

Senate inquiry into - Scrutiny of Financial Advice

I would like to make a submission to the Senate inquiry into the scrutiny of Financial Advice. I have been a victim of poor financial advice which has now led me into a dire financial situation. I will commence with the terms of reference and I would like finish by providing you with some background and information that might assist with your investigation.

Terms of Reference:

Implications of financial advice reforms, with particular reference to:

a. the current level of consumer protections;

There is not enough consumer protection. My understanding is that there has been in vicinity of \$38 billion lost by consumers over the last 8 years. (Yet at the same time our banks have made staggering record profits year after year). Can I ask if there is enough consumer protection, how could so much money have been lost? In my opinion authorities are not even paying lip service to their role of consumer protection. They agree that they are powerless to do anything and anyone that is a victim of fraud or other white collar crime usually don't report anything to ASIC as they are just seen as a joke.

b. the role of, and oversight by, regulatory agencies in preventing the provision of unethical and misleading financial advice;

Regulatory agencies are toothless tigers. What are they doing? In my opinion I think that they are just a waste of tax payer's money. Did ASIC ensure they had proper investigations into the designers and sellers of products of financial products to ensure consumers were safe? Did ASIC warn consumers about the dangers? Did ASIC know what was happening? If not, why not? If someone broke into my house and stole \$1000 worth of appliances, the police would be over within the hour and investigated and the perpetrator would be looking at jail time. But I have been robbed of hundreds of thousands of dollars and ASIC do stuff all to investigate fraud and wrong doing. The financial industry are a powerful lobby group. But we cannot let their lobbying stop reform in the financial industry. White collar crime is alive and well in Australia thanks to the help of all the regulators and the lack of the will power by the authorities out there to do anything about this.

- In future all financial products being promoted by financial planners need to be screened, rated and approved by a government agency with skills commensurate to determine their suitability BEFORE they are sold.
- Each product should be registered so that any complaints can quickly alert authorities to possible fraud, unethical or misleading financial advice.

Here is an analogy – If BHP wanted to build a mine site, they would need to make an application with the appropriate regulators and comply with certain conditions to ensure that they are not damaging the environment or harming other users BEFORE they commence work. Why can't we do something similar here? It seems to be the banks that are behind nearly all of the financial investments in Australia now. They either provide funding to the scheme or borrowings to the investor. They have the resources to do this. Look at their balance sheet.

c. whether existing mechanisms are appropriate in any compensation process relating to unethical or misleading financial advice and instances where these mechanisms may have failed;

Compensation levels are too small. In fact I am yet to see or hear anything relating to compensation that is available to victims of poor financial advice. My understanding is that these companies are required to have Professional Indemnity Insurance. I have heard nothing with regard to being able to make a claim against their insurance policy.

d. **mechanisms, including a centralised register, that would ensure financial planners found to have breached any law or professional standards in their employment are transparent, for both the sector and consumers;**

Financial planning is an important/critical element of preparing one's finances for their retirement and for the livelihood of their family. That is why we entrust this function to people that are promoted by the banks and by themselves as professional, ethical and knowledgeable in the work that they do. When that person has let you down, they will have an enormous impact not only on one's financial security and wellbeing but their family and extended family. When one discovers that they have been betrayed, it is akin to finding out a teacher at your child's school is a paedophile. Why would you let that person practise in that capacity again? Yes there should definitely be a register. Take a look at all the damage that this industry has committed on our community. They have demonstrated that they cannot be trusted. Severe and appropriate fines or jail time should be used as remedy and a register be set up so that consumers be able to protect themselves.

e. **how financial services providers and companies have responded to misconduct in the industry;**

Instead of accepting their responsibility for the damage they have done, they have tried to shift the blame to anyone BUT themselves. To me, the message they are sending out indicates that they are in denial. They appear to see this all as a witch hunt.

It is clear from their behaviour over this matter that they cannot be trusted in regulating their own behaviour. They are capable of mass destruction but they have not taken their responsibility seriously. In my opinion, the damage the financial planning industry has done to our community is akin to having set off a bomb in a shopping centre. The financial industry just don't seem to understand their part or accept their responsibility in the terrible damage and destruction that has been inflicted on the community.

f. **other regulatory or legislative reforms that would prevent misconduct;**

A number of years ago the banks saw an opportunity to increase their profits and bought into the wealth management industry. It is now one of their key profit drivers. However the dangers this has presented has been totally overlooked by government and the regulators. This industry is now totally integrated into the banking system. The financial planner is not impartial. He is the sales person, selling what his master has commanded or selling one of a small range of products that provides him with the biggest commission.

Consumers think that when they go to financial advisers they are getting impartial advice that takes into consideration their personal circumstances, goals, risk profile etc. But this doesn't appear to be the case at all. They have just walked through the front door of the bank's wealth factory.

Financial planners appear to be have absolutely no understanding of the discipline of finance, risk and investment. To them, their risk minimisation appears to be more about arse covering than about understanding the needs and the risks to their client.

This industry is now divorced from any ethical and moral responsibility to do what is in the interest of their client. It is all about what makes the bank the biggest profit and what gives the financial planner the biggest commission. There appears to be no mechanism to ensure that the behaviour of the industry is ethical or moral. The damage that the financial industry has inflicted on the community is so great that it cannot be left to continue on like this. Something must be done to stop this destruction of the average person's financial future and transfer of wealth from them to the banks.

- I would recommend that the minimum requirements for financial planning be degree qualification
- That a substantial part of their course to cover ethics and responsibilities.
- Mechanisms be put in place that will prevent Banks from pushing their products onto financial planners to sell.
- Commissions to be eliminated from financial planning remuneration

- ASIC to be scrapped as consumer protectors and for a new Federal Bureau of Consumer Protection to be formed that has strong powers to investigate fraud and is properly resourced so that they can do their job of protecting the consumer and investigating fraud.

g. any related matters.

I have been in business for many years. I am well educated and I have a broad base of contacts in the community. I am telling you that everywhere I go, everyone I speak to is saying the same thing. They are saying that our system is broken. They are saying that there is no leadership in Australia. They are saying that Australia is now as corrupt many Asian countries.

We have lost our confidence in our leaders. We have lost our confidence in our laws they are only there to protect big business at the expense of the small person or business. There is no trust any more. No one wants to do anything because the game is rigged in the favour of big business. There is no wonder that our economy is suffering from lack of confidence and is depressed. If we don't do something to fix up our broken system, we are in danger of destroying the very fabric of our society.

I strongly recommend that a Royal Commission be conducted to investigate this matter and that strong action be taken. Wrong doing has been done here and many people have suffered as a result yet no one has been charged, no one has been punished and the finance industry is allowed to continue as if nothing has happened – business as usual. A friend told me about a royal commission into the building industry and I was depressed to find out that after all the money that was spent and all the time that was taken – nothing was done about all the findings. I hope that doesn't happen here.

My Story

Due to my work history, I had very little superannuation and I was strongly motivated to increase my investments that would assist my retirement. I had tried to manage my investments prior to meeting with Anthony Torre, my financial adviser. At the time, my knowledge of investing was pretty limited and the results were pretty average. I had already lost a lot of money in the stock market and I could not afford to lose any more money. That was why I had sought out advice from a professional. I expected to get unbiased and balanced advice from a financial planner. Advice that will protect my assets and provide a safe and secure investment platform. I explained to Anthony that as I had very little superannuation, I was looking for an investment that would provide an ongoing stable income. I was looking for a low risk investment. He asked me if I would see value in a financial product that not only provided a great return but also offered tax benefits. Tax benefits were a bonus but I made it pretty clear that I wanted a safe investment.

Anthony told me the only way to go was with MIS and in particular Timbercorp, because they had the best return of any investment out there, that they were a listed top 200 company and that they had the backing of the government and the Tax Department. Anthony assured me that the investment was totally safe. IN addition he told me that this was an unsecured (non-recourse) loan, the timber lots would provide the security. He got me to enter into a 3 way conference call with an adviser at Timbercorp who assured me that Timbercorp was in great financial shape and that my investment would be totally safe. The belief that this was a no risk investment was the only way that I would have considered this investment. I didn't realise that they had lied to me. I trusted Anthony and he totally betrayed that trust.

Since that time - from educating myself on financial matters, speaking to accountants and financial planners and reading articles about MIS I have learned that Agricultural investments are actually highly risky investments. To my knowledge, there has not been one agricultural investment product that had not gone broke in the past. I wish I had known that then. If Mr average punter can learn this with a bit of effort, I am absolutely confident that this would be information Anthony would have

been fully aware of at the time. Anthony wanted to make out that I was a sophisticated investor and that I was fully informed. This is total fabrication.

Anthony had made a superficial show of completing due diligence by completing an SOA. (This was done at the end of the process). It was obvious to me from the way that he conducted the questions that he was directing the questions to fit the outcome that he wanted. This was purely a box ticking exercise to cover his arse. He had convinced me that there was no risk, He assured me that this was the best investment because it was so safe it had the highest return of any investment out there and this was the only way to go. Boy was I lucky to have this professional showing me how to invest. I would be financially secure in no time.

I have read that investment theory espouses that high risk investments should only be a small part of a diversified portfolio. In actual fact, although Anthony made out that this was a small part of a large and diversified investment portfolio, this investment was the only significant investment that I had. As it turned out, this investment consisted of perhaps 95% of my portfolio. Anthony had me classified as a high risk, sophisticated investor. If I were a sophisticated investor, I would not have had such a high risk portfolio. He had no intention of offering any other investment. And so Agricultural investments were the only option that were presented to me.

Affordability of the investment - A cash flow forecast was not done. Due to my low income, I was not able to afford to repay the loan. Finally, I was not aware that I would have an additional loan for the management of the almond lots. It was only several months down the track that I was asked to sign some additional loan papers for management of the lots. I had been told that the cost of managing the project would come out of the returns from the proceeds of the crop sales.

I had walked into Anthony Torre's office hoping to find a professional who could help me get me on my feet financially. I didn't realise that my financial planner, Anthony Torre was totally influenced by the massive commission that Timbercorp were paying him, that he was not looking after my interests in any way and that he had set me up to have my financial future destroyed. I had walked into a maelstrom. This has been going on for 7 years. No one has been brought to justice, no one has been charged with wrong doing, the only ones that have lost have been the mum and dad investors who have been caught up in this fiasco.

65000 people who invested with Great Southern and Timbercorp (and their families) have had their financial futures turned upside down. This could not have happened without the help of the banks, the financial planners and the lack of oversight into these schemes.