

**Submission to the
Economics Legislation Committee's
Inquiry into Wealth Management Companies
by
Jan Smith PSM FIPAA,
former client of Dixon Advisory & Superannuation Services**

Purpose of submission

I wish to comment on and make recommendations related to the Committee's Terms of Reference (a), (d) and (g).

Background

My wife, Dr Ida Vincent, and I are former clients of Dixon Advisory and Superannuation Services Pty Ltd (DASS). We were clients for 15 years from 2004 to 2019. During the first four or five years we were personal clients of Alan Dixon.

I am not a lawyer nor a financial services professional. My background is in public service. My final position in government was as the Assistant Director-General of the NSW Premier's Department. I left the public sector in 1998 to establish Jan Smith and Associates Pty Ltd. At this point we were advised by our accountant to establish a self managed superannuation fund. Ida spent years in academia and then also spent years as a senior executive in the NSW Public Sector. In 1999 there was sufficient work available for her to join me in the consultancy and we both worked in it until 2013. We went on to provide consultancy services to CEOs and senior executives of the NSW Public Sector for 15 years. I am now 75 and Ida is 80.

I am a recipient of the Public Service Medal, awarded by the Governor-General in the Queen's Birthday's Honours List in 1997. I am also a Fellow of the Institute of Public Administration Australia (IPAA).

Experience relevant to this inquiry

1. In April 2020 I was approached by ASIC to ask if I would be prepared to assist them in their investigation into DASS. I was one of eight witnesses in the Federal Court case of ASIC against DASS which culminated in a fine of \$7.2 million in mid 2021. I was both very disappointed and unimpressed by that outcome. I did, however, feel vindicated that DASS had admitted to breaching the Corporations Act 2001, specifically in relation to us, on nine occasions.
2. In July 2020 we lodged a complaint with AFCA. We provided AFCA with extensive and convincing documentation relating to DASS' contravention of the Corporations Act 2001. Eighteen months later, after I had written to the CEO and Ombudsman of AFCA to question why it was taking so long to deal with our claim, I received a phone call

from Ms Natalie Cameron, a senior person in his office, to tell me that the determination of our claim was about to be made. She then asked me if I had heard that that very morning, 19 January 2022, AFCA had been advised that DASS had gone into voluntary administration and that all AFCA complaints had to be put on hold.

We had reached the situation of being part-pensioners, something we had never envisaged. We could no longer afford the ongoing maintenance of our lovely home in Burradoo, near Bowral. We had to sell it and we moved to a retirement village in the Central Coast of NSW. It feels like we have moved to a different country and the negative impact on our lives and happiness from the actions of DASS has been substantial.

3. I have been a member of the Committee of Inspection working with PricewaterhouseCoopers as the voluntary administrators since the beginning of the voluntary administration process.
4. We have received the maximum compensation available from the CSLR, that is \$150,000. We are very grateful to have received this amount, even though we lost considerably more than \$150,000. We are not seeking further compensation.

The issues I would ask the Economics Legislation Committee's Inquiry into Wealth Management Companies to address are:

1. I believe that at the heart of the problem with DASS is that they were able both to provide financial advice and to develop their own financial products to promote to their clients. The risk of conflict-of-interest in these dual roles is mammoth as has been proven by DASS. I believe that legislation ought to be developed to make it impossible for companies to do so. Without such legislation there will always be 'cowboys' and 'cowgirls' who see ways to use their clients as 'cash cows' to satisfy their own greed. All financial advisers, in my view, should be truly independent financial advisers. Without this protection government initiatives such as the Compensation Scheme of Last Resort will collapse under the volume of claims and cost of compensation.

We raised our concerns in writing with DASS about the obvious conflict-of-interest on their part on a few occasions, as was documented in the affidavit I developed for the ASIC case against DASS in the Federal Court. DASS predictably denied a conflict-of-interest and in 2019 we chose to sever our ties with them after having been clients for 15 years. It was, of course, by then too late. We had lost a great deal of our savings. It meant that there were years of hard work wasted and our retirement plans were shattered.

2. The morphing of DASS into Evans and Partners and the decision to enter voluntary administration on the part of DASS were, in my view, both cynical and unacceptable strategies designed to avoid accountability.

3. My next comments are not designed to be a criticism of the voluntary administrators, PricewaterhouseCoopers. I have found them to be a professional organisation to work with. However, the apparently mandatory processes for voluntary administration are hugely costly and cumbersome. I don't have the expertise to provide a well thought out alternative model but I am putting in a plea, on behalf of future victims of financial service providers, for the process to be simplified. The combination of the intervention of a class action, and the subsequent fees to be paid to the class action lawyers, and the huge costs associated with the work of the voluntary administrators, mean that the DASS clients will be left with a laughable, offensive pittance of compensation through the voluntary administration process. We are yet to know whether the amount of compensation provided by the CSLR will in fact be reduced by the pittance that clients will receive through the voluntary administration process. This uncertainty just adds insult to injury.

My recommendation re Term of Reference (a)

That the government legislates that financial services companies, or associated groups of companies, be prohibited from both providing financial advice and developing financial products to promote to their clients.

My recommendation re Term of Reference (d)

That the government legislates that companies found guilty of being in breach of the Corporations Act 2001 be prohibited from morphing into another company or escaping into voluntary administration in order to avoid proper accountability.

My recommendation re Term of Reference (g)

That the government reviews the voluntary administration process and legislates for a simplified and far less costly process so that any funds that should be distributed amongst clients not be whittled away by voluntary administration and class action lawyers' costs.

Thank you for considering this submission.


Jan Smith PSM FIPAA







Mobile: 

Email: 