

## **John Walker**

### **Submission to Parliamentary Joint Committee on Corporation and Financial Services**

I am a 72 year old retiree with experience in both the public and private sectors having worked in Canberra in the Commonwealth public service for ten years before establishing a successful public relations consultancy. I have used the services of financial advisers and on one occasion had one for a client, for a very brief time.

#### **The role of financial advisers**

Their role should be to provide independent advice on investment products to their clients. Their services could be charged at an agreed hourly fee plus commission providing it is made clear to the client what this would be. So called 'trailing' commissions should be abolished as this is just income for absolutely no effort.

The adviser should disclose to the client their connection with any investment product they may be offering. This link between adviser and product is obvious when the adviser is operating from a bank's premises but is not always transparent when working from an 'independent' office.

**A financial adviser should be appointed and known by the client.** Let me relate a recent personal experience to illustrate this. Earlier this year I contacted Macquarie Cash Management to check on some issue relating to my account. As is normal practice, the Macquarie representative asked me a number of questions to confirm my identity. One question had me stumped – could I name the financial adviser on my account – no I couldn't as I hadn't appointed one. After I passed all the other identity questions I was given the name of my phantom adviser and his firm so I gave them a call. The branch manager of this firm, Ord Minnett, was very polite when I rang to complain; he asked me to hold the line while he checked on something. When he returned to the phone he asked if my account had a balance of \$x which was exactly the correct amount. He explained that Ord Minnett had taken over a stockbroking firm called Dicksons with whom I had previously used to buy and sell shares. He further explained that Ord Minnett had obtained all the data on Dickson's clients and an adviser had been 'assigned' to my account. I pointed out that selecting a financial adviser was an important personal decision and Ord Minnett had no right to 'assign' someone I didn't know and didn't want.

Following this phone conversation there were a number of emails exchanged between myself and Ord Minnett as I tried to determine how long this adviser had access to information about my account. I discovered that during the six years or so that he had been camped there the firm had received \$74.45 in commissions which they agreed to remit to me. However when the cheque arrived it came with three conditions that I have refused to accept and I've taken this matter up with the Financial Ombudsman.

A financial adviser should only be attached to an account with the authorization of the account holder. A bank should not accept the attachment of a financial adviser to an account without the approval of the client.

#### **The general regulatory environment for these products and services**

Given the massive losses investors have faced over the Storm financial debacle it appears the regulatory environment is fairly relaxed.

**The role played by commission arrangements relating to product sales and advice, including the potential for conflicts of interest, the need for appropriate disclosure, and remuneration models for financial advisers.**

As mentioned above, commission arrangements must be transparent and approved by the client. Advisers must disclose any links they have with the promoters of any investment product. Fee for service should be agreed on an hourly rate. Commissions (not trailing) could be included if transparent and agreed.

**The role played by marketing and advertising campaigns**

These are very important tools for the promotion of investment products and can be very persuasive. While it goes against my grain, I believe promoters of investment products should be required to state clearly and boldly that investment is a risk and appropriate advice should be sought. Most advertising I've seen suggests intending investors should check with their financial adviser. Unfortunately this is often akin to red riding hood checking with the wolf for directions. The government has been able to regulate the tobacco industry by insisting clear and bold health messages on cigarette packs – for the sake of investors' financial health a program should be developed for financial products.

**The adequacy of licensing arrangements for those who sold the products and services**

I understand that the Financial Planning Association issues licenses to members. There would be more teeth in the regulatory environment if ASIC took over this role.

**The appropriateness of information and advice provided to consumers considering investing in these products and services and how the interests of consumers can best be served**

The Government should develop and undertake a national consumer education campaign. Key audiences would include retirees and those planning their retirement. Industry and community bodies such as the Financial Planning Association, National Association of Financial Planners, Council on the Ageing and Retirement Villages Association would be important allies in the distribution of appropriate information materials.

**John Walker**

**19 April 2009**