

QW5: To aid in the Committee's consideration of matters pertaining to the banning of former Westpac financial planners Amanda Ritchie and Martin Hodgetts, the Committee requests that you present the following documents:

- a) internal reports and correspondence relating to the banning of Amanda Ritchie and Martin Hodgetts, including emails, file notes, board reports and any other relevant internal documents;
- b) correspondence with ASIC and other regulatory agencies regarding the banning of Ms Ritchie and Mr Hodgetts, including initial breach reports;
- c) internal reports and correspondence regarding reviews or scrutiny of client files managed by Ms Ritchie and Mr Hodgetts;
- d) correspondence with clients of Ms Ritchie and Mr Hodgetts regarding the banning of these advisers and subsequent review of their files;
- e) any documents recording training provided to, and attended or undertaken by Ms Ritchie and Mr Hodgetts and copies of the training materials; and
- f) other documents pertaining to the employment of Ms Ritchie and Mr Hodgetts, including performance reviews or assessments, bonus payments, internal complaints or compliance reports.

Answer: At the hearing on 6 October, Mr Hartzler tabled summaries of issues in relation to former financial planners Amanda Ritchie and Martin Hodgetts. We have replicated this below.

Amanda Ritchie

Relationship with Amanda Ritchie

Whilst Amanda Ritchie has never been an employee of Westpac Banking Corporation or its subsidiaries, she did work for a firm that was operating under our license as an authorised representative.

Ms Ritchie was an employee of M&S Group Accounting Pty Limited. M&S Group Accounting Pty Limited is part of a group of companies ("M&S Group"), which operates accounting practices and financial planning services in regional Victoria. The financial planning activities of the M&S Group are conducted by Pinnacle Financial Planning Pty Limited ("Pinnacle"). The M&S Group are not

owned or controlled by Westpac.

Pinnacle is a corporate authorised representative of Magnitude Group Pty Limited (“Magnitude”), a subsidiary of Westpac. As part of those arrangements, Ms Ritchie was an authorised representative of Magnitude from 19 February 2013 to 14 August 2014.

Prior to that, Ms Ritchie was an authorised representative of M&S Accounting Services Pty Limited, part of the M&S Group.

Issue identification and investigation

In early June 2014, a financial planner raised concerns to Westpac on behalf of a customer who the financial planner did not identify but who the planner stated had previously been a customer of Ms Ritchie. The information initially provided was limited. Westpac encouraged the planner to have the customer make a formal complaint so that the necessary information could be provided to enable the matter to be properly investigated.

The complaint was received on 31 July 2014. The customer alleged that transactions executed by Ms Ritchie on his Self-Managed Superannuation Fund were unauthorised.

Upon receipt of the complaint, our internal investigations team immediately commenced an assessment, including a thorough review of customer files and interviews with Ms Ritchie and other relevant people.

As a result of initial assessments, on 8 August 2014 Magnitude suspended Ms Ritchie’s authorisation while the investigation continued.

On 14 August 2014, Magnitude terminated Ms Ritchie’s status as an authorised representative.

ASIC was initially notified of the concerns relating to Ms Ritchie by phone on 15 August 2014, with a confirming e-mail on 18 August 2014 and with follow-up correspondence to ASIC on 26 August 2014 and 5 September 2014.

On 26 September 2014, Westpac notified the Victorian Police of the concerns relating to Ms Ritchie, by letter to the officer in charge of the Shepparton Criminal Investigations Unit.

The BT investigation continued and included:

- a comprehensive review of the files of all 51 of Ms Ritchie’s financial planning customers; and
- commissioning forensic accounting and technology investigations to determine whether there were any further irregularities.

The investigation found that five customers had been impacted by Ms Ritchie’s conduct. Ms Ritchie’s conduct had commenced while she was an authorised representative of M&S Group and continued while she was an authorised representative of Magnitude. Those customers who had suffered loss as a result of Ms Ritchie’s conduct have since been compensated by M&S Group, although there remains a difference of view with one customer as to the amount of compensation and that matter is currently the subject of proceedings in the Victorian County Court.

Regulatory and Enforcement Actions

Following the initial notification to ASIC and additional information being identified in the investigation, a formal notice was lodged with ASIC on 8 December 2014.

Westpac has co-operated with ASIC, including providing regular updates on our investigations, facilitating the provision of evidence, a sworn statement by the forensic investigator and the provision of documents to facilitate ASIC's investigation.

Westpac fully supports ASIC's decision to ban Ms Ritchie from the industry.

Westpac understands the Victorian police have laid charges against Ms Ritchie but we are not in a position to comment on any actions or investigations by the Victorian police.

Customer contact and investigation

As noted above, as part of our investigation, the files of all Ms Ritchie's customers were reviewed and all her customers were contacted. There was no evidence that any customers other than the five that had been identified were affected by Ms Ritchie's conduct and no evidence that other customers had suffered loss from inappropriate advice from Ms Ritchie.

Our internal Program, which commenced last year, is having a "second look" at the customers of a number of financial planners, including Ms Ritchie.

As part of that internal Program, Westpac has conducted another review of Ms Ritchie's customer files. That re-confirmed that there were no further indications that any other customers had suffered loss from inappropriate advice or misconduct by Ms Ritchie.

In addition, Ms Ritchie's customers have been contacted again as part of our Program, advising them that Ms Ritchie has been banned by ASIC and offering them an opportunity to have a further review. There are currently no outstanding issues, and no compensation has been required for Ms Ritchie's customers as part of our Program.

Prior to communicating with customers of Ms Ritchie as part of our Program, we provided the template for that communication to ASIC for review and comment.

Martin Hodgetts

Martin Hodgetts was employed as a Westpac Financial Planner from 18 August 2010 until he resigned on 8 September 2014.

Issue identification and investigation

On 26 September 2014, Westpac identified irregularities through our internal monitoring activities. Our employees noticed that nine life insurance policies, all written by Mr Hodgetts in the 3 months prior to his resignation, were about to lapse as a result of the initial premium payment on those policies being dishonoured.

We commenced an internal investigation, which initially focused on the nine policies identified. That investigation included a review of customer files and a meeting with Mr Hodgetts.

In the course of the investigation Mr Hodgetts indicated there may be a number of additional falsified policies.

On 1 October 2014, Westpac wrote to ASIC advising of concerns regarding possible dishonest conduct by Mr Hodgetts.

Westpac also notified the Victorian police on 4 December 2014, by letter to the Melbourne Criminal Investigations Unit. A copy of the brief provided to the Victorian police was provided to ASIC on 19 December 2014.

Westpac also expanded its investigation into all insurance files of Mr Hodgetts. This investigation identified that Mr Hodgetts appeared to have engaged in similar inappropriate conduct in relation to a total of 72 apparently falsified insurance policies in the names of 33 customers. The investigation concluded that:

- There was no detriment to customers as a result of Mr Hodgetts' conduct;
- Mr Hodgetts did not have any contact with the customers nor had he provided any financial services to the customers in relation to the fabricated files; and
- Mr Hodgetts took steps to conceal his conduct and prevent the detection of that conduct by Westpac's monitoring and control arrangements.

An investigation was conducted as to whether other financial planners may be engaged in similar conduct. No indications of any similar conduct by other Westpac financial planners were found.

Regulatory and Enforcement Actions

Following the initial notification to ASIC and additional information being identified in the investigation, a formal breach notice was lodged with ASIC on 20 April 2015.

Westpac co-operated with ASIC, including providing updates on our investigations, facilitating the provision of documents to facilitate ASIC's investigation.

Westpac fully supports ASIC's decision to ban Mr Hodgetts from the industry.

Westpac is not in a position to comment on any actions or investigations by the Victorian police.

Customer contact and investigation

Our internal Program, which commenced last year, is having a "second look" at the customers of a number of financial planners, including Mr Hodgetts.

As part of that internal Program, Westpac has reviewed files for 73 customers of Mr Hodgetts. That review did not identify customers who had suffered loss from inappropriate advice or misconduct by Mr Hodgetts.

Westpac has also contacted as part of our Program all 131 customers whose name was associated with Mr Hodgetts in our systems, advising them that Mr Hodgetts has been banned by ASIC and offering them an opportunity to have a review of any advice Mr Hodgetts may have provided to them. There are currently no outstanding issues, and no compensation has been required for Mr Hodgetts' customers as part of our Program.

Prior to communicating with customers of Mr Hodgetts as part of our Program, we provided the template for that communication to ASIC for review and comment.