

‘Suspicious circumstances’: AIOFP blasts CSLR in letter to minister

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The AIOFP has put the blame for the “grossly unfair” construction of the CSLR on “either corruption, manipulation and/or profound conflicts of interest”.

In a letter to Financial Services Minister Stephen Jones, seen by ifa, Association of Independently Owned Financial Professionals (AIOFP) executive director Peter Johnston has called 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”.

“We believe several of the bureaucrats/associates worked in the Department of Treasury and they all face heavy individual financial losses from the failure of the Dixon Group,” Johnston said.

This was a topic that Senator Andrew Bragg had explored in a Senate economics legislation committee hearing last month, 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.

The AIOFP also pointed to the Hayne recommendation from the royal commission that “retrospectively applied to include numerous other failed products/advice affecting over 100,000 consumer victims”.

“Both sides of politics argued against the retrospective aspect at different times from 2020, which we suspect was instigated by the institutional lobby not wanting to be held accountable for the management and performance of their failed funds [how unfair...],” Johnston said.

“No surprise, the retrospective notion was subsequently and comprehensively defeated.

“The advice community wants an explanation as to why ONLY the Dixon private clients get preferential treatment with CSLR and not the thousands of other consumers facing losses over the years with failed funds and the related advice outcomes – the very consumers Comm Hayne wanted compensated are being denied access.”

The association requested a response from Minister Jones within 30 days, while also seeking to distance Treasury from this process.

“We think it is grossly unfair to expect the advice community to fund the recovery of losses incurred by government bureaucrat personnel decision making when it appears they have engineered an advantage over other consumers to benefit themselves. Please also note there was bipartisan agreement that CSLR was not to be applied retrospectively,” Johnston said.

“We are also requesting that the persons or body responding to our request are not from the Department of Treasury or connected in any way to them for obvious reasons.”

He added that the AIOFP would look to take the matter to “other market options for assessment” if the response is not satisfactory.

“If there is criminal behaviour detected, we will assume the CSLR levy will be suspended and accordingly, we will be suggesting to our members to delay any levy payment until the matter is resolved,” Johnston said.

“Finally, it is about time that ADVICE and PRODUCT MANUFACTURING are legally/legislatively separated and these diametrically opposed functions are separately reflected in the CSLR funding decisions.

“Dixon is yet another example of a vertically integrated business model failing, they are profoundly conflicted and should be banned if the government is serious about eliminating industry conflicts of interest and protecting consumers.”

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