It should be about quality of advice, not quantity

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The Albanese government is at a crossroad to determine if quality advice will be given to all Australians. There are many who could justifiably argue that the government response to the Quality of Advice Review has focused on the overall availability of advice to a greater number of Australians – a "quantity of advice" – rather than focusing on the availability of "quality" advice.

The last 10 years have been difficult for the financial advice industry. In 2016, there were reportedly 26,500 financial advisers. Today there are around 16,000 advisers. The decrease in the number of advisers shows how hard those years have been.

And yet, the average wealth of Australians has increased dramatically during that period. Education and professional standards in the financial advice industry have been significantly enhanced to everyone's benefit – especially Australian consumers. Many advisers without the new mandated qualifications have left the industry.

There have been extensive changes to benefit consumers following the Hayne royal commission. Consumers can now expect that they will receive quality advice from advisers with solid qualifications who are required to comply with professional standards enshrined in a code of ethics. Compliance with this code of ethics is mandatory for advice to consumers.

However, that is likely to change with what the government apparently proposes.

The government proposes that superannuation funds will be able to provide financial advice. However, what appears proposed by the government is that the people providing the financial advice to consumers via the superannuation funds will not need to meet the same professional qualification requirements and not need to meet the professional standards in the code of ethics.

While the government proposes to maintain and even increase the best interests duty obligations of relevant providers (i.e. your classic financial adviser), it appears that the government sees no need for the new advisers in this new superannuation fund distribution channel to be required to meet even the current best interests duty. The government's position seems to be that a lower “good advice” duty will apply – with no real definition of what that “good advice” duty would mean.

Australian consumers’ holdings in their superannuation accounts are typically their largest financial assets outside the family home. Advice about superannuation isn’t simple. It’s some of the most complex financial advice required.

It is critical to the financial well-being of Australian consumers that high-quality advice is provided by well-qualified advisers. Those advisers’ conduct should be regulated by the mandatory code of ethics that applies to professional financial advisers. They should have to hold the same qualifications.

Our view is that these hard-won gains in professional standards and professional qualifications should be in place for all consumers in respect of all their financial product holdings. If the government does not require the same high standards for a person to give advice within a superannuation fund, those hard-won gains will be lost.

The people who will be disadvantaged will be the people who have been misled into believing that the high professional standards and ethical code apply to advice within superannuation funds.

An apparent justification being put forward by some supporters of the new proposed regulatory arrangements is that the overall advice process is too costly for consumers and there are not enough professionally qualified advisers. That criticism also has echoes in other professional categories and sectors.

In medicine, for example, there is criticism that the ability to seek treatment from a doctor is becoming too expensive and there are insufficient numbers of doctors. However, the government response has not been to reduce the qualifications and experience benchmarks for doctors to allow non-medical personnel with lower qualification levels or to dilute the professional standards and ethical requirements under which doctors operate and practice. Most people would regard that as an absurd proposition.

It seems that every government initiative since the introduction of the Financial Services Reform regime in 2001 has seen the need to, and sought to, improve adviser qualifications and standards with the ultimate view to protecting consumers. Seen through that lens, the current proposals seem a highly retrograde step.

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