was selling them precious metals that they would own in full and that the company would store.

But Morgan Stanley either made no investment specifically on behalf of those clients, or it made entirely different investments of lesser value and security, according to the complaint.

"While we deny the allegations, we settled the case to avoid the cost and distraction of continued litigation," Morgan Stanley said in a statement.

According to the filing, Morgan Stanley argued there were no violations of law and no default or failure to perform or deliver precious metals.

The suit was filed by Selwyn Silberblatt, on behalf of himself and others who bought precious metals -- gold, silver, platinum and palladium in bullion bar or coins -- from Morgan Stanley DW Inc. and its predecessors and paid fees for their storage, according to the filing. The suit covered investors who did so between Feb. 19, 1986, and Jan. 10, 2007.

Silberblatt, a resident of Maine when the suit was filed, bought silver bars from Morgan Stanley during that period.

(Additional reporting by Joe Giannone)

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