

**Submission**  
to  
**Parliamentary Joint Committee on Corporations and  
Financial Services**

**Inquiry into Financial Products and Services in Australia**

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**From**

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**8. The adequacy of professional indemnity insurance arrangements for those who sold the products and services, and the impact on consumers.**

Perhaps the committee could consider not allowing Dealer Groups to ‘self insure’, and therefore if there is a collapse there will still be recourse through an external insurance company.

**9. The need for any legislative or regulatory change.**

The vast majority of submissions received to date relate to Storm Financial, Colonial Geared Investments/CBA or Opes Prime. It is my belief that more legislative or regulatory changes are not required, but rather more vigorous supervision. The Storm model was fundamentally flawed; the mortgaging of homes for retirees and other people who had expressed no appetite for risk was clearly wrong. This model of excessive fees and large borrowings, regardless of the investor’s low risk profile, had been happening for years. It was destined for disaster, however why had the existing regulator not become more involved?

If ASIC had received a complaint about Storm, then an audit of the practice and investigation of some of the client files would surely have shown Storm’s nefarious methodology and processes. Appropriate action by the regulator could then have occurred.

The Storm problem occurred because of a breach of the existing legislation. If someone is prepared to flout the existing legislation, then it stands to reason they will simply ignore future legislation as well. Therefore further legislation will not prevent Storm Financial from occurring again, but rather it will just

make the financial planning compliance process more onerous, and costly, for everyone else.

I do not believe that there are flaws in the system, but rather flaws in certain individuals within the industry. Unfortunately these rogue individuals can be found in almost every profession.

I would like to finish by stating that the vast majority of financial planners have a genuine desire to help their clients achieve their goals, and that they should be proud of the industry in which they work.