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HOUSE OF REPRESENTATIVES
MATTERS OF PUBLIC IMPORTANCE

Future of Financial Advice

SPEECH

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Questioner
Speaker Bowen, Chris, MP

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Mr BOWEN (McMahon) (15:45): Of all the policy mistakes of this new government it is hard to find a worse example of policy dysfunction, of policy on the run and of policy that will put ordinary Australians in danger of grave financial loss than the debacle that is this government's changes to financial advice. These changes are the brainchild of the now departed Assistant Treasurer—the Assistant Treasurer who has been stood aside. He is responsible for their design and for their implementation.

There was a glimmer of hope last week, when the Assistant Treasurer stood aside, that maybe sanity would prevail. We thought that maybe a new minister might step in and undo the Assistant Treasurer's changes. But yesterday we saw an article, in the *Financial Review*, which said that the government was going to 'aggressively defend' its financial advice changes. The article was entitled:

Cormann grabs his FoFA laws from fallen Sinodinos.

It gets better. There is a very large opinion piece on the inside-back page defending the changes to financial advice. You can see it in the copy I am holding. I thought—

An opposition member interjecting—

Mr BOWEN: They are still on there! This was yesterday. That policy position did not last the day, because around five o'clock the Minister for Finance announced that he was freezing the changes. What a difference a day makes!

The DEPUTY SPEAKER (Hon. BC Scott): Order! The member for McMahon will not use props. He knows it is disorderly. I will have to deal with him if he does not desist from using props.

Mr BOWEN: I was just ensuring that the House was aware of Senator Cormann's statements, Mr Deputy Speaker. We need to establish what actually went on yesterday. I think we know what went on. It was that during the day the Minister for Finance actually started to understand his own policy. I think he actually started to get what was going on. He certainly did not understand it in the morning, because he took to Twitter, the old finance minister, and said:

Our FOFA reforms do not re-introduce commissions.

He also said:

You should read my piece in AFR. Decision to pause regs taken last Friday.

I will deal with the last part first. It is a very strange media management strategy to take a decision on Friday to pause a government policy, be out defending it on the front page of the *Financial Review* and writing op-eds in its defence on Monday. It is a very strange media strategy, indeed.

I will turn to the substance. He said:

Our FoFA reforms do not reintroduce commissions.

That is pretty clear. I would have thought it pretty clear that commissions were being reintroduced, but maybe I misunderstood. We will go to what other people think. What does Alan Kohler think? He says:

... Minister, you are reintroducing sales commissions for general advice. The proposed amendment, and Coalition policy, is perfectly clear on that score.

Mr Kohler is correct. But it is not just Mr Kohler who thinks that. The people who actually know something about financial planning—that would be the financial planners—think commissions are being under government policy. And they do not like it. They do not support the reintroduction of commissions. On 19 March, the chair of the Financial Planning Association put out a bulletin to his members. He said, 'There is one glaring change which has been heavily lobbied for that we cannot support—the so-called general advice exemption. The Financial Planning Association strongly opposes the payment of commissions under general exemption. This is a retrograde policy that would allow remuneration by commission on the sale of investment and superannuation products to Australian consumers and to open the door to a bygone era of mis-selling and inappropriate advice.'

Mr Van Manen: Rubbish!

Mr BOWEN: Rubbish, says the member for Forde. The financial planners do not know about financial planning, says the member for Forde! They do not understand what this policy does. The member for Forde should get his facts straight, as should the Minister for Finance. Very clearly this policy reintroduces commissions, and very clearly this is a retrograde step.

It is not just about general advice; it is about personal advice. Their changes reintroduce commissions on personal advice. The Minister for Finance says, 'Well, no, they could introduce bonuses if you happen to sell a lot of products. That is not a commission.' Apparently that is not a commission. If it walks like a commission and talks like a commission, guess what? It is a commission. The Minister for Finance slowly worked this out during the course of yesterday. It slowly dawned on him what his policy actually was. By five o'clock he had decided that he could not proceed with this policy at this point.

This would be amusing if it wasn't so serious. But there is a lot at stake here. These reforms were introduced in response to a catastrophe for Australia's investors, a catastrophe for normal investors who were following the advice of financial planners. Tomorrow is the fifth anniversary of the collapse of Storm Financial. What an arrogant sense of irony it takes for this government to rip up changes to financial laws that provide protection to ordinary investors right across the country on the fifth anniversary of the collapse of Storm Financial. It was not just Storm Financial that led the previous government to make these changes. There was Trio. The member for Cunningham and the member for Throsby, in particular, remember the damage caused to their communities by the collapse of Trio. The Minister for Finance indicated before the election that he would consider compensation for those people.

Ms Bird interjecting—

Mr BOWEN: In fact, they are going the other way, as the member for Cunningham correctly points out. We had the collapse of Westpoint, based in Western Australia, in which 4,300 investors, primarily Western Australians lost \$310 million. Why were they investing, by and large, in Westpoint? Because their financial advisers told them it was a good investment—they advised them to invest in Westpoint.

Why would anybody advise that an investment in what was in effect a Ponzi scheme was a good idea? The commissions being paid for the advice to invest in Westpoint amounted, on average, to 10 per cent of the amount invested. This government thinks that is just fine. This government wants to bring back laws which will enable that to happen, and that is nothing short of a disgrace. In the Westpoint case, ASIC concluded that advisers had 'negligently advised Group Members to invest in certain Westpoint products and engaged in misleading and deceptive conduct.' The vast majority of Australia's financial planners are very professional people who give very good advice. But, Australian consumers deserve protection from those who are not. The Prime Minister, in response, said on 17 March:

It is a given of ethical practice if you are a professional that you are taking the best interests of your client, your patient, your customer into account and regulatory burdens around what are ethical givens are, I think, a classic case of regulatory overkill.

Well, the Prime Minister should face the victims of Trio, the victims of Westpoint and the victims of Storm and tell them that this is regulatory overreach; tell them that these reforms go too far. They know, more than anybody else, why these reforms were introduced and they know why this government is wrong. When you have a government which has got it so wrong that the Financial Planning Association, Choice and National Seniors have all said they have gone too far, then they know that they have a problem. Choice CEO Alan Kirkland said:

It's important to remember that the need for widespread reform followed the catastrophic effects of major financial advice scandals ... These are the problems that FoFA was designed to fix, and we urge the Government to reconsider its changes.

Michael O'Neill, National Seniors Australia CEO, said:

If cutting red tape means creating a murky environment in which the hard-earned savings of working Australians end up in the hands of financial advisers, you can leave it

People are onto this government. What is particularly galling about this government's approach is the dodgy and sneaky way they have gone about doing it. There is a way you can change the law in Australia and it is called the parliament—you introduce legislation, you go through a parliamentary process and you put the legislation before a committee. What did the former Assistant Treasurer seek to do? He tried to introduce these changes by regulation and, what is worse, he was proposing to introduce the regulation on a Thursday afternoon, after the House had risen, and the parliament could not disallow it for six weeks. What a dodgy and sneaky way to go about the administration of this nation.

It is just as well that the Minister for Finance has stepped back and paused these reforms. If the Minister for Finance thinks that he can get away with putting off these reforms off until 5 April and continue their dodgy and sneaky approach and mislead the people of Western Australia, he is wrong. *(Time expired)*