

Agency: Australian Small Business and Family Enterprise Ombudsman
Question No: QoN 038
Topic: AMP
Member: Senator O'Neill

QoN038-03 AMP Bank Loans

a) I have heard from advisors that the traditional value of client books for financial planners has been at 2.5 times annual revenue and that banks and other financial institutions also recognise it as such. Did you find that AMP Bank was the only financial institution willing to lend prospective buyers the capital needed to buy the books?

Answer:

11 AMP ARs have reported to our Office that they sought to both re-finance their AMP AR loans and have sought alternative financiers for their purchases of client books, but that they were unable to find alternative finance providers.

AMP ARs advise that:

- the loans they were provided with were based on an internal off-market rate by mutual arrangement between AMPFP and AMP Bank, to attract and retain advisers with the intention of developing a career-long association with AMPFP;
- AMP Bank offered 80% LVRs and in some cases up to 100%;
- AMP ARs looked at similar options from other banks and found that NAB and Macquarie Bank used registers purchased as security, but with LVRs around 60%.

b) Did this create a conflict of interest between the different wings of AMP in your view?

Answer:

This Office expects that the different divisions of AMP would have appropriate separation and independence, along with robust assessment and decision making processes. It is clear, however, through discussion with AMP ARs that the close relationship between AMPFP and AMP Bank encouraged a perception by AMP ARs that they were receiving special treatment, and would not have received the same treatment from a non-AMP-related bank.

While it may be arguable that the separation between the entities was not as clear as may be desirable (for example AMPFP representatives who were selling client books to AMP ARs would 'introduce' those ARs to AMP Bank representatives), we note that onboarding into AMPFP as an AMP AR, and seeking a loan from AMP Bank required separate processes and AMP ARs were given opportunity to seek external advice.

c) Did you find any coordination between AMPFP and AMP Bank to extract wealth from the independent financial planning network by pushing the LVR of planners about 100%?

Answer:

We have not been presented with evidence suggesting the coordination between AMPFP and AMP Bank to extract wealth from the ARs.

d) Is it not the case that of the AMP financial planners that contacted you, almost all of them had been pushed into an LVR of over 100% with AMP Bank?

Answer:

While not all AMP ARs have specifically provided information in relation to their LVRs, 17 AMP ARs have reported high LVRs, of which 11 reported LVRs in excess of 100% during the exit process.

Note:

The answers provided are based on information provided to us by the 116 AMP Authorised Representatives (AMP ARs) who have sought assistance from this Office. In many instances, AMP ARs have provided an impact statement to our Office, which have been validated where possible. In some instances supporting documentation has not been available, and confidentiality agreements prevent full disclosure by AMP ARs.

It is important to note that not all AMP ARs have provided the same information to this Office during our work with them, and while attempts have been made to standardize information received from planners, this has not always been possible.

The work of the Office to date has been to:

- 1. Provide direct assistance to AMP ARs who request it, including offering guidance on alternative dispute resolution options and facilitating communication between the AMP ARs and AMP Financial Planning (AMPFP). This has included arranging mediation where appropriate.*
- 2. Facilitating communication between AMPFP and AMP ARs (and their representatives) in relation to policies and practices that have that have directly impacted the parties.*

As the Committee is aware, this Office is unable to provide rulings or decisions on these matters, nor provide advice on the legal position of the AMP ARs.