



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**MOTIONS**

**Deregulation**

**SPEECH**

**Monday, 24 March 2014**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

**Date** Monday, 24 March 2014  
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**Questioner**  
**Speaker** Thistlethwaite, Matt, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Mr THISTLETHWAITE** (Kingsford Smith) (11:41): Over recent years there has been quite a bit of chest beating—from both sides, I must say—on this issue of reducing red tape. But I have to say that I think it is really a bit of a childish argument. It is somewhat of a red herring. All governments want to reduce unnecessary burdens on Australian businesses and the Australian public. But, if we are going to be in touch with the needs of the Australian people, what we should be doing is putting in place appropriate laws that protect their interests in cases of fraud, scams and unconscionable behaviour, while allowing them to go about their business and to make their own decisions about how to live their lives.

This week is the fifth anniversary of the collapse of Storm Financial. When that particular investment unit went into liquidation five years ago, 14,000 Australians lost their savings—\$3 billion in total. Many of them lost their whole life savings. In the wake of that came Trio Financial, which collapsed and many mum and dad investors lost the lot. I was a member of the Parliamentary Joint Committee on Corporations and Financial Services when it travelled to Wollongong, where a lot of these investors were based. They were people who had worked their whole lives as miners in the steel mills and had retired, and, on the advice of a particular accountant in Wollongong, had invested in Trio Capital. Because of fraud, they lost the lot—they lost it all.

To have to listen to those stories was heartbreaking. Some of those retirees had remortgaged their houses on the advice of these accountants, who said that this was a fail-safe investment. Because of fraud, the money disappeared and they lost the lot. They lost not only their lives savings but their kids' inheritance. Because of that, there were suicides, an increase in the level of depression and a reduction of public health in Wollongong. We have an obligation to protect people in those circumstances, as representatives of the community. That is what Labor in government did. That is the basis of the FoFA reforms—the Future of Financial Advice.

These reforms were aimed at ensuring that accountants cannot give dodgy advice to mum and dad investors without them knowing the full picture. So we introduced a best interest duty. We introduced a duty that said that financial advisers have to act in the best interests of their clients. What does that mean? That means that there is a checklist that financial advisers have to go through to make sure that they are properly advising their clients, most of whom would not have any inkling of the trailing commissions and the fees that are paid to product developers by financial advisers simply for providing those products. If that is described as red tape, then you can blow me over. I think that is a government doing its job—protecting the Australian public from unscrupulous people. We also introduced an opt-in provision so that clients actually have to sit down with their financial adviser every two years. The financial adviser has to explain to them the fees and commissions they are paying to the financial adviser and, importantly, offer approval to that financial adviser to ensure that they are aware of those fees, commissions and conditions they are entering into with the financial adviser.

I do not believe that that is burdensome. I do not see that as red tape, but those opposite do. The government do. Last week they introduced into this parliament reforms to water down the best-interest test in the Future of Financial Advice reforms and to get rid of the opt-in provision. I say to those opposite: go back and read the transcript of the corporations and financial services committee hearings in Wollongong. Hear those harrowing stories of those retired Australians who invested the lot in those financial products that went bad and then lost the lot. Then make another assessment of whether or not you believe that that is red tape and that it should be removed by this government.