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# Timbercorp investment scheme victims call for strict financial adviser laws to stay

7.30 By Greg Hoy

Updated Wed 18 Jun 2014, 12:07pm AEST

Victims of the failed Timbercorp investment scheme are calling on the Federal Government not to change strict regulations governing financial advisers.

The Government has committed to winding back the Future of Financial Advice (FOFA) reforms, which will allow bank staff to be paid bonuses for selling financial products to customers.

Stephen Munchenberg of the Australian Banking Association says the proposed government changes "are broadly about making sure that staff in banks are able to provide general information about products - and they have an incentive to provide general information about products".

However Naomi Halpern, one of many who lost their life savings when Timbercorp failed, says the changes are due to pressure from the four major banks.



PHOTO: Victims say they were "seduced" into buying products. (AAP: Alan Porritt)

MAP: Australia

Do you think strict regulations covering financial advisers should be changed? Here are your opinions.

"The Government is now trying to dilute the FOFA reforms, and this is under pressure from the four major banks and of course they want them diluted so financial advisers will push their products," Ms Halpern said.

The tough laws banning all conflicted payments were introduced by the Rudd government following a series of investment disasters, including the collapse of Storm Financial and Great Southern.

The Government's changes will moderate the requirement that an adviser must act in the best interest of their client, and review fees with the client every two years.

The Timbercorp scheme promised investors significant returns on timber plantations as well as tax deductions.

It also paid huge commissions to financial advisers like Melbourne's Peter Holt to rope in investors.

The more people invested, the more money the advisers made. So Peter Holt recommended clients borrow money against their houses and invest that too.

"Peter Holt and his associates operated as predators," Ms Halpern said.

"They groomed people, sometimes over many years, seducing them into buying products with assurances that what they were doing was safe."

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As well as losing the money they put up, investors caught up in Timbercorp's collapse are now facing the prospect of losing their homes.

The deadline has now arrived for Mr Holt's Timbercorp victims to either repay their loans to the ANZ Bank or face losing the houses they borrowed against.

Ian and Meredith Byrne are among them.

"The situation is critical," Ms Byrne said, struggling to stay calm.

"There's 300 of us who are going to lose our homes."

While the victims are pleading for mercy from the banks, Mr Holt is still able to operate his business via a partnership, despite being banned from financial planning for three years by the Australian Securities and Investment Commission (ASIC), and supposedly being bankrupt.

His comfortable lifestyle only rubs salt into the wounds of those former clients whose homes are about to be foreclosed.

"Don't let people like Peter Holt trade. Don't let people get sucked in. I just want to keep my house," Ms Byrne told 7.30.

## Sham bankruptcies 'a significant issue'

Slater & Gordon solicitor Mark Walter is preparing to launch a series of class actions against financial planners.

He says sham bankruptcies are a national phenomenon.

"There's a fairly significant amount of this activity around the country," he said.

"The planners are closing down and liquidating and re-emerging under a different name, and corraling the losses on bad advice they've given in old entities. It's a very significant issue."

Australia's big four banks control three quarters of all financial planning in the country and they are pushing hard to be allowed to pay financial advisers to spruik their investment products.

"Staff in branches are able to provide general information about products, and they have an incentive to provide general information about products," Mr Munchenberg said.

"There is always risk associated with investments, and where there are situations where customers have got into difficulty, we will often work through some sort of settlement with the customers."

But Peter Collins, a former New South Wales treasurer and now chairman of Industry Super Australia is urging caution on changing the rules.

"Strip away some of those protections put there after the collapse of Storm and others, it's almost the perfect storm," he told 7.30.

"I'm making a genuine pitch to the Government to think about this very carefully."

Topics: [business-economics-and-finance](#), [consumer-finance](#), [fraud-and-corporate-crime](#), [australia](#)

First posted Tue 17 Jun 2014, 9:50pm AEST

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theshube 11:22 AM on 18/06/2014

If the protection of the current law is removed and then if a person is defrauded because removal of the protection laws, can that person be able sue the government or the minister responsible for the removal of the current protection be sued by the person defrauded, if not why not anyone know

Report Abuse Score: 2

theretiredone 10:30 AM on 18/06/2014

There is one way to stop the crooks. Make them and all their workers banned from being in financial business for 10 years following a bankruptcy. As for changing the finance laws protecting consumers, make fees dependent upon profits only. Then any advisor is compelled to act for the customer. Profit derived from individuals should have a percentage cap limit, just as the government has done with pensioners to reduce their income. The major investors did not seem affected by Storm etc, so why was this?

Report Abuse Score: 1

satyagraha2 9:55 AM on 18/06/2014

The solution is simple.  
Don't use a financial advisor, then you won't be at risk.  
The banks will have less influence and profit and we can all save ourselves the angst of complaining about non-performing or special interest serving politicians

Report Abuse Score: 1

cuteyoungchic 9:41 AM on 18/06/2014

I predicted in the 80's, as soon as "commission" became the new trend, that the world would end up with millions of crooked people as a result - not to mention the extra cost to consumers. And surprise, surprise, look what's happening, every day, everywhere you look.

Report Abuse Score: 1

ken of the east 9:39 AM on 18/06/2014

Just another example of the government trashing anything Labor established out of some kind of blind payback with applying any real logic. Apart from pressure from the banks I can see no real reason why this protection for consumers should be reversed.

Report Abuse Score: 1

pierre2 9:28 AM on 18/06/2014

just in case we don't know who the big "Four" banks are, they are effectively owned by the one mob....

<http://wakeup-world.com/2013/08/05/australias-big-4-banks-are-all-owned-by-the-same-financial-interest/>

It's the property market in general that is the really big ponzi scheme in this country.

Masonic activity should also be looked into to ascertain collusive practices, just like Adam Smith warned against (they wont quote that one readily) in his Wealth of Nations (though he didnt specifically mention Freemasons).

Report Abuse Score: 0

wells almost dry 9:18 AM on 18/06/2014

Finance advisers should be legislated to provide indemnity against customer losses that way the badly performing advisers would be unable to find affordable insurance cover.

Report Abuse Score: 2

duddowells 8:52 AM on 18/06/2014

How can your adviser be on your side if the advisers pay depends on the product they are selling?

The government should be deaf to the Banks free advice regarding there regulation.

Report Abuse Score: 2

taxing john 8:46 AM on 18/06/2014

There should be one simple rule for financial planers. The onus should be on the individual planner that they are NOT lying; especially commonwealth bank ones.

Report Abuse Score: 1

awake2 8:45 AM on 18/06/2014

Banks, banks and more banks, more and more control. FOFA fancy even thinking about winding back this legislation so the banks can make more money out of their customers.

To predators in this finance industry greed is good and it doesn't matter who you rip off and long as the money keeps rolling in.

Can't this government stand up to anyone. Climate change is ignored due to the mining industry, FOFA wind back is planned because of the finance industry. Is there anything Abbott can think up on his own? Is there anything he will not do in order to keep in with the masters?

Report Abuse Score: 1

qingming 8:42 AM on 18/06/2014

The bankers will win out because these people have money and money talks to the government. The old boy system is alive and well. The bankers and politicians and lawmakers all have shared backgrounds, went to the same private schools etc. They may not know each other personally but they scratch each others backs to keep the system alive and themselves at the top of the pile.

Yes, Joe Hockey, the class divide is right under your nose.

Report Abuse Score: 0

r u serious 8:36 AM on 18/06/2014

Who needs a manufacturing industry?

We can all be financial planners and make a squillion.

Report Abuse Score: 2

djrunner58 8:26 AM on 18/06/2014

I believe that the rules should remain as strict as they are now, or be changed to be even stricter. We need to protect the potential small-scale investors from profit-motivated financial planners and corporations, not transfer more money from the individual investors to the big 4 banks.

Report Abuse Score: 2

nigdzt 8:26 AM on 18/06/2014

The changes to financial planner regulations proposed by the government at the behest of the banks is simply wrong. It's what you would expect from a right wing government; they have to support the business because that is their main constituency. It's time this government looks to the interest of the people of this country who voted them in.

Report Abuse Score: 2

losimpson 8:03 AM on 18/06/2014

If the Government feels it can ignore the interests of the people it should at least listen to one of its own in Peter Collins. It is extraordinary that they should remove such basic protections from investors by allowing financial advisors to place their interests ahead of their clients and allow bankrupts to use loopholes to continue trading.

Once again, a D minus from the Government. How do they think they will get away with this once they have to face the electorate's judgment.

Report Abuse Score: 3

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