

Snapshot

A Focused Look at Today's Human Resource Issues

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Promises prove costly for eager companies

Addressing a question that had not been “definitely answered” by California courts, a California Court of Appeal recently held that an employer who fraudulently induces an individual to resign from his job in order to come to work for the employer can be liable for the income the individual would have earned at his or her previous employment. *Helmer v. Bingham Toyota Isuzu*, 129 Cal.App.4th 1121

Helmer allegedly quit his job at Lithia Automotive, where he was the parts and service manager, in reliance upon Clark’s promise that he would earn at least \$5,700 per month at Bingham. When Bingham paid Helmer less, and Helmer complained about it, Clark notified Helmer that he was terminated.

After the employee was terminated he filed a lawsuit asserting a claim for promissory fraud, among other things. The employee alleged that Bingham, in order to induce him to leave his prior job made a promise of higher compensation that it had no intent to perform.

Neither Bingham nor his subsequent employers matched Plaintiff’s income at Lithia. Plaintiff prevailed on his promissory fraud claim after a jury trial, and was awarded \$450,913 in compensatory damages, which included an amount for lost future income that Plaintiff would have received if he had not resigned from

Lithia, and \$1.5 million in punitive damages. The trial court later reduced the punitive damages award to \$675,000.

The Court reasoned that Bingham “bar-gained to obtain an employee who already had steady employment,” and “it is only fair to compensate the employee for the damages he suffered as a result of leaving that steady employment.”

The California Chamber of Commerce recommends that employers “must train managers and supervisors who participate in the interview process not to exaggerate the employment opportunity no matter how anxious they may be to recruit the applicant.”

Attorney Grant A. Nigolian goes on to warn: “Many employers use offer letters which a court may or may not consider to be an employment contract. An employer should not include promises in an offer letter that it does not intend or is unlikely to fulfill. In addition, the offer letter should state that the employment is at-will... Employers need to make sure that managers are trained on what to say and what not to say, that prospective employees understand that the opportunity being offered is at-will, that the prospective employee understands the nature and content of the offer and that all other conditions are satisfied prior to beginning employment.



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