



3 February 2017

EDR Review Secretariat
Financial System Division
Markets Group
The Treasury
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PARKES ACT 2600

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Dear Sir/ Madam

Subject: Interim report – Review of the financial system external dispute resolution and complaints framework

CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. Against this background and in the public interest, we provide this submission in response to the Review of the financial system external dispute resolution and complaints framework.

CPA Australia broadly supports the key draft recommendations made in the above interim report. We believe it would be beneficial for there to be a single industry ombudsman scheme to deal with financial, credit and investment disputes. In particular, a single scheme would improve efficiency through greater economies of scale, reduce costs through the removal of duplicate schemes and, importantly, reduce complexity and confusion for consumers.

We also agree with the observation that the current monetary limits and compensation caps bear little relationship to the value of many products available today and need to be increased.

We agree with the recommendation for a new industry ombudsman scheme for superannuation disputes while retaining the strengths of the Superannuation Complaints Tribunal for the reasons given in the report.

However, we do not agree with the recommendation to ultimately integrate the superannuation disputes scheme with the broader financial, credit and investments disputes scheme. We believe the nature of superannuation fund disputes are fundamentally different due to the fiduciary responsibility superannuation trustees have to their members.

Our preference is that the broader scheme for financial, credit and investments disputes should cover disputes with product manufacturers and financial advice providers while the scheme for superannuation disputes covers disputes regarding superannuation fund trustee decisions.

We also do not agree with the review panel observation that there is merit in introducing an industry-funded compensation scheme of last resort. We believe such a scheme is fraught with complexities and uncertainties which may introduce an unacceptable element of moral hazard to the system.

A last resort scheme would have the effect of burdening more responsible licensees with the cost of bailing out the obligations of failed licensees without necessarily improving the standards of industry behaviour, nor motivating a greater acceptance by industry participants of responsibility for consequences of their own conduct.

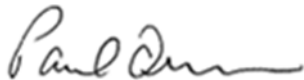
Instead we submit it would be more appropriate to strengthen current compensation arrangements through measures such as ensuring industry participants having adequate professional indemnity insurance and appropriate capital resources in order to provide compensation to consumers.

We refer the panel to the 2012 report *Compensation arrangements for consumers of financial services*¹ which made a number of recommendations to Government, including that 'it would be inappropriate and possibly counter-productive to introduce a last resort compensation scheme at this stage', which are yet to be enacted.

We are happy to explore other questions raised in the consultation paper in future consultations.

If you have any questions regarding this submission, please do not hesitate to contact Gavan Ord, Manager – Business and Investment Policy of CPA Australia on (03) 9606 9695 or gavan.ord@cpaaustralia.com.au.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Drum', with a stylized flourish at the end.

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¹ https://futureofadvice.treasury.gov.au/content/consultation/compensation_arrangements_report/downloads/Final_Report_CACFS.pdf