



Bank Reform Now

Taking Real Action To Bring About Real Change In Banking

www.bankreformnow.com.au

Submission From Bank Reform Now To The Scrutiny of Financial Advice Inquiry

1.12.14

I am sure that you have noticed the mainstream media is regularly filled with stories highlighting criminal, unconscionable and predatory activities involving banks and financial planners - usually both involved in a vertically integrated business model. Also regularly published are stories showing an ineffectual regulatory system. CBA and Macquarie Bank have been shown to have profited by ripping off hundreds of thousands of investors – where was ASIC? NAB has been in the news for two reasons of late: for inappropriate lending enabled by the use of fraudulent Loan Application Forms; and for charging clients abusive Credit Card fees. ANZ is currently receiving attention for its involvement in the Timbercorp scandal. There are many examples of fraud, forgery and other crimes in everyday bank business activities - not just in relation to Financial Advice (the topic of your inquiry - and this submission).

I'm quite sure that Senator Dastyari is well aware that these types of activities are common having heard many examples over recent years. It is quite upsetting when you consider the massive profits that the banks enjoy come, in large part, from people having their finances and lives deliberately - in a premeditated fashion - destroyed.

Bank related financial planners' bonuses and promotions are dependent on getting increased business for the bank. The bigger the investments sold or managed - and the more of them they generate the better off they will be. This puts in place **an incentive for planners to work in their interests and often actively against the interests of their client** – this must be neutralised. Up to now **CEOs and Directors have turned a blind eye to predatory practices** including fraud and forgery because the bank's profits and their own remuneration also depend on inappropriate business tactics. **Why do governments, their regulatory authorities and their intermittent inquiries also turn a blind eye to these activities?**

I am happy to see a call for better trained financial planners. I am also pleased to see calls to instil ethical behaviour and standards in the way they operate. However **we will only see a real change when the penalty for the crime is greater than the reward**. To put it bluntly: bank profits will be much less if they are no longer able to successfully engage in predatory business practices. Honest banking is just not that lucrative. This is not a problem in the long run because investors will seek to invest in honest profitable businesses that produce real goods and real services of real value. The finance industry as we know it is self-serving and only able to make huge profits because governments allow crime and corruption to go unpunished.

How many bank executives have been sent to jail thanks to government regulatory agency investigations? There are numerous examples where action should have been taken. I would like to see a significant change in the way corporate criminals are pursued, investigated and punished as a direct result of your inquiry. **The regulators including ASIC and FOS are widely seen as ineffectual toothless tigers working in the industry's interests. Even ASIC's head Mr Medcraft let it slip that Australia was a paradise for white collar criminals. Medcraft says he wants tough penalties on white collar criminals. It is now up to Senator Dastyari and this inquiry to deliver reforms along the lines listed below.**

My blood boils when I speak to bank victims that have worked all their lives only to see the fruit of their labour stolen by predatory bankers and planners who see their job simply in terms of transferring other people's money into their own pockets. Do you understand how much anxiety, depression and heartache exists in our communities due to financial stress? Do you realise that when people's savings are stolen by financial pirates in this manner it massively increases the number of people that become reliant on taxpayer provided pensions? In other words - our country's "budget emergency" is in part caused by the ramifications of financial abuses seemingly enabled by our leaders.

My organisation - Bank Reform Now - will be pushing for reforms that will change the way banks operate. We hope to help ease the financial and mental health burden people face. BRN is a people powered campaign, and believe me – the people are angry and they want action.

I will list a few of our goals for financial system reform here:

1. If a bank uses fraud to enrich itself the **victim should be fully compensated by the bank back to the position they would be enjoying had the fraud not occurred.**

2. **If a banker or planner engages in predatory unconscionable practices they should face a significant jail term.** This means the specific bank officials that worked on the client's case may be jailed. If it becomes apparent during investigation that upper echelon management facilitated, condoned or encouraged the criminal action then they too would face a custodial penalty. This should apply all the way to the top – right up to a complicit CEO.

3. **A bank officer, Director or CEO found to be profiting from predatory unconscionable practices should have their ill-gotten pay and bonuses clawed back.**

4. Banks should not be donating to political parties. This raises the important issue of general reform of political donations and of political advertising. The Big Four banks donate millions of dollars to the Big Two political parties. It is not surprising that the public see this as protection money. Not a good look.

5. **Effective Whistleblower protection legislation.** Including - possible immunity for low level financial crime perpetrators who help to bring convictions against upper echelon criminal bankers.

6. We will also be mounting a strong case for a wide ranging **Royal Commission with extraordinary powers to fully investigate the operation of banks, their planning arms and the enabling support crew – lawyers, accountants, liquidators, valuers and ratings agencies.** Bring a can opener guys - there are juicy worms to catch. If you want to seriously tackle **Control Fraud** properly this is what is required.

7. **It is not enough to just fine a bank involved in wrongdoing.** When banks are caught out they have an army of lawyers funded and ready to fight for injustice. The expenses incurred are paid for by shareholders. In fact the legal expenses often dwarf the amounts being fought over by the bank. Also penalties are treated as a tax deductible cost of doing business. Therefore governments are allowing taxpayers to subsidise any fine paid by a bank. The penalties must be greater than the crime and must also hit the individuals involved - not shareholders and not taxpayers. The USA and Britain have 'fines' of up to 20% of revenue. Your inquiry should review the Sentencing Guidelines of the US Department of Justice and the UK Serious Fraud Office. In US v Citibank, for example, there was \$4 billion for governments and \$2.5 billion for public housing and consumer relief. Banks should compensate governments and the voting community in non-tax deductible ways to repair the damage they cause.

8. We are determined to make sure that the public becomes well aware that the Global Financial Crisis was caused in very large part by inappropriate lending and other criminal activities committed by bankers. Thus everyone is affected by bank malpractice even if they don't have a bank account let alone a loan. Many people may not fully understand the many ways their lives are made harder by bad banking practices. Banker and government cover-ups will no longer work and in fact are setting people up for further financial turmoil simply to enrich the upper echelons of the finance sector.

I respectfully ask the Inquiry staff - Do you think if bankers and their planners faced real penalties for real crimes bank CEO's and Directors would continue to turn a blind eye to these types of abuses?

The finance sector as we have come to know it is white collar crime on a grand scale. This is a systemic and systematic failure of corporate governance. Do not attempt to tell me otherwise. I have seen and heard countless examples of predatory activity. Every day people are contacting me with their horror stories.

The rewards of people's life work are being harvested by unscrupulous pathetic "business men" who put their commissions, bonuses and promotions ahead of the interests of their clients – often leaving them with nothing.

Cover-ups and whitewashes will no longer be tolerated by a well-informed public.

The evidence before various Australian and US Senate hearings clearly demonstrates the magnitude of the problem. This Inquiry will not be taken seriously if it does not properly address the criminal corporate culture that exists in the finance industry. There is no excuse for our elected representatives not to tackle this predatory culture.

It wasn't long ago when crooked bankers and planners using fraud and forgery to increase bank profits were called "Star Performers" by their CEOs. Well - The Jig Is up. The Party Is Over. The finance sector must be reformed. The people are demanding action and I will be providing a massive conduit for this call to grow and achieve real and lasting results that will benefit the public. Any politician or banker standing in the way will be exposed and feel the heat of this movement.

More information: www.bankreformnow.com.au (launch pending) | <https://www.facebook.com/bankreformnow>

Thank you for your time,

Yours faithfully,

Dr Peter Brandson

Dr Peter Brandson
CEO Bank Reform Now

A few references (many more at our Facebook page):

Selected examples showing what our Big Four banks are involved in –

CBA - <http://www.smh.com.au/national/cba-ignored-evidence-of-100m-fraud-20140622-zsh6i.html>

ANZ - <http://www.smh.com.au/business/anz-faces-financial-scandal-over-timbercorp-20141112-11l8b7.html>

NAB - <https://www.facebook.com/bankreformnow/photos/a.545658092209510.1073741831.366324383476216/591469704295015/?type=1>

Westpac - <http://kangarocourtfaustralia.com/2014/05/10/westpac-ceo-gail-kelly-knowingly-conceals-fraud-at-the-bank-court-documents-and-emails-show/>

We put up a Facebook post recently hoping to encourage real reform via the G20 Brisbane meeting. In that post we encouraged people to contribute to a collection of articles detailing examples of financial system abuses. Please have look at the collection in the comments section below the post - it has become a powerful resource showing clearly why real action is needed to reform the finance system.

<https://www.facebook.com/notes/bank-reform-now/g20-australia-2014-seize-this-golden-opportunity-for-reform/601564986618820>

The final word to ASIC's head Greg Medcraft - <http://www.smh.com.au/business/australia-paradise-for-whitecollar-criminals-says-asic-chairman-greg-medcraft-20141021-119d99.html>