

Commonwealth Bank of Australia:

Response to Senate Economics References Committee (the Committee) Questions on Notice dated 23 May 2014



Question No.	Question	Response
7.a.i.	How many CFP clients were offered \$5,000 to pay for an independent review?	<p>1. The total number of cases CFP has made the \$5,000 Offer to is 693. The \$5,000 Offer was made in relation to Project Hartnett, which dealt with remediating the advice given to customers by Don Nguyen and Anthony Awkar. As set out below, 479 Don Nguyen cases and 214 Anthony Awkar cases received the Offer. The Offer was not made with respect to the Past Business Review under the CFP EU or the other 3 CFP adviser remediations run concurrently (CFP Other).</p> <p>2. <u>Don Nguyen Remediation</u></p> <p>As part of its agreement with ASIC, in relation to the remediation of advice given to customers by Don Nguyen, CFP made a commitment in its letter to ASIC dated 10 September 2010 to “offer \$5,000 to clients that receive a settlement offer”. ASIC’s media release dated 3 November 2010 records this commitment as “CFP will support clients seeking independent legal, accounting or financial advice who have received an offer of compensation as a result of receiving inappropriate advice”.</p> <p>CFP made the \$5,000 Offer to 479 cases who it determined received advice from Don Nguyen. It did not make the \$5,000 Offer to six cases as follows:</p> <ul style="list-style-type: none"> Five cases settled their concerns with CFP and received payment between 25 March and 10 September 2010 (i.e. prior to the agreement with ASIC) and therefore did not receive the \$5,000 Offer. By letter dated 10 September 2010, CFP explained to ASIC that (a) it did not intend to reopen those cases; and (b) the \$5,000 Offer had not been made to them. Those five cases were outside the commitment made by CFP in relation to the \$5,000 Offer. ASIC did not raise any objection to this approach.

		<div data-bbox="960 193 1971 478" data-label="Image"> </div> <ul style="list-style-type: none"> • The sixth case was assessed before the Project Hartnett Methodology was agreed with ASIC and was paid in December 2010 as having received inappropriate advice from Don Nguyen. An offer of compensation was made and this was accepted. This case was an oversight. <p>Six Don Nguyen cases could not be contacted for a compensation offer to be made. In addition, there are two other cases where it has not been possible to make an assessment due to lack of engagement from the customer. Therefore, it has not been possible to make the \$5,000 Offer to those eight customers.</p> <p>3. <u>Anthony Awkar Remediation</u></p> <p>On 17 December 2010 CFP confirmed to ASIC that the same resources in Project Hartnett dealing with the Don Nguyen remediation would also be used to remediate the advice given by Anthony Awkar.</p> <p>No specific commitment was made at that time to ASIC in relation to repeating the \$5,000 Offer to Anthony Awkar’s customers.</p> <p>CFP did however make the \$5,000 Offer to 214 Anthony Awkar cases.</p> <p>CFP did not make the \$5,000 Offer to 48 Anthony Awkar cases. Of these, 43 cases were dealt with as complaints and resolved at an early stage. These included complaints about:</p> <ul style="list-style-type: none"> (i) non-disclosure of advice fees which CFP refunded; (ii) incorrect insurance premium levels which CFP resolved; and
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		<p>(iii) representations about the stated investment returns on products which were not achieved and which CFP compensated.</p> <p>18 Anthony Awkar cases could not be contacted for a compensation offer to be made. In addition, there are six other Anthony Awkar cases where it has not been possible to make an assessment. Therefore, it has not been possible to offer the \$5,000 Offer to those 24 cases.</p> <p>4. CFP made 415 offers of compensation to cases in Project Hartnett. The total number of \$5,000 Offers made in Project Hartnett was 693.</p>
7.a.ii.	<i>How many CFP clients were not offered \$5,000 to pay for an independent review?</i>	<p><u>Don Nguyen Remediation</u></p> <p>Six cases, as detailed in response at 7.a.i. above.</p> <p><u>Anthony Awkar Remediation</u></p> <p>48 cases, as detailed in response at 7.a.i above.</p>
10	<i>Could you provide the committee with some indication of the difference between the first offer of compensation and the final offer received by CFP clients - a fair sample (15) representing the spread of from the highest to the lowest?</i>	<p>The table set out below is a sample list of 15 CFP compensated clients chosen from Project Hartnett, the Past Business Review and CFP Other.</p> <p>The sample shows the difference between the initial offer and the final agreed settlement with each client. We have included some commentary of relevant events for each client.</p> <p>The sample selected was based on:</p> <ul style="list-style-type: none"> • The proportion of total offers of compensation in relation to advisers included in the scope of Project Hartnett, the Past Business Review and CFP Other; • A representative range of client circumstances, including admission of inappropriate client advice, incorrect client risk profiling and fee refunds; • A range of time periods: <ul style="list-style-type: none"> ○ Offers made to clients of CFP before the commencement of Project Hartnett and settled via the Project Hartnett process

		<p>Offers made before the commencement of Project Hartnett comprised the most significant differences between initial and final client offers. Prior to the establishment of the CBA Group Customer Relations structure in 2009, financial advice complaints which were unable to be successfully resolved by frontline staff were escalated to a Client Relations team reporting to the business;</p> <ul style="list-style-type: none"> ○ Offers made to clients of CFP opened in Project Hartnett and subsequently settled via the Project Hartnett process; ○ Offers made to clients of CFP opened in the Past Business Review and CFP Other review; • Relative offer acceptance rates for advisers remediated under Project Hartnett, the Past Business Review and CFP Other. <p>CFP notes that weaknesses in CFP complaint handling was one of ASIC's concerns and was addressed as a requirement of the CFP EU.</p> <div style="background-color: black; height: 100px; width: 100%;"></div>
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