*LEWIS BELL*

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**Dr Sean Turner**
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**Senate Standing Committees on Economics**
**PO Box 6100**
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**by email transmission to economics.sen@aph.gov.au**

**Dear Dr Turner,**

**Inquiry into the collapse of Wealth Management Companies and the implications for the CSLR**

I apologise for this late Submission, however I only heard of the Inquiry on 6 November.

The Directors of ASX listed E&P Financial (now called Evans & Partners) have given the nation an absolute Master Class in avoidance of financial responsibility by "ring fencing" its failed subsidiary, Dixon Advisory & Superannuation Services Pty Ltd (Dixon) from the rest of the E&P Financial Group, placing Dixon into voluntary administration to be wound up, paying token regulatory penalties and shifting the financial responsibility for its Clients' compensation claims to the Compensation Scheme of Last Resort (CSLR).

This action was taken after the Directors of Dixon, which would have included Directors of E&P Financial (if not in name then in fact), determined that regulatory penalties, client compensation claims and legal actions against Dixon, a subsidiary of E&P Financial, were likely to leave Dixon insolvent.

The collapse of Dixon in 2022 occurred following the merger of Evans & Partners and Dixon in May 2018 and listing on the ASX of Evans Dixon at $2.50 a share to raise $170 million from the public, giving the merged entity a market capitalisation on the day of $580.2 million.

The move by the surviving and renamed parent company, Evans & Partners, to delist from the ASX was approved by shareholders on 1 Nov 2024 and will be effective by the end of calendar 2024. The delisting from the ASX is a further step in the removal of the Evans name from public scrutiny.

The voluntary liquidation and winding up of Dixon has successfully moved the liability for the irregular management of Dixon's clients' funds to the Compensation Scheme of Last Resort (CSLR), which was funded initially by the large banks and by the financial planning sector of the financial services industry. In fact, compensation for the client claims on Dixon will account for the whole of the initial funding of the CSLR and require the Scheme to be refunded.

The bulk of the regulatory penalties and all the client compensation claims on Dixon arise from either Dixon's failure to comply with its Best Interest Duty to its Retail Clients or its equivalent fiduciary obligations at Common Law to its Wholesale Clients. These failures arose out of Dixon being an investment advisory firm which vertically integrated into manufacturing its own financial products, like the ASX listed US Masters Residential Propery Fund, which relied entirely on subscriptions from Dixon clients and not the overall equities market. The acquisition of Dixon was an investment which Evans took on 2018 with its eyes wide open after extensive due diligence.

To give complete perspective to the whole matter the funds taken out of the businesses by the major Dixon and Evans shareholders, including the Dixon and Evans families, need to be identified. While ASIC has apparently concluded there is no legal avenue for Dixon's parent, Evan and Partners, to be held accountable for the failings of its subsidiary, Dixon, and its suit against a post 2022 director of Dixon over the treatment of an intercompany debt between Dixon and Evans has been unsuccessful, the fact remains that no action appears to have been taken against a single director of Dixon, in name as well as in fact, who held office or directed its operations, over the period 2018 to 2022 for failing to discharge their responsibilities. However, one question remains to be answered. Do those individual directors, in name as well as in fact, who engineered the merger of Evans and Dixon, the IPO of the merged entity, the winding up of Dixon and the passage of the responsibility for settling compensation for Dixon's best interest and fiduciary failures to the CSLR pass the Fit and Proper Person Test of s.913BA of the Corporations Act, the pre-requisite to holding an Australian Financial Services licence?

Is the Law, namely the Corporations Act, inadequate; or is the Regulator, namely ASIC, asleep, or is this conduct acceptable? Having regard to how I have seen the development of standards of conduct within the financial services industry from 1980 to the outcome of the Hayne Royal Commission in 2020 this conduct cannot, in my view, be either commercially or morally acceptable.

As I say, an absolute Master Class in the deflection of financial responsibility by Company Directors to others, which will become a case study in every Master of Business Administration Course in the country.

Yours sincerely

**Lewis Bell**