Government allows white collar crooks to profit. Time to say - enough!

Summary:
Bankers can deny it all they like. The facts clearly show that conflicted remuneration models will lead to bank clients being ripped off. Reform is called for. The banking and finance system just takes too much away from productive people. An honest banking system is really not as profitable as many people have become accustomed to.

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Australia A Paradise For Spivs And Scoundrels When It Comes To Financial Advice

I NEARLY fell off the chair this week when reading the thoughts of our feisty little Police Minister, Jo-Ann Miller. I surprised myself by agreeing with much of what she said.

Miller, a coal miner's daughter who has represented Bundamba in the Legislative Assembly for 15 years, is noted for her plain-spokenness.

She hit the mark when she declared some financial planners were simply white-collar criminals.

Miller was telling it like it is. The financial planning industry is riddled with incompetence and corruption, if you believe the evidence presented to a special Senate hearing last week.

And the big banks who own the major financial planning firms are at the centre of the scandal.

ASIC: Macquarie Bank ordered to review financial planning advice to 160,000 clients

ANALYSTS: Financial planning scandal damages Com Bank brand temporarily

Some submissions tabled in Parliament were poignant:

"Both my husband and I wanted to build a property portfolio. We already had one property but wanted a professional to help us grow. This did not eventuate. Instead we were vigorously and aggressively duped into MIS (backed by ANZ Bank) shares and managed investments well above our

income and with no ability to sustain hidden ongoing payments or costs.

“We were told that there was no way that we could lose our money as it was secured against land and its own investment. The paperwork provided by the banks was impossible to decipher.

“We were not told our house would be used as capital or of the many commissions our financial planner would receive from the banks.

“The impact of this decision to trust a financial planner and the banks has been catastrophic.

“We are $400,000 in debt so far and are fighting against losing our family home and going bankrupt. We have contacted ASIC and our financial planner has handed his licence in, but what about compensation for the damage to us, not just financially, but we are suffering health issues: depression, memory loss, anxiety, panic attacks, insomnia ...”

The woman and her husband, like many complainants, struggled all their lives to build retirement savings only to see them evaporate in the hands of flim-flam men.

With their savings and investments now all but gone, the couple fear they will be forced on to the pension and have nowhere to live.

FOFA FALLOUT

It has to be said that greed is often a two-way street, with some investors inflating their incomes so they can borrow more. Dishonest advisers, meanwhile, exploit the ineffectual codes of behaviour and push the unsuspecting elderly into deals they don’t need and can’t fund.

The Senate heard the big banks routinely dudded their customers. Shamefully they are not fly-by-night operators but some of the most respected names in corporate Australia.

Many allegations concerned financial planning firms owned outright by the Big Four.

The National Australia Bank took much of the heat with revelations it quietly sacked 37 rogue financial planners for giving bad advice. NAB paid back between $10 million and $15 million to aggrieved customers. Many more complaints are still under investigation.

Alarmingly, it was not one of the corporate regulators who revealed the scandal. It was the media.

And a worrying territory dispute emerged. APRA, the Australian Prudential Regulation Authority, told the Senate its role was to regulate banks while ASIC, the Australian Securities and Investments Commission, should be the watchdog for dodgy financial planners.

If the regulators are buck-passing, what hope do consumers have in finding a path through the complex financial maze?

Eyebrows were raised in the Senate when ASIC boss Greg Medcraft was unable to say whether 37 financial planners sacked by NAB for bad financial advice were still working in the industry.

Parliament was told some “notable examples” of terminated advisers included George Cassimatis, an agent at MLC, NAB’s wealth management business.

Cassimatis went on to run Storm Financial in Townsville, which collapsed spectacularly in 2009. Another financial planner, Craig Stubbs, went on to become chief executive of the now-collapsed Fincorp.

Peter Brandson from Bank Reform Now says there is a natural “incentive” for planners to work in their own interests “against the interests of their clients.”

The Senate inquiry, chaired by Sam Dastyari, got a telling submission from the Financial

Ombudsman Service. It admitted compensation awarded by FOS was not always paid.

“Existing compensation mechanisms have failed and individual consumers have suffered greatly due to the failure,” it said.

It said 25 financial service providers had been unwilling or unable to comply with 114 determinations in favour of consumers.

The value of the outstanding awards was $12.57 million.

However, ASIC stressed that most financial planners were honourable.

Peter Brandson from Bank Reform Now disagreed. Brandson spoke of the “criminal, unconscionable and predatory activities involving banks and financial planners.”

“Honest banking is just not that lucrative,” he said. “Bonuses and promotions are dependent on getting increased business for the bank.”

Brandson said there was a natural “incentive” for planners to work in their own interests “against the interests of their clients.”

“CEOs and directors have turned a blind eye to predatory practices including fraud and forgery because the bank’s profits and their own remuneration depend on it.”

Brandson said the regulators were “toothless tigers.”

“My blood boils when I speak to bank victims who have worked all their lives only to see the fruits of their labour stolen by predatory bankers and planners,” he said.

Brandson is right. There is $1.3 trillion sloshing around the mortgage market in this country. Australia is a paradise for spivs and scoundrels.

The real tragedy is that millions of retirees don’t even know they have been had.

Websites For More Information: Australia A Paradise For Spivs And Scoundrels When It Comes To Financial Advice
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