



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

BILLS

**Corporations Amendment (Future of
Financial Advice) Bill 2011, Corporations
Amendment (Further Future of
Financial Advice Measures) Bill 2011**

Second Reading

SPEECH

Wednesday, 21 March 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Date Wednesday, 21 March 2012
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Questioner
Speaker Broadbent, Russell, MP

Source House
Proof No
Responder
Question No.

Mr BROADBENT (McMillan) (17:32): I have just read the second reading speech of the Minister for Financial Services and Superannuation for the Corporations Amendment (Future of Financial Advice Measures) Bill 2011. I have only one complaint, and that is about the English used. It says:

Platforms should be incentivised to put the most appropriate products on their menus.

'Incentivise' is not a word and never has been. As members have pointed out today, this is a really important issue. Mr Tudge has just said these are important issues for Australian people; they are important for people who are heading towards retirement and for people in the earlier years of their lives as well. When we use a word like 'incentivise' or 'incentivisation', we are bastardising the language to the point where it offends me greatly. Having got that off my chest, I will now talk about the legislation.

These issues are a matter of extreme importance to this parliament. They are a matter of importance to both sides of the House. The Parliamentary Joint Committee on Corporations and Financial Services' work and report were excellent. The opposition has put forward some very reasonable recommendations, not with the intent of opposing whatever the government is doing but with the intent of making in a bipartisan way this legislation better for all concerned, both for the financial advisers and their clients. That is what these amendments that the coalition is putting forward are all about. Having described that situation, it is important now that we discuss why this all came about in the first place. Every one of us knows somebody who has lost nearly all their savings after getting some inappropriate advice. Did they take that decision on their own? Yes, they did. Did they receive that advice and therefore take the risk? Did they perhaps go for a rather higher interest rate than was being offered by the banks or the general market? Yes, they did. Is it our own fault sometimes when we are greedy? Yes it is. Having said that, we genuinely want to go to people who have the knowledge and the ability to point us in the right direction as to how we can maximise our retirement benefits, our income at the time or our savings.

As parliamentarians, when something goes wrong, people say: 'What did you do about it? What are you doing about it? How could these people possibly lose this money in this country? How could the financial advisers do the things that they did without the knowledge of the client?'—as in the Storm collapse. As I understand it, even some of the Storm clients did not know they were reinvesting at that rate. I am not a financial expert, but I know that things went badly wrong to the point where people lost everything. They did not just lose their savings that they had invested; they lost the houses they had been put up as the basis for their loan.

The government and the parliament have responded through our processes. For those who are listening, the process is that there was an issue of concern about the prudential status of financial planners and the way they went about their work. That needed to be addressed in some way, so the parliament addressed it through a committee of inquiry. There was an extensive inquiry with submissions from all over the country and from everyone who had possibly been involved in the process. That is how parliament works. I note that there was a dissenting report by the coalition members on that inquiry, who thought there should be further emphasis on other areas around the issue. That is part of the process of what we do too. You can have a dissenting report by saying, 'I agree with most of what the committee has put up, but we are going to make a dissenting report on these areas,' which I may outline in a moment.

The coalition have said that we support the fact that we need to address some of the issues on behalf of the people and we need regulations therefore to protect the consumer. Yes, we must bring in regulations that protect the consumer, but they must not cost them in the long run and we should not put more red tape into the system, making it more difficult and more expensive for the provider of the service and the receiver of the service to go through the process.

We should never remove the flexibility from the client, not the service provider, to access part of the services and not the whole package. Under this legislation, I understand they have to go through a whole financial package.

The client should be able to access just parts of the service, especially if it is the first time they have gone to a financial planner. Quite often people go to a financial planner and are overwhelmed by a need for a huge financial plan for their family when they only went there to get some advice on a specific investment. We should allow flexibility and I do not think this legislation allows enough flexibility.

There has to be a pathway for people who have not had this advice before to go to a financial adviser without any sort of commitment, get advice and pay upfront. It is clear and open, and they know what it is going to cost to get some advice or to have one or two hours with the financial adviser. We are concerned that it may be that the financial adviser pushes a product—and this has happened in the past—that may be beneficial to the financial adviser unbeknown to the client, where the client thinks they are getting the best advice. It does not matter whether we are looking at real estate agents or lawyers; we like to know and trust that those people are absolutely working on our behalf as the client. This parliament wants a focus on the consumer that says, 'To the best of our ability as a parliament—not necessarily as a government or as an opposition—we will try to give you the regulatory framework so that you can get the best advice in this country, and Australia then becomes a world leader in this process.' I think the emphasis behind what the government has done here is right. They are really trying hard to get this framework right for the benefit of the client and those who are providing the service. The opposition has said, 'We support your bill as long as you have a look at and address the amendments we have put forward.' That is not a big ask. Because this is such a complicated area, the amendments are listed as to what we would like considered. I am sure the minister would be prepared to consider those arrangements if he felt they were beneficial and improved the legislation. These amendments are not put in to make the legislation poorer or less safe; they are put in so that the system may work better on behalf of the clients represented here.

Remember, we are not talking about a few hundred people. We are talking about nearly everybody across the nation. People are always looking for advice on financial planning: 'How can we do this better? Where are there areas that I am not involved in that I could be involved in that may be beneficial for the existing wealth that we share now and perhaps the generations that I will be passing my wealth on to?' I do not want to say, ever, that there is not a group of people out there who do not need our support—our helping hand. They will always be there and we, as members of parliament, acknowledge that.

There are others who have worked very hard and have accumulated some wealth. They would like some advice as to how they might use that wealth. We recognise that too. From that point of view, if you drive anywhere in this country, especially up the far north, you see people who have done very, very well. In this last 10 to 15 years, wherever you go, you see beautiful developments and people doing quite well, as opposed to those who may be struggling. We recognise too that we have people who struggle and we do our best as a community to benefit them in ways such as through the taxation system and our welfare system. We look after them as best we can but we can do better.

But the nation's wealth overall has improved dramatically. I do not care where you go in this country, you will see that Australia—as compared with the rest of the world—is a very wealthy nation with individuals who are very wealthy. I would like to think that the government will look at these amendments from the opposition, takes them seriously, address itself to these issues and see if we can work together to get the best outcome on this legislation that we possibly can.

In the end, the bottom line is that we want to leave this place with legislation that is better than when we came in. Whoever is in government, there is an underlying intent that we do the best for the Australian people that we possibly can, and this is one of the best examples I have come across. If we can get this regulatory framework right, we can benefit family after family, generation after generation. It is not a big ask that we work together to get the best outcome here. We will never, ever, protect ourselves from a shyster but at least we can put together the best framework we can to stop the shysters. There are a lot of very good people across this nation working as financial advisers and they have benefited thousands upon thousands of people and their families.

All we ever hear of are the worst examples of advice. Even in the minister's second reading speech he says that we cannot stop every failing of the system. All we can ever do is to give it our best shot. He does not actually say that in those words, but he is virtually saying that we can give it our best shot. So I would like to see in this legislation that we give it our best shot to get the best arrangements we possibly can, and I would ask in that process that the government look at the opposition's amendments without threat and just ask 'Can these amendments be accommodated?' because it would be one piece of legislation that I would like to see go through the parliament with bipartisan support. I think that is all I need to say.