

Financial Sector Reform Bill 2022 – Senate Economics Legislation Committee Inquiry

Submission by
Sterling First Action Group

October 2022

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About Us

The Sterling First Action Group initially began as a Facebook group, following the collapse of the Sterling Group of entities in May 2019. The group was originally intended to be a place where all victims of the Sterling Group collapse could exchange views, discuss how the collapse had impacted them, and to share information. The group is managed/administrated by a committee of volunteers who have been affected, be it directly or indirectly (i.e., family members acting on behalf of elderly parents).

In the 3½ years since the collapse, the Sterling First Action Group has continued to support victims. This has included assistance with preparation of AFCA complaints and proof of debt lodgements with insolvency administrators; lobbying local, state, and federal MPs; submission of questions to be raised at the PJC on Corporations & Financial Services; submissions to the Senate Economics Legislation Committee (December 2021 on the *Financial Accountability Regime Bill 2021 [Provisions]* and *Financial Services Compensation Scheme of Last Resort Levy Bill 2021 [Provisions]* and related bills; submissions to, and appearing as witnesses at, the Senate Inquiry into the *Sterling Income Trust* (November 2021); submissions to the Treasury (March 2021 on the *Review of the Australian Financial Complaints Authority*, August 2021 on the proposed *Compensation Scheme of Last Resort*), and raising awareness through the media.

In preparation for previous submissions, we have conducted a variety of short online surveys of victims who suffered financial losses associated with the collapse of the Sterling Group. These survey were designed to show the amount invested by victims and highlight the impact of the proposed CSLR compensation cap of \$150,000 per claimant. This data will be referenced throughout this submission, with a full copy of the survey results available in the Appendix.

The majority of Sterling Group victims have lodged complaints with AFCA, either against Theta Asset Management Ltd (victims with investments in the Sterling Income Trust), or Libertas Financial Planning Pty Ltd (victims with investments in Sterling Corporate Services and the Silverlink Investment Company).

Affiliations

Over the past two years we have taken part in various campaigns by consumer advocacy group, CHOICE, calling on the Federal Government to establish the Compensation Scheme of Last Resort (CSLR) as a top priority. Since that time, we have been in regular contact and have contributed a variety of materials to their media campaigns.

We have continued to work closely with Senator Louise Pratt, who has repeatedly raised concerns about the Sterling Group and its subsidiaries during Senate proceedings and had used her time to question ASIC in the PJC on Corporations & Financial Services on many occasions.

Our Response & Recommendations

We thank the Senate Economics Legislation Committee for the opportunity to provide a submission to the Inquiry and give permission for our submission to be made public. In responding, we have elected to focus on key areas we believe the proposed financial services compensation scheme of last resort (CSLR) will most impact Sterling Group victims. As such, our submission will concentrate solely on the **Financial Sector Reform Bill 2022**.

List of Recommendations

RECOMMENDATION 1.1

Scope of the CSLR to include managed investment schemes. CSLR scope to be clearly prescribed in primary legislation.

RECOMMENDATION 1.2

If the previous recommendation is not viable, eligible AFCA cases and unpaid determinations associated with managed investment schemes that arose between 1 November 2018 and before scheme establishment, to be funded as part of the one-off ‘accumulated unpaid determinations’ levy.

RECOMMENDATION 2.1

Align CSLR compensation limits with AFCA claim limits. Ensure prescribed CSLR compensation limits are indexed accordingly to increase and remain aligned with AFCA claim limits in the future.

RECOMMENDATION 2.2

If the previous recommendation is not viable, CSLR compensation limits to be set at 80% of the maximum AFCA claim limit (i.e., the maximum compensation to be paid is 80% of the current AFCA limit of \$542,500 for direct financial loss). Ensure prescribed CSLR compensation limits are indexed accordingly to increase and remain aligned with AFCA claim limits in the future.

RECOMMENDATION 2.3

If the previous recommendation is not viable, CSLR compensation limits to be aligned with APRA Financial Claims Scheme limit of \$250,000.

RECOMMENDATION 3

Scope of the CSLR to include disputes where misconduct is proven by AFCA investigation (irrespective of the financial product and/or service involved).

RECOMMENDATION 4

Current and prospective members of AFCA to provide a copy of their current PI insurance policy to be deemed eligible for an AFCA membership.

Our recommendations have been consistent across all submissions associated with the proposed CSLR. We are still firmly of the opinion that the above recommendations are not only desirable, but essential if one of the aims of the legislation is to deliver equity to those who have been detrimentally affected by regulatory failure and the inadequacy of existing compensatory arrangements.

The collapse has caused untold financial, emotional, and mental distress to all involved. Particularly galling is the fact that the CSLR had been held out as the solution to Sterling Group victims for over three years, only for their hopes to be dashed with the exclusion of managed investment schemes from the scope of the CSLR. We appreciate the fact that the Sterling Group situation is in many ways unique, and that the scope of the CSLR has to take into account very broad considerations as to what to include and what not to include. The point we

wish to emphasise is that if Sterling Group victims are excluded from the compensation scheme of **last** resort, where else can they go?

The lack of recourse for the victims of the Sterling Group collapse was well documented by the Senate Inquiry into the Sterling Income Trust in 2021. It is important to highlight that the recommendations¹ arising from the Inquiry also support the inclusion of managed investment schemes:

Recommendation 1: The committee recommends that the Australian Government take all necessary action to support investors in the Sterling Group of companies, including those who invested in the Sterling Income Trust and Silverlink Preference Shares, being able to access the Compensation Scheme of Last Resort.

Recommendation 4: The committee recommends that the Australian Government expand the scope of the Compensation Scheme of Last Resort to include managed investment schemes.

The Senate Economics Legislation Committee Inquiry into the *Financial Accountability Regime Bill 2021 [Provisions]*, the *Financial Services Compensation Scheme of Last Resort Levy Bill 2021 [Provisions]* and related bills, also detailed concerns about the narrow scope of the Morrison government's proposed CSLR legislation, with Labor Senators recommending the scope of the CSLR be expanded to include managed investment schemes.

Pre-election commentary and representations around the proposed CSLR unfortunately now appears to have been entirely misleading, as the *FSR Bill 2022* contains no significant improvements on the previous draft bill proposed by the former Morrison government. This is a stark contrast to the repeated statements by many ALP voices intimating that managed investment schemes would be included in the new and improved CSLR:

Labor's Stephen Jones said the scope of the CSLR was too narrow and said Labor would consider whether the \$150,000 cap is "adequate" (Read, 2021).

Labor has recommended Managed Investment Schemes (MISs) be included in the Compensation Scheme of Last Resort (CSLR) as it claims the current scope is too narrow and will lead to poor consumer outcomes... ..Labor senators Anthony Chisholm and Jess Walsh said consumers will be worse off if MISs are excluded from the scope of the scheme (Dastoor, 2022).

Financial services minister Stephen Jones promised before the May federal election that a Labor government would review the proposed jurisdiction of the CSLR with a view to widening coverage to include managed investment schemes and funeral insurance (Lekakis, 2022).

In June, Assistant Treasurer and Minister for Financial Services Stephen Jones told the Australian Financial Review that he wanted to pass "a broader version of the CSLR than that proposed by the Coalition" and that he was consulting about the best way to bring in additional sectors such as managed investment schemes (Banking Day, 2022).

To say we are disappointed is an understatement. Victims of failed schemes, such as the Sterling Group collapse, are devastated and feel abandoned as the Government has torn away the only route to compensation that was touted as the "best fit" for the situation. However, it is not too late to remedy the issue. Let us not forget that the purpose of the CSLR is to stop people (such as the Sterling Group victims), from falling through the cracks, so it is essential the government does not create a system with cracks from the outset.²

¹ Sterling Income Trust Inquiry Report, para 3.84 and 3.87

² CHOICE, Joint Submission to Treasury, pg 5

Eligibility for Compensation Payments

The *FSR Bill 2022* proposes that compensation under the CSLR will be limited to relevant AFCA determinations only, where the determination must relate to personal advice on financial products to retail clients, credit intermediation, securities dealing or credit provision. Our greatest concern is that managed investment schemes (MIS) are to be excluded from the scope of the CSLR. This directly contradicts the Ramsey Review recommendations³ and the Federal Government commitment to implement a CSLR consistent with the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry⁴. AFCA also support the inclusion of MIS in the CSLR, in particular the issue of fairness and potential for consumer confusion if specific financial services are excluded.

Of note is AFCA's comment on the importance of the CSLR covering MIS due to *"the involvement of other financial firms or their subsidiaries in the funding, distribution or other arrangements with MIS"* (Australian Financial Complaints Authority, 2020). This is of critical importance to Sterling Group victims, as the vast majority were not aware that they were investing in a MIS; they believed they were paying rent in advance into a secure trust account.

It is recognised that existence of a CSLR may present a moral hazard where both the promoters of a MIS and investors in it may consider the existence of a safety net (i.e., the CSLR) will provide them with the incentive to indulge in more speculative behaviour than is prudent. However, we contend that this caveat should not apply to historical cases as they transpired prior to the existence of a CSLR, and hence there was no safety net that influenced the behaviour of the either scheme promoter or the investors.

It is also important to note that Sterling Group investors relied on financial advice that was misleading and deceptive⁵ and were provided with defective product disclosure statements that contained misleading or deceptive information. As such, the issue of a moral hazard in this scenario is not applicable. Furthermore, the Ramsay Review determined the moral hazard concerns raised during consultation for the CSLR in 2019/2020 could not be substantiated⁶.

Should MIS be totally excluded from the scope of the CSLR, it would deliver a devastating injustice to the victims of the Sterling Group collapse who, for over 3 years now, have been repeatedly advised by Treasury, DMIRS (WA Consumer Protection), and ASIC to seek compensation through AFCA and then, when that proved inadequate, to wait for the introduction of the CSLR. More specifically from ASIC that *"it is in the interests of investors in the Sterling Group of Companies to lodge and maintain their complaints with AFCA"* (ASIC, 2020). Refer to Appendix 2 for a comprehensive timeline of referrals to lodge complaints with AFCA.

Finally, we note that even if the scope of the CSLR is expanded at some future point in time, it will not provide a compensatory mechanism for all Sterling Group victims. Victims with investments in Sterling Corporate Services and the Silverlink Investment Company (associated with the authorised representative, Libertas Financial Planning Pty Ltd) are excluded from receiving an AFCA determination, which is the prerequisite for making a claim through the CSLR. This was pointed out by AFCA at the Senate Inquiry into the Sterling Income Trust⁷:

...what we know at the moment is that most of the Theta matters relate to the SIT. Hypothetically—I'm not forming a view, by the way; I'm just saying hypothetically—if managed investment schemes are included in the scope of the CSLR, on the surface they [SIT investors] would be included in the compensation scheme of last resort. That's not the case though for the Libertas matters, because, as I mentioned, part of the compensation scheme of

³ Ramsay Review Supplementary Final Report, para 4.59

⁴ Government response to Royal Commission, pg 36

⁵ AFCA Case Determinations 667682 and 655484

⁶ Ramsay Review Supplementary Final Report, para 3.52

⁷ Sterling Income Trust Inquiry Report, para 3.57

last resort is you need a determination; we can't even issue a determination against those Libertas matters because we don't have jurisdiction to do that.

For those who will not be covered by the expanded scope, the Senate Economics Legislation Committee should examine and recommend alternative methods of compensation.

RECOMMENDATION 1.1

Scope of the CSLR to include managed investment schemes. CSLR scope to be clearly prescribed in primary legislation.

RECOMMENDATION 1.2

If the previous recommendation is not viable, eligible AFCA cases and unpaid determinations associated with managed investment schemes that arose between 1 November 2018 and before scheme establishment, to be funded as part of the one-off 'accumulated unpaid determinations' levy.

Amount of Compensation Payments

Responses to our survey overwhelmingly revealed that the maximum proposed compensation cap of \$150,000 for each AFCA determination will be inadequate to cover the financial losses of Sterling Group victims. Results indicate that 66% of victims suffered losses greater than the proposed cap, with 23% at \$151,000 - \$200,000; 32% at \$201,000 - \$250,000; and 11% over \$251,000. Refer to Appendix 1 for more detailed information on our survey results.

Whilst we acknowledge the proposed maximum compensation amount for the CSLR is broadly aligned with the United Kingdom's Financial Services Compensation Scheme's maximum of £85,000; this cap does not align with the Federal Government's agreement⁸ to implement a CSLR consistent with the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Likewise, it also contradicts The Hon Scott Morrison's agreement⁹ to enhance access to redress for consumers by ensuring the CSLR will have the compensation caps recommended in the Ramsay Review.

As such, we feel it is necessary to highlight these recommended compensation caps in further detail, as well as the strong industry support identified during consultation for the CSLR in 2019/2020.

The Ramsey Review recommended aligning compensation limits of the CSLR with those imposed by AFCA¹⁰, which is currently \$542,500 compensation in most claims of direct financial loss¹¹. The proposed CSLR cap of \$150,000 equates to less than 30% of the limit recommended, and agreed upon, by the Federal Government.

Equally, the alignment of the CSLR compensation cap with AFCA limits was evident in many submissions to the Treasury Discussion Paper. AFCA's own submission¹² supported aligning the CSLR claim limits with compensation caps with AFCA's limits and caps. Numerous industry bodies and/or organisations that support this alignment, including CHOICE, Consumer Credit Legal Service (WA) Inc, Financial Counselling Australia, Financial Rights Legal Centre, SR Group, Legal Aid (NSW), Consumer Action Law Centre, CPA Australia, The Association of Superannuation Funds of Australia (ASFA), and Industry Super Australia (ISA).

⁸ Government response to Royal Commission, pg 36

⁹ Government response to Ramsey Review, Attachment B

¹⁰ Ramsay Review Supplementary Final Report, para 4.170

¹¹ AFCA Rules; Rule D.4.3

¹² AFCA Submission on CSLR; pg 9

The Sterling First Action Group strongly oppose setting a CSLR compensation cap; however, if a cap is to be imposed, it should be aligned with AFCA claim limits, be indexed accordingly to increase, and continue to align over time.

RECOMMENDATION 2.1

Align CSLR compensation limits with AFCA claim limits. Ensure prescribed CSLR compensation limits are indexed accordingly to increase and remain aligned with AFCA claim limits in the future.

RECOMMENDATION 2.2

If the previous recommendation is not viable, CSLR compensation limits to be set at 80% of the maximum AFCA claim limit (i.e., the maximum compensation to be paid is 80% of the current AFCA limit of \$542,500 for direct financial loss). Ensure prescribed CSLR compensation limits are indexed accordingly to increase and remain aligned with AFCA claim limits in the future.

RECOMMENDATION 2.3

If the previous recommendation is not viable, CSLR compensation limits to be aligned with APRA Financial Claims Scheme limit of \$250,000.

AFCA Case 667682 (against Theta Asset Management Ltd) is a very good example of why injustices can occur without a comprehensive CSLR in operation. In March 2020 determination was made in favour of the complainant, with the financial firm ordered to pay compensation of \$118,957.60 for losses suffered due to the authorised representatives misleading and deceptive conduct.

As the responsible entity for the Sterling Group, Theta Asset Management should have been responsible for paying the determination, however they declared insolvency in December 2019, with Worrells Solvency & Forensic Accountants appointed as the administrators. As a result, the complainants were required to liaise directly with Worrells to make a claim against Theta's PI insurance policy. The claim was successful, however an amount of \$100,000 was deducted, with the insurer claiming this was the amount of excess stipulated in the policy. Therefore, the actual amount of compensation that was paid was reduced to \$18,957.60 from which the liquidator then deducted a \$614.60 administration fee.

Despite enquiries by AFCA and lawyers representing Mr & Mrs F, the insurer has refused to provide a copy of the PI insurance policy (citing confidentiality), so we have been unable to verify the veracity of the excess amount. They have however, confirmed that the excess clause would be applied against every claim made. Without a CSLR in place this is a clear miscarriage of justice and reveals a potential opportunity for financial firms to avoid paying the full amounts of compensation as determined by AFCA.

This also raises the important point that if Professional Indemnity insurance existed, even with the excess clause, why did AFCA not continue to process more determinations so that victims could at least recover part of their losses? It appears the answer lies in the fact that AFCA were not receiving remuneration for any work once Theta were placed in liquidation, as AFCA "...gets most of its revenue from fees charged to companies for resolving complaints" (Roddan & Shapiro, 2020). This was further confirmed by AFCA CEO David Locke in June 2020, as he reportedly stated "When we take on cases with organisations that are or become insolvent, we are doing work that we don't get paid for" (Roddan & Shapiro, 2020).

As a not-for-profit organisation, we understand that AFCA rely solely on fees/levies (membership and complaint resolution) for revenue. However, it is clearly evident the two major protections that should apply to an independent EDR scheme have failed:

1. An effective EDR cannot exist when it is dependent upon payment of fees by one of the parties; and
2. No verification to ensure PI insurance policy terms of members are adequate to provide true protection to the people most vulnerable – the investors.

Once again this reveals the dire need for the CSLR to be implemented without delay.

RECOMMENDATION 3

Scope of the CSLR to include disputes where misconduct is proven by AFCA investigation (irrespective of the financial product and/or service involved).

RECOMMENDATION 4

Current and prospective members of AFCA to provide a copy of their current PI insurance policy to be deemed eligible for an AFCA membership.

Appendix 1 – Survey on CSLR Draft Legislation

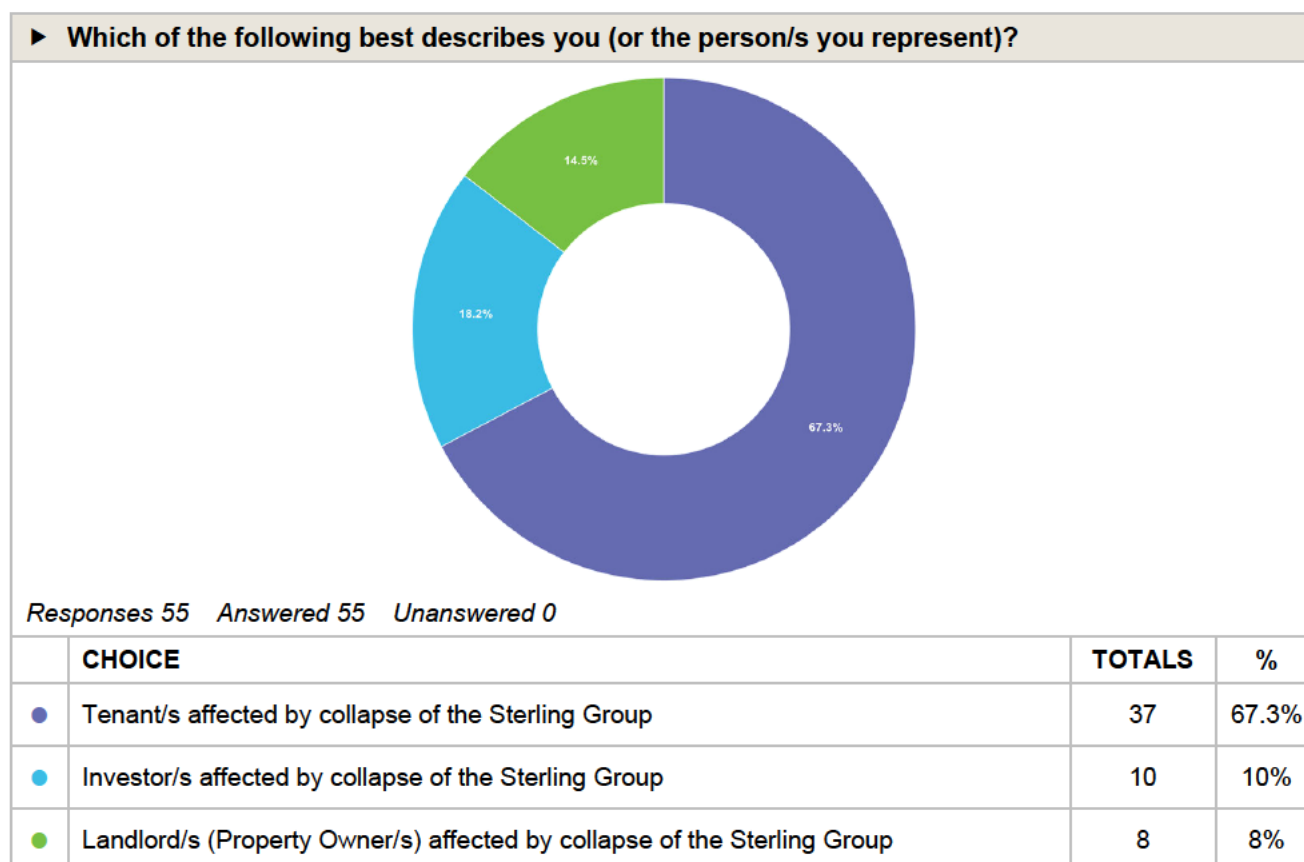
A total of 55 victims participated in the *Sterling First Action Group: Submission on CSLR Draft Legislation*.

We received responses from a variety of victims of the Sterling Group collapse. For ease of data collection, the victims are categorised into three broad categories:

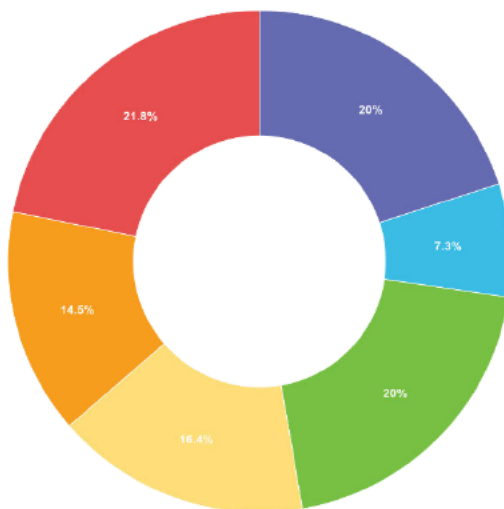
1. **TENANTS WITH STERLING NEW LIFE (SNL) LEASES:** The tenants upfront rental payment (their investment) went into two different funds – either the Sterling Income Trust or the Silverlink Investment Company.
2. **PROPERTY OWNERS/LANDLORDS:** Leased their property to the tenants via a subsidiary of the Sterling Group. Lease arrangements were complex and varied significantly, with many owners not having received rental income for over 3 years.
3. **SHAREHOLDERS:** Invested in a variety of shares or units in different Sterling Group entities. Some shareholders have had their original investment rolled over several times (i.e., Heritage to RMIT, RMIT to Sterling First Australia, Sterling First Australia to Sterling Income Trust, and so on).

In some instances, tenants and owners/landlords were also encouraged to invest in shares/units. To ensure accuracy of the data collection, survey respondents were asked to categorise themselves into one of the three categories that best described their situation.

Survey Results



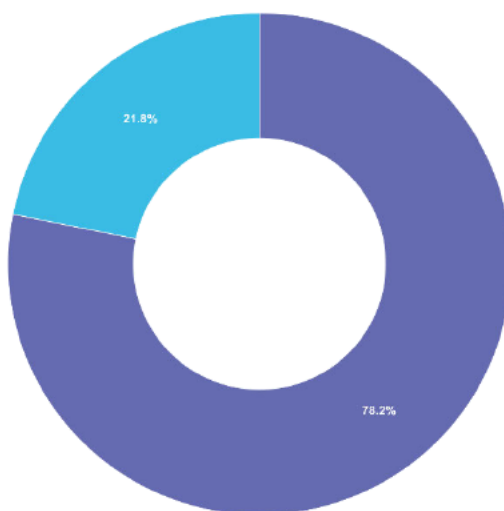
► **When did you submit your AFCA complaint?**



Responses 55 Answered 55 Unanswered 0

CHOICE	TOTALS	%
● Prior to July 2019	11	20%
● July - September 2019	4	7.3%
● October - December 2019	11	20%
● January - March 2020	9	16.4%
● After March 2020	8	14.5%
● Other (please specify): <i>Unsure of date; Can't remember.</i>	12	21.8%

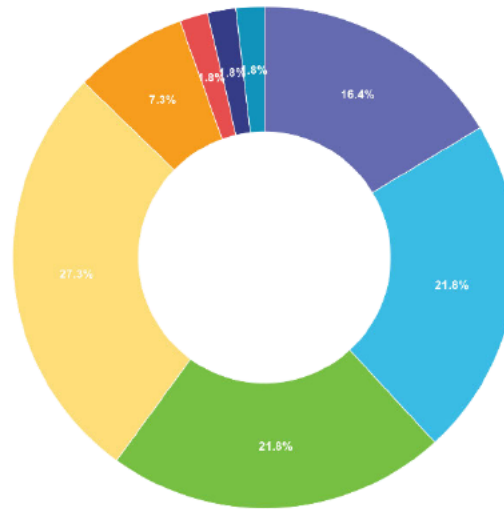
► **Who was your AFCA complaint against?**



Responses 55 Answered 55 Unanswered 0

CHOICE	TOTALS	%
● Theta Asset Management Ltd (SIT/Sterling Income Trust victims)	43	78.2%
● Libertas Financial Planning Pty Ltd (Silverlink victims)	12	21.8%

► Please indicate the total amount of funds you invested into the Sterling Group.



Responses 55 Answered 55 Unanswered 0

CHOICE	TOTALS	%
● Under \$100,000	9	16.4%
● \$100,000 - \$150,000	12	21.8%
● \$151,000 - \$200,000	12	21.8%
● \$201,000 - \$250,000	15	27.3%
● \$251,000 - \$300,000	4	7.3%
● \$301,000 - \$350,000	1	1.8%
● \$351,000 - \$400,000	1	1.8%
● Over \$400,000	1	1.8%

► Please indicate how your total investment was distributed*

*Comments/feedback with personal or identifying information have been edited for privacy purposes. Spelling and/or grammatical errors have also been corrected for the purposes of this submission. Original survey results (with personal or identifying information redacted) can be obtained by contacting us.

SNL/Sterling New Life Lease	Administration Fees	Shares	Rental Property Improvements	Other
\$280,000				
\$173,989	\$16,790	\$55,174	\$4,544	\$25,000
\$110,000	\$9,680			
\$179,063	\$17,424			\$3,613 in rent
				Rental income (\$350 a week + 2% increments every year)
		\$70,000		
\$150,000	\$15,000		\$20,000	
\$143,000	\$12,000	\$10,000 in Development Units	\$3,000	
\$228,000	\$22,000		\$15,000	Have paid over \$16,000 in rent to stay in the house; still paying \$290 per week.
\$154,000	\$13,500		\$15,000	
\$189,916	\$18,480			\$1604 (rent paid for 1 month)
		\$100,000 into shares \$30,000 into RMIT		
\$208,152	\$20,240		\$1,608	
\$229,000				
\$145,000				
\$300,000	\$17,000	\$500,000	\$12,000	
\$104,781	\$22,506	\$230,531		
		\$40,000		
		\$100,000		
			\$553,885 (total house/land package)	Purchased land, built to SNLL specs.
\$122,000	\$13,200	\$78,800	\$580	
\$230,000	\$20,000	\$209,760		

Financial Accountability Regime Bill 2022 [Provisions] and Financial Sector Reform Bill 2022 [Provisions] and Financial Services Compensation Scheme of Last Resort Levy Bill 2022 [Provisions] and Financial Services Compensation Scheme of Last Resort Levy (Collection) Bill 2022 [Provisions]
Submission 2

*Financial Sector Reform Bill 2022 – Senate Economics Legislation Committee Inquiry
Submission by Sterling First Action Group (October 2022)*

SNL/Sterling New Life Lease	Administration Fees	Shares	Rental Property Improvements	Other
\$193,344	\$18,656		\$3740	
		\$100,000		
\$179,426	\$17,447		\$1,700	\$1,387 (first month's rent)
		\$40,000		Rent loss of \$44,000 (+ legal costs)
\$315,000			\$12,000	
\$157,000	\$7,800			
\$175,000	\$20,000			
		\$55,000		
\$192,000	\$18,000			
		\$400,000 Development units		
\$125,000	\$8000	\$25,000	\$2,000	
\$219,000	\$20,000	Income units 40% (\$79,285) Growth units 60% (\$118,927)		
\$201,000	\$19,000			
\$122,000	\$13,0000		\$7,250	\$2,500
\$234,000		\$20,000	\$8,000	
\$199,000	\$20,000			
\$190,000	\$18,000			
\$182,284	\$15,851		\$10,000	\$8,600 (ATO taxes)
\$189,674	\$16,494		\$2,096	
\$130,000	\$12,408	Income units \$51,041 Growth units \$76,561	\$8,000	
\$165,000	\$15,000			
\$208,512	\$20,240	\$83,261 into income units \$124,891 into growth units		\$1608 (first month rent)
\$140,000	\$12,320	\$137,680		
\$139,000	\$12,500		\$5,000	

Feedback Received*

*Comments/feedback with personal or identifying information have been edited for privacy purposes. Spelling and/or grammatical errors have also been corrected for the purposes of this submission. Original survey results (with personal or identifying information redacted) can be obtained by contacting us.

► Do you have any other comments?
<i>I can't recall the breakdown of the payment. The lease was in the name of [REDACTED] and [REDACTED]. [REDACTED] passed away on 13/7/2019.</i>
<i>We are landlords who have been affected by the tenants refusing to move out of our property and have had to pay huge legal fees to get our property back. They have contravened the rental agreement and not paid any rent. All the tenants have done is exacerbated a terrible situation for everyone and refused no matter what to negotiate. We have repeatedly tried to negotiate.</i>
<i>Please up the limit to recover funds for such instances to at least \$250,000 to cover such losses.</i>
<i>I regret investing in Sterling every day.</i>
<i>Due to default by SNLL and non-payment of rent, [REDACTED] has been forced to sell her family residence and the Bank has acquired the rental property,</i>
<i>We had loss through shares, as well as no payment of rent for 2 years, then legal fees on top.</i>
<i>Before signing my mother was told that if she passed away the SNL fund would be returned back to the estate to be distributed as per the will. She has now passed away and no recourse for her sons to obtain what is rightfully theirs.</i>
<i>Yes, as landlords, we were treated badly by the tenants as a group. The tenants took out their anger on us. We DID not take the money. We lost the lease rental amount for 2 years, but still had to pay the mortgage. Almost broke us financially and definitely broke us emotionally.</i>
<i>I am 83 years of age, I am living in a camper van and just surviving on my pension. My health has deteriorated to a point where I struggle to breath most days. I defy anyone at my age to live this way. Sterling should be prosecuted to the full force of the law. They still have a roof over their heads, we do not.</i>
<i>Please compensate the victims ASAP. It has been more than 2 years and it's not acceptable</i>
<i>I live just around the corner from Travis Jones, who signed me up even knowing they were failing. He has a home and drives a BMW. My \$50,0000 was my nest egg. I think I bought his car. I think of my gullible behaviour every day. Lies, lies, lies. I also think of all those people who lost their homes, the Jones I believe own theirs. Why wasn't this red flagged?</i>
<i>Also made a claim of \$10,000 for hardship suffered due the collapse of SNL</i>
<i>CSLR cap should be aligned with AFCA compensation caps.....as per previous Commission Recommendations. Caps (and levies) could be reviewed in time once more white-collar criminals are caught and weeded out of the financial systems. Less crooks = lower costs of potential compensation.</i>
<i>I'd be interested to know if the \$8,600.00 I paid to ATO on my own money, as my own money became interest earned by Theta - will this be refunded?</i>
<i>Yes. I am 42 years old (not a senior) - 2 kids and stuck in the rent trap. My future is really screwed, can't afford to live, no security of a home. Biggest mistake of my life!</i>

Appendix 2 – AFCA Referrals Timeline

Since the collapse of the Sterling Group in May 2019, victims who suffered financial losses have been repeatedly urged to pursue compensation by lodging a complaint with AFCA. The table below provides examples of the instances when this advice was provided. Links have been supplied to any online sources; electronic or hard copies of other sources can be supplied (with personal or identifying information redacted) can be obtained by contacting us.

Date	Originator	Subject Matter	Notes
09/05/2019	Theta Asset Management	SIT unit holder update; information on lodging an AFCA complaint	Email attachment
14/06/2019	Theta Asset Management	SIT unit holder update; information on lodging an AFCA complaint	Email attachment
21/06/2019	6PR	Interview with Federal Assistant Treasurer Michael Sukkar; discusses AFCA complaints (00:09:20 timestamp)	https://www.6pr.com.au/podcast/asic-launches-investigation-over-its-handling-of-sterling-first/?fbclid=IwAR1iiqNihNHwOxG8tVogYBKQaizol8pCc-STwE-ZsTa4Kjnz3qJRc_3R8ZE
02/07/2019	Mark McGowan	Response to letter from Sterling Group victim; information on lodging an AFCA complaint	Email attachment
25/07/2019	Theta Asset Management	SIT unit holder update; information on lodging an AFCA complaint	Email attachment
26/07/2019	ASIC	Update from ASIC regarding Sterling Group investigation; information on lodging an AFCA complaint	Website snapshot
31/07/2019	WA Consumer Protection (DMIRS)	Response to enquiry from Sterling Group victim; information on lodging an AFCA complaint	Email with above snapshot attached
02/08/2019	ASIC – Sterling Investigation Team	Response to letter from Sterling Group victim	Letter with ASIC website update snapshot
16/09/2019	House of Representatives	Motion by Andrew Hastie MP about the Sterling Group collapse; recommendation to lodge AFCA complaint. Seconded by Madeline King MP.	https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=chamber/hansardr/6cd30e15-83c4-4db4-bebc-e1033048fb66/&sid=0290
17/09/2019	The West Australian	Report on Andrew Hastie MP and Madeline King MP addressing parliament; recommendations to lodge AFCA complaint received bipartisan support	https://www.pressreader.com/australia/the-west-australian/20190917/281543702629548
21/10/2019	The Treasury	Response to letter from Sterling Group victim; information on lodging a complaint with Commonwealth Ombudsman	Letter
11/12/2019	ASIC	Update from ASIC regarding Sterling Group investigation; information on lodging an AFCA complaint	https://asic.gov.au/about-asic/news-centre/key-matters/update-from-asic-regarding-sterling-group-investigation/
Sept 2019	AFCA	Advice to Sterling Group investors on making a complaint	https://www.afca.org.au/news/current-matters/sterling-group-investors/september-2019

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Financial Sector Reform Bill 2022 – Senate Economics Legislation Committee Inquiry
Submission by Sterling First Action Group (October 2022)

Date	Originator	Subject Matter	Notes
13/09/2019	PJC on Corporations & Financial Services; Oversight of ASIC	Patrick Gorman MP; John Price (ASIC Commissioner) Questions about Sterling Group, recommendation to lodge AFCA complaint	https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament/Public_Hearings
21/12/2019	The West Australian	Report on ASIC court case against Theta Asset Management and ASICs recommendation of lodging AFCA complaints	https://www.pressreader.com/australia/the-west-australian/20191221/282170768051147
31/01/2020	Worrell's Solvency & Forensic Accountants	Report to Creditors - Theta Asset Management Ltd; information on lodging an AFCA complaint	Email attachment
31/01/2020	Clayton Utz	Forwarding copy of Worrells Report to Creditors	Email with above report attached
Feb 2020	AFCA	Advice to Sterling Group investors on making a complaint	https://www.afca.org.au/news/current-matters/sterling-group-investors/february-2020
28/02/2020	PJC on Corporations & Financial Services; Oversight of ASIC	Senator Louise Pratt; John Price (ASIC Commissioner) Questions about Sterling Group, recommendation to lodge AFCA complaint	https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament/Public_Hearings
27/03/2020	AFCA	Statement on Sterling complaints	https://www.afca.org.au/news/latest-news/statement-on-sterling-complaints
15/04/2020	ASIC	Update from ASIC regarding Sterling Group investigation; information on lodging an AFCA complaint	https://asic.gov.au/about-asic/news-centre/key-matters/update-from-asic-regarding-sterling-group-investigation/
23/04/2020	Finance Feeds	Report on ASICs recommendation of lodging AFCA complaints	https://financefeeds.com/asic-insists-interest-sterling-group-investors-lodge-complaints-afca/
09/05/2020	The West Australian	Report on Sterling Collapse, AFCA determination for SIT complainant, reiterated ASIC advice to lodge AFCA complaint	https://thewest.com.au/business/sterling-first-fight-rages-on-for-elderly-victims-ng-b881542023z
20/07/2020	AFCA	Advice to Sterling Group investors on making a complaint	https://www.afca.org.au/news/current-matters/sterling-group-investors/july-2020
15/07/2020	PJC on Corporations & Financial Services; Oversight of ASIC	Senator Louise Pratt; Cathie Armour (ASIC Commissioner); Karen Chester (ASIC Deputy Chair); Daniel Crennan (ASIC Deputy Chair); Warren Day (ASIC Executive Director); James Shipton (ASIC Chair) Questions about Sterling Group, recommendation to lodge AFCA complaint	https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament/Public_Hearings
04/08/2020	Mandurah Mail	Report on court cases; comments from Consumer Protection commissioner Lanie Chopping – coordinating with AFCA for compensation claims for loss of investment money.	https://www.mandurahmail.com.au/story/6861824/i-can-actually-hear-my-wife-sobbing-peel-residents-face-court-to-get-their-life-savings-back/?fbclid=IwAR2kEDEYUE668g0QU38sZqBV0XEKx3RvEUokN6LofaW23EIOKC RspJ9HDGc

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Submission 2

*Financial Sector Reform Bill 2022 – Senate Economics Legislation Committee Inquiry
Submission by Sterling First Action Group (October 2022)*

Date	Originator	Subject Matter	Notes
07/08/2020	Money Management	Report on PJC, ASIC recommendations to lodge AFCA complaints	https://www.moneymanagement.com.au/news/policy-regulation/asic-urges-continuing-complaints-despite-afca-pause
24/08/2020	AFCA	Advice to Sterling Group investors on making a complaint	https://www.afca.org.au/news/current-matters/sterling-group-investors/august-2020
26/08/2020	ASIC	Update from ASIC regarding Sterling Group investigation; information on lodging an AFCA complaint	https://asic.gov.au/about-asic/news-centre/key-matters/update-from-asic-regarding-sterling-group-investigation/
09/09/2020	AFCA – Justin Untersteiner	References the Government commitment to establish CSLR, discusses CSLR scope.	Response to letter sent by Sterling First Action Group
17/09/2020	Heritage Radio	Interview with Andrew Hastie MP, recommendation to lodge AFCA complaints (00:02:51 timestamp)	Audio recording available upon request
14/10/2020	ABC 7.30 Report	Report on CSLR delays, ASIC recommendations	https://www.abc.net.au/news/2020-10-14/the-people-left-waiting-for-new-compensation-scheme/12726518 https://www.abc.net.au/7.30/people-left-in-limbo-waiting-for-new-compensation/12767788
20/11/2020	AFCA	Advice to Sterling Group investors on making a complaint	https://www.afca.org.au/news/current-matters/sterling-group-investors/august-2020
18/01/2021	ASIC – Sterling Investigation Team	Recommendation to contact AFCA	Response to letter sent by Sterling First Action Group
19/03/2021	PJC on Corporations & Financial Services; Oversight of ASIC	Senator Louise Pratt; Cathie Armour (ASIC Commissioner); Karen Chester (ASIC Deputy Chair) Questions about Sterling Group, recommendation to lodge AFCA complaint	https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament/Public_Hearings
19/03/2021	Senator Jane Hume (Minister for Superannuation, Financial Service, and the Digital Economy)	References the Government commitment to establish CSLR	Email response to letter sent by Sterling First Action Group
25/03/2021	Independent Financial Advisor	Report on PJC, Armour and Chester recommendations to lodge AFCA complaints	https://www.ifa.com.au/news/29347-cslr-delays-keep-scam-victims-waiting
12/04/2021	Amelia Hamer (Financial Services Policy Lead Adviser to Senator Jane Hume)	Reiterated Government commitment to establish CSLR; encouraged lodgement of AFCA complaints	Teleconference with committee members of Sterling First Action Group
04/06/2021	WA Consumer Affairs	Encouraged all Sterling Group victims to lodge AFCA complaint	Phone call with committee member of Sterling First Action Group

Date	Originator	Subject Matter	Notes
18/06/2021	PJC on Corporations & Financial Services; Oversight of ASIC	Senator Louise Pratt; Justin Untersteiner (COO AFCA); David Locke (CEO AFCA); Dr June Smith (Deputy Chief Ombudsman AFCA); Cathie Armour (Commissioner ASIC) Questions about Sterling Group, recommendation to lodge AFCA complaint	https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament/Public_Hearings
23/07/2021	AFCA – Justin Untersteiner	References the Government commitment to establish CSLR, discusses CSLR scope.	Response to letter sent by Sterling First Action Group

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