Bank Leaders In Trouble With Aussie Senators

Summary:
Four of the country's richest corporate executives have apologised at a Senate inquiry, after reigning over a culture at Australia's biggest banks that allowed unscrupulous financial advisers to peddle risky investments to clients.

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Big Bank Bosses Grilled At Financial Advice Inquiry

Transcript

EMMA ALBERICI, PRESENTER: Four of the country's richest corporate executives were forced to apologise today, after reigning over a culture at Australia's biggest banks that allowed unscrupulous

financial advisers to peddle risky investments to vulnerable clients.

Speaking before a Senate committee in Canberra, the Commonwealth Bank boss, Ian Narev, admitted that his organisation was wrong to have ignored an internal whistleblower seven years ago, when he tried to warn of a rogue financial planner.

Yet nine months after a special compensation scheme was announced at the Commonwealth Bank, only three customers have received any of the money and more than 200 others are still waiting.

Astonishingly, both the Commonwealth and Macquarie chiefs admitted that financial advisers, sacked from their organisations for bad behaviour, continued to operate as financial advisers. They simply went on to get other jobs with other institutions.

From Canberra, political correspondent Tom Iggulden has more.

TOM IGGULDEN, REPORTER: Commonwealth Bank wasn't alone in offering customers dodgy financial advice but it was the worst of a bad lot. Not only were clients punted into risky investments they didn't want: documents were allegedly forged or shredded to cover up the scandal.

MARILYN SWAN, FMR CBA CUSTOMER: The criminal activities of fraud, forgery and misleading and deceptive conduct which passes as the acceptable business model within the financial planning sectors of CBA.

TOM IGGULDEN: Marilyn Swan's family is just one of potentially thousands of victims of poor advice from four big banks that saw many lose their life savings.

MARILYN SWAN: White-collar criminals working in the financial sector have not been brought to justice. How long does my now 90-year-old father have to wait to see some justice occur?

TOM IGGULDEN: Jeff Morris used to work at Commonwealth Bank in 2008. He tried to warn it of misconduct in its financial advice area but he was ignored.

JEFF MORRIS, CBA WHISTLEBLOWER: I had delivered all the necessary information to the top floor of CBA in June 2009 and the cover-up continued.

IAN NAREV, COMMONWEALTH BANK CEO: We've thought a lot about this as well. I've said this about Mr Morris: I felt he should have been better listened to in 2008. We'd be in a different position.

JEFF MORRIS: It'd be pretty hard not to acknowledge that, given where we are today.

TOM IGGULDEN: The bank told the inquiry it's changed its culture towards whistleblowers but Mr Morris isn't convinced.

JEFF MORRIS: So there's never been any interest at CBA in the whistleblowers, what they went through. Whistleblowing has a horrendous impact on everybody, certainly. But not just the individual: also on their families.

TOM IGGULDEN: The CBA adviser Mr Morris blew the whistle on, Don Nguyen, eventually lost his job and was deregistered as an adviser.

ADELE FERGUSON, REPORTER (Four Corners, May 2014): In 2007, Don Nguyen's legendary ability to sign up new customers scored him number one in the bank's internal financial planning league table. That year, Don signed up $39 million of customers' money for the bank.

TOM IGGULDEN: The inquiry heard today he's still being paid by the bank to the tune of $70,000 through an income protection insurance scheme he bought through his old employer.

MARILYN SWAN: Why is Mr Nguyen continuing to enjoy a large CBA Comminsure annual payout despite evidence of his illegal activities? One has to be suspicious.

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NICK XENOPHON, INDEPENDENT SENATOR: You basically paid him off. It's hush money. What do you say to that?

IAN NAREV: You will appreciate with a legal background - indeed, I have a legal background as well - that you look at these things very hard. You get legal advice saying we are required to make the payment and you make the payment. If you put yourself in my shoes...

NICK XENOPHON: Is that advice internally or externally?

IAN NAREV: Ah, this is advice ..... I'd need to take that on notice: certainly internally and, I think, maybe externally. I don't know whether you know that but we'll need to take that on notice.

NICK XENOPHON: Well, it'd be interesting to see if an independent counsel provided you with that advice.

IAN NAREV: As we sit today...

NICK XENOPHON: The CBA's head of customer experience at the time, Brendan French, is now heading the bank's process to decide on up to 5,000 potential compensation claims.

MARILYN SWAN: To every victim of CBA, this is a slap in the face.

NICK XENOPHON: Was he aware of Mr Nguyen's malfeasance from 2008?

IAN NAREV: I'd need to check in terms of what, when he became aware. But he certainly wasn't complicit. I mean, we've got no evidence he was complicit.

NICK XENOPHON: I haven't asked you that question. I've said, "Was he aware of Mr Nguyen's malfeasance?" And at what time was he aware of it?

IAN NAREV: I would need to check that with Brendan.

NICK XENOPHON: Right. And what actions did he take at the time?

IAN NAREV: That's something again I'd need to check with Brendan.

NICK XENOPHON: Right. And the fact that he's no...

TOM IGGULDEN: CBA wasn't the only bank in the committee's crosshairs. NAB's identified 750 of its clients who were victims of wrong financial advice between 2010 and 2014 and paid out more than $14 million in compensation.

ANDREW THORBURN, NATIONAL AUSTRALIA BANK CEO: Senators, we are happy to take your questions.

TOM IGGULDEN: The CEO agreed some compensation payouts were insufficient and said the bank was committed to transparently dealing with the fallout of poor advice. He was then asked about the confidentiality agreements hundreds of victims had to sign as part of their compensation agreements.

NICK XENOPHON: If you mean what you say, will you lift those gag clauses?

ANDREW HAGGER, GROUP EXECUTIVE, NAB WEALTH: Well, I, maybe .....

NICK XENOPHON: No, I'm not asking you, Mr Hagger. I'm asking Mr Thorburn, please.

ANDREW THORBURN: Well, ah, Senator, um, Andrew runs this part of the business and...

NICK XENOPHON: You're the CEO, though.

ANDREW THORBURN: Yes, I am.

TOM IGGULDEN: Then, eventually, came a major concession for victims.

ANDREW THORBURN: We are reviewing our complaints process and I will absolutely...

NICK XENOPHON: I'm not asking, I'm asking about the gag clauses that you got people to sign. So the gag clauses ...

ANDREW THORBURN: So, yes in, yes in principle. Yes?

NICK XENOPHON: Yes in principle?

ANDREW THORBURN: Yes.

NICK XENOPHON: So when can you let us know that those gag clauses will be lifted? And will you notify all those people that have signed those gag clauses that they will be able to speak freely without fear of legal retribution?

ANDREW THORBURN: So I think we will have to take that on notice, Senator, but ...

NICK XENOPHON: No, it's a very simple proposition...

ANDREW THORBURN: Well, no, and I've agreed in principle: yes.

TOM IGGULDEN: Dozens of advisers have been sacked from the main banks since the scandal hit the media.

JOHN WILLIAMS, NATIONALS SENATOR: Do you know of any of the 11 that you sacked are now still in the industry of financial planning?

GREG WARD, MACQUARIE BANK: Anecdotally I have heard that some of them are still working in the financial industry as a financial adviser.

TOM IGGULDEN: This is the fifth inquiry into these matters, going over several years - and yet still new revelations are emerging but still no momentum toward a Royal Commission.

Websites For More Information: Big Bank Bosses Grilled At Financial Advice Inquiry
http://www.abc.net.au/lateline/content/2015/s4221070.htm

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