

QW23: In relation to financial planners Amanda Ritchie and Martin Hodgetts:

- a) What were the circumstances that led to Amanda Ritchie and Martin Hodgetts becoming known to ASIC?
- b) Have you contacted all of the clients of these planners to advise them of the banning? If not, why not?
- c) Have you reviewed all of the client files associated with these planners?
 - i. If not, why not?
 - ii. If so, what did these reviews find?
- d) Have you paid compensation to any of the clients of these planners?
- e) Who within your bank is responsible for reviewing and remedying the harm caused by these former staff?
- f) Was your board briefed about their banning by ASIC?

Answer: (a)

Ms Ritchie

Whilst, Ms Ritchie has never been an employee of Westpac Banking Corporation or its subsidiaries (Westpac), she did work for a firm that was operating under Westpac's licence as an authorised representative.

Ms Ritchie was an employee of M&S Group Accounting Pty Limited. M&S Group Accounting Pty Limited is part of a group of companies (M&S Group), which operates accounting practices and financial planning services in regional Victoria. The financial planning activities of the M&S Group are conducted by Pinnacle Financial Planning Pty Limited (Pinnacle). The M&S Group is not owned or controlled by Westpac.

Pinnacle is a corporate authorised representative of Magnitude Group Pty Limited (Magnitude), a subsidiary of Westpac. As part of those arrangements, Ms Ritchie was an authorised representative of Magnitude from 19 February 2013 to 14 August 2014.

Prior to that, Ms Ritchie was an authorised representative of M&S Accounting Services Pty Limited, part of the M&S Group.

In early June 2014, a financial planner raised concerns to Westpac on behalf of a customer who the financial planner did not identify but who the planner stated had previously been a customer of Ms Ritchie. The information initially provided was limited. Westpac encouraged the planner to have the customer make a formal complaint so that the necessary information could be provided to enable the matter to be properly investigated.

The complaint was received on 31 July 2014. The customer alleged that transactions executed by Ms Ritchie on his Self-Managed Superannuation Fund were unauthorised.

Upon receipt of the complaint, Westpac's internal investigations team immediately commenced an assessment, including a thorough review of customer files and interviews with Ms Ritchie and other relevant people.

As a result of initial assessments, on 8 August 2014, Magnitude suspended Ms Ritchie's authorisation while the investigation continued.

On 14 August 2014, Magnitude terminated Ms Ritchie's status as an authorised representative.

ASIC was initially notified of the concerns relating to Ms Ritchie by phone on 15 August 2014, with a confirming e-mail on 18 August 2014 and with follow-up correspondence to ASIC on 26 August 2014 and 5 September 2014.

A formal notice was lodged with ASIC on 8 December 2014.

Mr Hodgetts

Mr Hodgetts was employed as a Westpac Financial Planner from 18 August 2010 until he resigned on 8 September 2014.

On 26 September 2014, Westpac identified irregularities through its internal monitoring activities. Its employees noticed that nine life insurance policies, all written by Mr Hodgetts in the three months prior to his resignation, were about to lapse as a result of the initial premium payment on those policies being dishonoured.

Westpac commenced an internal investigation, which initially focused on the nine policies identified. That investigation included a review of customer files and a meeting with Mr Hodgetts. Through that investigation it became apparent that Mr Hodgetts had falsified a number of insurance policies.

On 1 October 2014, Westpac wrote to ASIC advising of concerns regarding possible dishonest conduct by Mr Hodgetts.

A formal breach notice was lodged with ASIC on 20 April 2015.

(b) Yes.

(c)

Ms Ritchie

Yes. The investigation included:

- a comprehensive review of the files of all 51 of Ms Ritchie's financial planning customers; and
- commissioning forensic accounting and technology investigations to determine whether there were any further irregularities.

The investigation found that five customers had been impacted by Ms Ritchie's conduct. Ms Ritchie's conduct had commenced while she was an authorised representative of M&S Group and continued while she was an authorised representative of Magnitude.

There was no evidence that any customers other than the five that had been identified were affected by Ms Ritchie's conduct and no evidence that other customers had suffered loss from inappropriate advice provided by Ms Ritchie.

Westpac's internal remediation program (Program), which commenced last year, is having a "second look" at the customers of a number of financial planners, including Ms Ritchie. As part of the Program, Westpac has conducted another review of Ms Ritchie's customer files. That re-confirmed that there were no further indications that any other customers had suffered loss from inappropriate advice or misconduct by Ms Ritchie.

In addition, Ms Ritchie's customers have been contacted again as part of the Program offering them an opportunity to have a further review. There are currently no outstanding issues, and no compensation has been required for Ms Ritchie's customers as part of the Program.

Prior to communicating with customers of Ms Ritchie as part of the Program, Westpac provided the template for that communication to ASIC for review and comment.

Mr Hodgetts

As part of the Program, Westpac has reviewed all insurance files of Mr Hodgetts. This investigation identified that Mr Hodgetts appeared to have engaged in similar inappropriate conduct in relation to a total of 72 apparently falsified insurance policies in the names of 33 customers. The investigation concluded that:

- there was no detriment to customers as a result of Mr Hodgetts' conduct;
- Mr Hodgetts did not have any contact with the customers nor had he provided any financial services to the customers in relation to the fabricated files; and
- Mr Hodgetts took steps to conceal his conduct and prevent the detection of that conduct by Westpac's monitoring and control arrangements.

An investigation was conducted as to whether other financial planners may be engaged in similar conduct. No indications of any similar conduct by other Westpac financial planners were found.

Westpac has also contacted as part of the Program all 131 customers, whose names were associated with Mr Hodgetts in our systems, offering them an opportunity to have a further review. There are currently no outstanding issues, and no compensation has been required for Mr Hodgetts' customers as part of the Program.

Prior to communicating with customers of Mr Hodgetts as part of the Program, Westpac provided the template for that communication to ASIC for review and comment.

- (d) Westpac has not paid compensation to any customers of Ms Ritchie or Mr Hodgetts. Those five customers who suffered loss as a result of Ms Ritchie's conduct have since been compensated by M&S Group, although there remains a difference of view with one customer as to the amount of compensation and that matter is currently the subject of proceedings in the Victorian County Court.
- (e) Westpac's Advice Investigations team was responsible for conducting the initial reviews of customer files for Ms Ritchie and Mr Hodgetts in order to identify potential issues with advice

or potential breaches of the law or internal policy. Once the Investigations team identified the issues with the customers' files, they referred them to a Remediation team comprised of relevant subject matter experts from the BT Advice business. The Remediation teams were responsible for conducting assessments to determine any detriment suffered by the customers. The Remediation teams were also responsible for recommending how a customer's file was to be remediated and/or appropriate compensation to be paid to the customer.

In the cases of Ms Ritchie and Mr Hodgetts, the Investigations team conducted an assurance check to confirm that the recommended remedial activity was completed. Furthermore, other Remediation teams conducted a second review of the customers' files to ensure accuracy of outcomes.

Westpac's Complaints team is responsible for effecting payments of compensation to customers, if any is payable.

- (f) In respect of Ms Ritchie, the Magnitude board was informed of her banning by ASIC in November 2015. The Westpac board was not briefed on Ms Ritchie's or Mr Hodgett's banning by ASIC.