



Australian Citizens Party

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MEDIA RELEASE

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Call to all financial victims: join the fight to make the bankers and their protectors pay!

Australians must hold the government to its pledge to implement the Hayne recommendations in full, including compensation for financial victims.

The proof that financial misconduct and corruption in Australia is systemic, and not just at the margins, is the sheer number of victims and the amount of money they have collectively lost. In a shocking interview with the Citizens Party's *Citizens Insight* YouTube program, Peter Johnston, Executive Director of the Association of Independently Owned Financial Professionals (AIOFP), revealed that since 1 January 2008, [more than 200,000 Australians have lost more than \\$40 billion in dodgy managed investment schemes \(MIS\)](#). On top of that there are many thousands of victims from other types of financial misconduct. Yet despite Commissioner Kenneth Hayne recommending compensation for these victims in his final report of the banking royal commission—which the major parties both pledged to implement in full—the Morrison government is protecting the banks by callously denying compensation to almost all financial victims.

Click here to watch [Citizens Insight: Nobody is safe in the financial system unless the Government rights this wrong!](#)

In the interview, Peter Johnston exposes:

- The culpability of the government and the regulator ASIC (Australian Securities and Investments Commission) in these massive losses, through their adoption of *caveat emptor*—let the buyer beware—since the Wallis inquiry in 1998;
- ASIC has exposed Australians to being fleeced, because unbeknownst to the investing public ASIC no longer regulates financial products, it only registers them based on a checklist that is easily gamed by financial predators, which Johnston likens to not regulating the safety of medicines but expecting consumers to find out for themselves if they are poisonous or not;
- The banks and large financial institutions have donated \$44 million to the Liberal Party since 2004, buying them paid protection from Prime Minister Scott Morrison, Treasurer Josh Frydenberg, and Minister for Financial Services Senator Jane Hume, who are now denying these victims compensation against the explicit recommendation of Commissioner Hayne and against their own 2019 pledge to implement Hayne's recommendations in full.

The fight to achieve compensation for financial victims is crucial, as winning it will not only finally achieve justice for the victims, but it will be the catalyst to force the government to overhaul financial regulation in Australia, and especially ASIC. Without a complete reorientation of ASIC, from its current *caveat emptor* outlook of turning a blind eye to white collar crime, to an orientation of actively policing the system and enforcing the law, Australians can have no confidence going forward that they won't also fall victim to financial predators who have no fear of ASIC or the law.

Compensation Scheme of Last Resort

Commissioner Hayne recommended a compensation scheme of last resort (CSLR) for financial victims; in the government's 2019 response to the royal commission, Treasurer Josh Frydenberg announced he would expand the remit of the Australian Financial Complaints Authority (AFCA) to assess losses going back to 1 January 2008. However, when the government unveiled its CSLR earlier this year, it excluded entire categories of financial victims, including of managed investment schemes, and it capped compensation at \$150,000—a fraction of what most victims have lost. Consumer advocates CHOICE criticised the government's CSLR, saying victims should be compensated in full, but that if the CSLR had to be capped, it should be no lower than AFCA's cap on compensation, which is for \$542,500 for individuals. "When the Government released its response to the banking royal commission, it gave victims of financial scandals hope that they would finally be compensated", [CHOICE CEO Alan Kirkland said in August](#). "For many victims, those hopes have now been dashed."

An example of a managed investment scheme excluded under the current CSLR structure is Sterling First, the rent-for-life scheme that collapsed in 2019, [ruining 140 elderly pensioners and retirees](#) who thought they were merely pre-paying rent for the rest of their lives and had no idea they had been drawn into a complex MIS. [As a current Senate inquiry has exposed](#), ASIC received repeated complaints about Sterling First at the very beginning of the scheme in 2015, and had received multiple

complaints against Sterling's responsible entity Theta since as early as 2012; yet despite knowing that Sterling was targeting frail, vulnerable elderly people, and that its product was dodgy and the way it promoted that product was misleading, ASIC did nothing to stop or even police the scheme. If ASIC had acted in 2015, a few victims would have lost a few hundred thousand dollars; by the time Sterling collapsed in 2019, 140+ victims lost \$18 million, and now these frail, elderly people—17 of whom have since died, and many of whom are battling cancer and other terminal and chronic illnesses—all face eviction on to the streets. The ongoing Senate inquiry is scrutinising ASIC's culpability in the losses.

The 140 elderly pensioners and retirees who lost everything when Sterling First collapsed in 2019 are the tip of an enormous iceberg of financial victims in Australia, but their case is a shocking example of ASIC's, and therefore the government's, complicity in the wave of white collar crime that has overtaken Australia since the late 1990s, resulting in hundreds of thousands of victims.

The Senate has now referred the CSLR to an inquiry which reports 15 February 2022, two weeks after the Sterling inquiry. This is an important opportunity to demand compensation/justice for all victims, and far-reaching reform of ASIC so it serves the interests of consumers, not banks and financial predators. If you are one of the 200,000+ MIS victims (a partial list of the failed schemes is displayed in the *Citizens Insight* interview), get involved in the fight!

Click here to watch [Citizens Insight: Nobody is safe in the financial system unless the Government rights this wrong!](#)

What you can do

- [Click here for the Senate inquiry website to make a submission](#);
- Contact the Citizens Party for updates on the campaign.