

**House of Representatives Standing Committee on Economics
Review of the Four Major Banks (Third Report)
National Australia Bank (NAB)**

NAB01QON: Hansard, p4

CHAIR: Just to be clear, effectively you've got 150,000 occasions where contrary, presumably, to the relevant disclosure rules, products that were NAB manufactured products were marketed to those customers without NAB telling their customer that it was actually their product. Is that right?

Mr Cahill: I believe that's the case. I will take it on notice. From my knowledge, that is the case. But all of the customers have been notified subsequently, so they are aware of that.

Answer

This issue relates to inadequate disclosure in documents provided to financial advisers.

Whilst the Product Disclosure Statements (PDS) provided to customers correctly disclosed the relationship with the NAB Group, the Statement of Advice (SOA) templates that advisers received from NAB instructed clients to refer to their Financial Services Guide (FSG) for the full disclosures of relationships. This was intended to make documents easier for customers to read by removing duplication, but the SOAs should have had full disclosures. Approximately 150,000 customers were provided with SOAs with this disclosure error. This primarily affected products issued by MLC. With the agreement of ASIC, these customers were notified of this issue via a pop-up message on mlc.com.

As part of this process it was also identified that when NAB had acquired a small number of new investment managers, a process breakdown meant it did not update its FSG and SOA templates for advisers to use to disclose the relationship between NAB and the investment managers it acquired. This meant that financial advice clients investing in these NAB Group products were provided with documents which did not disclose the link between their adviser (who is either employed by or licensed by NAB) and these particular Group products that the adviser was recommending them.

The total number of impacted clients that received letters notifying them of this issue was 19,765. (Note, the estimate of impacted customers that was originally communicated to ASIC was 28,626. Following validation the number was reduced).