

MEDIA RELEASE

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Older Australians welcome emphasis on stronger consumer rights and end to loopholes in financial services Royal Commission report

Australia's leading senior's advocacy organisation, COTA Australia, has welcomed many recommendations of the Hayne Royal Commission on misconduct in the banking, superannuation and financial services industry, but has called for stronger consumer voices to be supported into the future.

The Commission's recommendations are designed to strengthen consumer protection, remove anomalies and unwarranted exemptions from consumer laws, further remove conflicts of interest, and require the industry to put service to the consumer first and above any other interest.

COTA Australia CEO, Ian Yates said that the nearly 500 pages and 76 recommendations of the main report would require careful consideration to assess whether overall, and in certain areas, it goes far enough to prevent parts of the industry backsliding again in the future - but in the meantime, there should be bi-partisan political support for implementing the recommendations that protect and strengthen consumers rights.

Mr Yates welcomed the Commissioner pointing out the gaping "asymmetry of power" between financial services providers and retail consumers – ordinary people – is "very large" and the law must counterbalance this; and the Commissioner's emphasis on the obligation of governance entities and senior management to ensure an organisational culture and practices that encourage and reward honesty, diligence and commitment to the interest of customers – and for the law to punish bad practice.

Financial Advice

"We strongly welcome the recommendation to end remaining conflicted remuneration for financial advisors by abolishing grandparenting arrangements that protect commissions in place before the Future of Financial Advice legislation, but we note that asset-based commissions still remain and in COTA's view should be similarly outlawed," Mr Yates said.

"COTA also welcomes the recommendation that financial advisors must be compelled to disclose any interest that results in lack of independence, impartiality of freedom from bias; and stronger requirements for reporting and disciplining of advisor misconduct; and also the measure to require fees to be subject to annual renewal and consent to be explicitly obtained for payments from client accounts."

Intermediaries

"The recommendation to legislate that intermediaries, such as brokers, must act in the interests of the customer or purchaser, should be implemented forthwith, because that is what the ordinary person thinks the intermediary's role is, whether in purchasing a house or buying insurance or other products."

"We similarly support the proposed removal in steps of lender-based fees for mortgage brokers; the removal of the exemption of 'point-of-sale' retail dealers from the National Consumer Credit Protection Act (which had perversely exempted retailers who sold virtually worthless policies) and the proposal to make the "hawking" of all financial products illegal," Mr Yates added.

COTA Australia is the peak policy development, advocacy and representation organisation for older Australians, representing COTAs in every State and Territory and through them over 500,000 older Australians.

Insurance

Mr Yates said COTA welcomed the proposed removal of the exemption of funeral insurance from the definition of financial products, which COTA had always opposed, with funeral insurance to be subject to ASIC's consumer protection powers, as in COTA's view it always should have been.

"COTA also welcomes the extension of unfair contract terms and other protections to insurance services."

Superannuation

Mr Yates said "COTA welcomes tighter rules to avoid conflicts of interest for Trustees but will seek clarification and review of recommendations in this area to assess whether they will be fully effective."

"We also support the recommendation that each person must only have one default super account, as also recommended by the Productivity Commission, and the extension of ASIC's powers to act over conduct that may harm members of super funds, but we would prefer to see the default account recommendation apply to existing fund members, to be implemented over say three years, rather than only applying to new members."

Compensation

"The recommendation, which Government has accepted, to set up a Last Resort Compensation Scheme to ensure no victims of financial service failures are left uncompensated, is welcome and overdue – something for which we and other consumer organisations have been arguing for a long time.

Final comments – need for Review

"There are many recommendations to welcome and on which Government and Opposition should work together to put through Parliament promptly, with our only question being whether some of the recommendations, which Government has largely adopted, go far enough."

"In that respect the recommended Reviews of the implementation of the Royal Commission recommendations over the next few years, and whether they have made a real difference, are very important, and both sides of politics need to commit to them happening, and ensure they are properly independent and consumer focused.

Mr Yates said that although the Commissioner had mentioned the need to support consumer voices in the financial system, the Report unfortunately makes no explicit recommendations about this – COTA and colleague consumer bodies will argue for a strengthening of government support for consumer support and advocacy.

"The industry's not going to become angels overnight and strong consumer voices are needed to draw issues and problems to the attention of the wider community."

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