

AIOFP refers Dixon CSLR concerns to corruption commission

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In a letter to Financial Services Minister Stephen Jones, seen by ifa, Association of Independently Owned Financial Professionals (AIOFP) executive director Peter Johnston said the AIOFP has referred its concerns around the role “Treasury bureaucrats” have played in the construction of the Compensation Scheme of Last Resort (CSLR) to the National Anti-Corruption Commission (NACC) for investigation.

“Further to our correspondence with your office on June 30th we have some additional information that raises further questions and confusion about the relationship between the CSLR, the Dixon Advisory failure and the Treasury Bureaucrats who we assume structured the legislation and its outcomes,” Johnston said in the letter.

“This issue has enraged and galvanised the advice community like no other in living memory, it will substantially increase the cost of advice for consumers when the government’s objective should be to lower costs.”

Among the association’s concerns, Johnston said, is why the Dixon Advisory collapse received “exclusive access to the CSLR compensation process”, arguing that there were 191 other potential failure participants since 2006 representing over 100,000 consumers.

He added that the AIOFP also raised its issues with Australian Financial Complaints Authority (AFCA) chief executive David Locke.

“Considering the legislation states that AFCA must approve ALL CSLR participants, and the legislation should only commence after Royal Assent has been granted (therefore we assume no retrospectivity is permitted), Mr Locke stated he has no knowledge of the circumstances and directs us to deal ‘with Government’, which is rather interesting to say the least,” Johnston said.

“We are not suggesting Mr Locke is involved with the controversy, but we find it very peculiar that AFCA knows nothing about this specific issue when they figure prominently in the Legislation with approving which incidents CSLR can compensate.”

ifa has reached out to David Locke for comment.

Johnston also outlined a series of questions for the minister, specifically looking for an explanation of this “anomaly”.

“Can you also please confirm that the Dixon failure is the only product/advice incident CSLR is allowing to be retrospectively treated? If true, can you please explain why Dixon has received this special CSLR treatment,” he wrote.

“Can you please provide some clarity around the decision-making process and which Bureaucrats were involved in the CSLR/Dixon decision? We will be seeking relevant information from FOI to assist our understanding of the issue.

“Until we get a response from your Office, we can only assume the circumstantial evidence is credible. Please note, we do not believe your Office is in any way complicit with this issue.”

The AIOFP’s preference for resolution, Johnston said, is that the “Dixon element is immediately eliminated”, however he has called on the minister to suspend the CSLR levy in the short term.

“To be fair to the advice community and particularly consumers (who will ultimately pay for the levy via higher advice costs), we are requesting ministerial intervention powers are exercised to suspend the CSLR adviser levy invoicing process by ASIC until at least the NACC has investigated the circumstances,” Johnston said.

“If the NACC findings confirm irregularities have taken place, we will be requesting the Dixon compensation Levy is immediately eliminated and the product manufacturer contributions remain within CSLR to compensate future eligible victims.”

In an earlier letter to Minister Jones, the AIOFP signalled it would look to take the matter to “other market options for assessment” if the response was not satisfactory.

“The AIOFP, its members and we believe the wider Advice community are greatly perturbed by the suspicious circumstances surrounding the DIXON/CSLR/CANBERRA BUREAUCRAT nexus and the preferential CSLR compensation treatment of Dixon victims when all other consumer victims of alternative product/advice failures are precluded,” Johnston said last month.

“We think there is a distinct ‘stench’ of either corruption, manipulation and/or profound conflicts of interest within the construction/operations of CSLR which was directed and managed by Treasury bureaucrats and/or their associates.”

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