AIOFP adds Treasury appointment of former Dixon executive to NACC complaint

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In a letter to Financial Services Minister Stephen Jones, seen by ifa, Association of Independently Owned Financial Professionals (AIOFP) Peter Johnston asked the minister to explain "why a senior manager of the failed Dixon Advisory Group, is now the director, financial adviser regulation unit – advice and investments division of Treasury".

"Considering this person directed the Dixon advice strategy, and Dixon management were found guilty by the Federal Court for breaches of the best interests duty and failure to disclose their conflicts of interest with selling their own funds to clients, we find this rather confusing," Johnston said.

"We are also wondering why ASIC, who successfully prosecuted the case, did not act against any Dixon management person."

In June, Senator Andrew Bragg explored the potential Treasury conflicts of interest in relation to Dixon Advisory in a Senate economics legislation committee hearing, querying how many current and former Treasury officials had money invested with Dixon, and whether any had requested meetings on the matter.

Treasury confirmed that three staff members had "declared a possible conflict of interest in relation to Dixon Advisory", while one former Treasury member "may have sought meetings".

Bragg subsequently asked whether "there has been any undue influence on the department by people who have lost money in the Dixon fiasco", which the Treasury officials denied.

Johnston had previously pointed to this issue in another letter to Minister Jones, calling out the role that "Treasury bureaucrats" have played in the construction of the Compensation Scheme of Last Resort (CSLR).

"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.

“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.”

The AIOFP noted that, among the reasons for this position, was that Dixon Advisory was based in Canberra until its failure in early 2022, with “several Canberra-based residents and federal government bureaucrats as private clients”.

In his latest letter, Johnston said the AIOFP was confused by the “notion of having a senior Dixon person inside Treasury when the CSLR decision was made to allow Dixon victims to be compensated including Treasury bureaucrats”.

“We have no choice but to pass this information onto the National Anti–Corruption Commission for consideration,” he said.

Last week, Johnston referred the AIOFP’s broader concerns around the role of Treasury in the construction of the CSLR to the NACC for investigation.

“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,” he said.

This week, the Financial Advice Association Australia (FAAA) also stepped up its calls for a public inquiry into the circumstances that led to the collapse of Dixon Advisory.

FAAA general manager policy, advocacy and standards, Phil Anderson, said that given the potential cost to the advice profession through the CSLR could reach $135 million, “our members are demanding to understand how this has got so out of control”.

“The answer is simple, it is all about the one entity – Dixon Advisory, which has generated a total of 2,773 complaints to AFCA, more than five times the annual number of complaints for the entire advice profession and multiple hundreds of millions of dollars in client losses,” Anderson said.

“How did things go so badly wrong? That is the question that we want to get to the bottom of. This is much more than just a few advisers providing poor advice. This is about an entire business that was focused on heavily selling in-house investment products, and one in particularly (URF), that turned out to be deeply flawed.”

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