

Submission re Financial Products and Services in Australia

We are totally disillusioned with and distrustful of the current financial products and services industry, due to the negative consequences we are experiencing as a result of trusting a professional broker/planner to help us create some financial security for our retirement - something which the government has repeatedly encouraged our generation to do because there was a risk that the future economy could not support us via an old age pension. Now we are facing the real possibility of losing our home and everything we have worked for all our lives (for almost 38 years).

The current system is not working. We believe it is riddled with inefficiency, conflicting advice, fraud, greed and corruption ... but we have learnt this too late. We were first time, inexperienced investors who naively believed the professional advice we were given about purchasing off-the-plan investment properties using the equity in our home. We trusted this broker/planner in the same way as we would trust a qualified mechanic to look after our car because we lack the knowledge and skills to maintain or repair an engine. We told her more than once that we did not have the means to repay a mortgage because our weekly expenses left no available cash to use, however we were constantly reassured by her that she would take care of everything for us.

We have since discovered that she is under investigation by the Police Fraud Squad and consequently we now have to deal with the resultant mess we find ourselves in. We were disturbed to find out that a no-doc loan application form (a copy of which we obtained from the bank) had an incorrect declaration about our income. At no time did the bank contact us to confirm the details contained on the form. If someone from the bank had simply made a phone call to us to verify our income, we would have been made aware about the conflicting information – information which was not on the form at the time of our signing it.

We have since been told by a consumer advocate that it is not uncommon for the broker's copy of a loan application form to be different to the bank's copy so as to facilitate the obtaining of a mortgage (and of course, a bonus commission for the broker from the lender or aggregator). The bank's attitude to this situation seems similar to the U.S. Department of Defense's "don't ask, don't tell" policy. The Parliamentary Committee should investigate this area of potential fraud and insist that all banks supply copies of the loan application form to each low-doc or no-doc borrower.

There needs to be a thorough investigation into the financial products and services industry, especially the banking sector, and a re-structuring of the way financial advisers are paid. There should be a separation of sales people from advisers, so that the client knows whether the representative they are dealing with is working for them (the investor) or whether the representative has another agenda (e.g. to sell them a product so they can receive a commission). How can anyone give unbiased advice, especially if it is not in their best interests to do so. Commissions and incentives should be abolished to stop greedy, unscrupulous people from exploiting the system.

We feel that we were exploited because we were unlearned and did not understand the way the system operated. It's easy to target and attract newcomers into the investment field with glossy advertising, free seminars and impressive presentations, all designed to funnel you down the tube towards a waiting network of advisers, planners, brokers, aggregators, lenders and solicitors – all being influenced by the incentive of amassing as much revenue as they can from unsuspecting and trusting clients. We got sucked into this

system simply because we were looking for a legitimate way to increase our future retirement income.

We feel that consumer protection in the financial services industry is sorely lacking because existing regulatory complaint handling mechanisms are not functioning properly. If they were, then the disastrous Storm Financial mess should not have occurred (to cite just one example). We believe that ASIC is a toothless tiger and has failed in its regulation of the financial services industry, because it is incompetent in the way it handles complaints, investigates potential scams, and deals with issues raised by concerned members of the public. A new consumer protection agency needs to be set up - one that does not have a conflict of interest.

If the government doesn't take immediate and urgent action to address the problems within the financial products and services industry, there will be many more average mums and dads who will find themselves homeless, stripped of their life savings and having to rely on the government to survive in their senior years. This burden will continue to impact the Australian economy unless the mess is cleaned up now. It cannot be swept under the carpet any longer.