

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Financial Accountability Regime Bill 2022 [Provisions], Financial Sector Reform Bill 2022 [Provisions], Financial Services Compensation Scheme of Last Resort Levy Bill 2022 [Provisions] and Financial Services Compensation Scheme of Last Resort Levy (Collection) Bill 2022 [Provisions]

2022 - 2023

Division: Financial System Division
Topic: Compensation Scheme of Last Resort funding
Reference: Written
Senator: Andrew Bragg

Question:

1. Why was the initial funding for the Compensation Scheme of Last Resort (CSLR) backdated?
2. How have the companies for initial funding purposes of the CLSR been selected?
3. Which companies would be captured for this purpose if the proposal commenced 1 July 2023?

Answer:

Eligibility under the Compensation Scheme of Last Resort (CSLR) has been designed to align with the commencement of the Australian Financial Complaints Authority (AFCA) scheme, which commenced operations on 1 November 2018. This is to ensure that consumers who have progressed a complaint with AFCA and received a relevant determination which remains unpaid have access to compensation under the CSLR.

Eligible complaints provided to AFCA before the re-introduction of the CSLR Bills on 8 September 2022 form part of the backlog of complaints that have accumulated with AFCA since its establishment. The costs associated with addressing the backlog will be funded by a one-off levy imposed onto the ten largest financial institutions.

Financial institutions, excluding health insurers and superannuation trustees, whose total income for the 2019-20 income year exceeds \$6 billion as reported in the Report of Tax Entity Information published by the Australian Taxation Office, will have the one-off levy imposed onto them.