

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: ASIC

Question: SBT4285

Topic: Financial advice from banks

Reference: Hansard page no. 80 - 22 October 2014

Senator: O'Neill, Deborah

Question:

Senator O'NEILL: Have you had any reports from the public that indicate that the general consumers are often unaware that when they are getting advice from a financial adviser within a bank that they are only being offered a suite of products that are provided by that bank?

Mr Kell: I would have to take on notice as to whether we have had any reports or complaints about that matter.

Senator O'NEILL: Ms Bird, can you add anything?

Senator Cormann: It has been taken on notice.

Mr Kell: Yes, just to give you accurate information.

Senator Cormann: The deputy chairman of ASIC has taken that question on notice and will assist you to the best of our ability after we have considered your question.

Senator O'NEILL: Ms Bird looked like she might have been able to add something.

Senator Cormann: The question has been taken on notice.

Senator O'NEILL: All right. We are not going there.

Answer:

Since 1 January 2013, ASIC has not received any reports from the public that indicate that consumers are often unaware that a financial adviser within a bank may be only offering a suite of products that are provided by that bank.

There is evidence to indicate that many consumers believe that they are dealing with an independent advice business when in fact the businesses is related to or owned by a product manufacturer. For example, Roy Morgan Research found that 55% of surveyed consumers receiving financial advice from an entity owned by a large financial institution, but operating under a different brand name, considered it to be independent—in contrast, only 14% of consumers considered financial planners working under the brand of the same financial institution to be independent.¹

The proposed Financial Advisers Register will address this consumer misunderstanding because it will disclose the eventual owner of a licensee that provides personal advice to retail clients about investment products.

Paragraphs 152–157 of ASIC's submission in response to the Financial System Inquiry interim report discusses further the issue of distinguishing between independent and aligned advisers.

¹ Roy Morgan Research, *Confusion with financial planner independence continues* (Finding No. 5716), 4 August 2014, www.roymorgan.com/findings/5716-confusion-with-financial-planner-independence-201408040221.