

Dear Senator Dastyari  
and Dear Committee Members,

“Scrutiny of Financial Advice”

30<sup>th</sup> Nov 2014

I have followed the financial arena and the latest developments with the FoFA laws and I would like you to take into account my opinion about what I have noticed happens in the real world.

I have suffered tremendous loss due to poor financial advice by a trusted family friend, licensed by CBA. His only recommendation was for me to invest in Timbercorp products. Timbercorp is still an on-going matter as you are aware of.

I would like to make the following points as per terms of reference:

- a. The current level of consumer protections;

*There is not enough protection for every day inexperienced investors; \$4 Billion dollars have been lost in managed investment schemes only in a span of 5 years.*

- b. The role of, and oversight by, regulatory agencies in preventing the provision of unethical and misleading financial advice;

*ASIC is not protecting consumers and is not in control of financial products offered in the marketplace. I have complained to ASIC about bad financial advice and all they could say was it wasn't their domain.*

*It has come to my attention that in fact ASIC don't review any financial products (investments) that are placed on offer. They in fact rely on research houses to rate products. My understand is that some research companies will give good ratings, otherwise risk not to be used by large companies. E.g.: Advisers Edge or Lonsec would not be used by Timbercorp, unless the investments products would get a favourable rating.*

- c. Whether existing mechanisms are appropriate in any compensation process relating to unethical or misleading financial advice and instances where these mechanisms may have failed;

*Did ASIC properly investigate the financial products and the sellers of financial products to ensure safe products for the consumers? Did ASIC warn consumers if it came to ASIC's knowledge that the products were wrong? That the sellers of the products were misleading consumers?*

*I can tell you that ASIC received around 900 complaints about bad financial advice in relation to Timbercorp alone, and they chose not to act. The CBA's Open Advice Review Program was launched in August for victims of bad financial advice, fraudulent and misleading conduct. It has now been over 3 months, and not even one case of bad financial advice has been reviewed. CBA don't have the measures in place and they make the rules as they go along. They don't have access to the personal files of investors*

*and are trying to delay the process. How are these investors going to be compensated for their loss?*

- d. Mechanisms, including a centralised register, that would ensure financial planners found to have breached any law or professional standards in their employment are transparent, for both the sector and consumers;

*There are organizations that could be entrusted with keeping independent registers, as it seems that ASIC is not willing to co-operate and enforce this measure.*

*There should also be an audit system in place, for more customer protection. Financial planners should be audited at random, especially the advisers that seem to push a certain product to a large number of clients.*

- e. How financial services providers and companies have responded to misconduct in the industry;

*The banks are the main providers of financial products, and the four major banks, hold 80% of financial advisers of the industry. The balance seems to be tilted in favour of banks, banking products and financial advice oriented to products preferred by the banks.*

*The financial planning arms of the BANKS are simple “pencil pushers”, completing and ensuring the paperwork is completed. Banks play a multitude of roles in this equations: they create the product, they sell the product, they approve the loans (if so) for the product, they pay the commissions to the seller!...and subsequently BANKS collect large profits!*

- f. Other regulatory or legislative reforms that would prevent misconduct;

*Consumers of loans for instance must receive a full Loan Application Form at the point of signing and the borrowers must be permitted to fill out the forms in their own handwriting. Any changes should be explained and initialized by both parties. Large loan documents especially, the ones with hidden “power of attorney” clauses, should not be allowed. If a consumer gives powers to another party for paperwork to be signed on their behalf, that second party should be independent.*

*My experience with hidden Power of Attorney documents, involving Timbercorp, was never mentioned to me by the financial planner. I know that I would've never signed such a document. As a result, my loan documents from Timbercorp Finance (backed by ANZ) were executed in such way that the same person (Timbercorp's company secretary) signed as a provider of finance and as a borrower.*

*Power of Attorney's (if needed) should be signed as a separate document, not hidden amongst one of the clauses in the contract.*

*Do not allow “asset rich, income poor” customers to be put in high risk products, or given unjustified loans, just for the profit of the bank! Responsible lending should be a priority.*

- g. Related matters;

*Immediate reforms are needed. There is a lot of hype in the media about poor financial advice, poor conduct by the banks, irresponsible lending, bankruptcies and loss of savings as a direct result of such actions.*

*White collar crime should be stopped! Individuals should have the right to good financial advice, especially when it's paid advice! The government and its organizations (ASIC, APRA, FOS, CLOS) should act responsibly, offer protection to consumers and enforce the regulations of the financial industry.*

*I would like the Parliament to acknowledge that and agree to a ROYAL COMMISSION for the BANKING SYSTEM.*

*Kind regard*