Australian Government
The Treasury

TSY/AU

# Quality of Advice Review

## Template for response

August 2022

# Consultation process

## Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in Appendix 1. Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

## Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our submission guidelines for further information.

### Closing date for submissions: 23 September 2022

| | |
|---|---|
| **Email** | AdviceReview@TREASURY.GOV.AU |
| **Mail** | Secretariat, Quality of Advice Review<br>Financial System Division<br>The Treasury<br>Langton Crescent<br>PARKES ACT 2600 |
| **Enquiries** | Enquiries can be initially directed to AdviceReview@TREASURY.GOV.AU |

# Appendix 1: Consultation template

**Name/Organisation:**

| Questions |
| --- |
| **Intended outcomes** |
| **1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?** |
| **Definitely do not agree. As a relevant provider who has done all the education and met all exam requirements imposed, why would I agree that pretty much anyone can now offer personal advice. It is ridiculous and flys in the face of those thousands of advisers who have bent over backwards to get rid of unqualified individuals from our ranks. It smacks of interests of big banks, industry super funds and digital robo advice providers being priorities over clients.** |
| **What should be regulated?** |
| **2. In your view, are the proposed changes to the definition of 'personal advice' likely to:**<br>**a) reduce regulatory uncertainty?**<br>**b) facilitate the provision of more personal advice to consumers?**<br>**c) improve the ability of financial institutions to help their clients?** |
| **a)** Yes, carte blanche for the lowly qualified we have tried so hard to expunge from our midst.<br>**b)** Yes, there will be more personal advice and most of it wont be good advice |

**c)** It will help the ability of financial institutions to create an environment to enrich themselves and their union mates while making sure the screws are kept on real advisers.

**3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?**

**a) If not, what additional safeguards do you think would be required?**

All general advice should be audio recorded. That is the only way to ensure that individuals don't stray off into personal advice.

## How should personal advice be regulated?

**4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:**

**a) the quality of financial advice provided to consumers?**

**b) the time and cost required to produce advice?**

a) A broad view format should be required to ensure the quality of advice:

1. Reasons for seeking advice

2. Financial objectives of client and other as discovered by adviser
3. What the advice is without the requirement for listing numerous alternatives and why they were not recommended. This is usually discussed with the client during presentation;
4. Any products and what they cost;
5. Better position likely outcome by graphical representation, text or both; and
6. Fees for advice upfront, implementation and ongoing.

B) less prescriptive format will reduce cost to produce right up until all the non-client facing experts start second guessing the advice provided in the vacuum that these individuals existing.

**5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:**

**a) provide limited advice to consumers?**

**b) provide advice to consumers using technological solutions (e.g. digital advice)?**

The removal of best interest does achieve this but good advice is a principles based concept fought long and hard for by qualified advisers, NOT the hone jockeys of super funds with minimal qualifications. If someone is to operate on principles based legislation rather than the existing prescriptive best interest obligations then they should do the same education and have the same professional standards imposed on them. To do so only makes for less accountable advice. YOU ARE GOING DOWN THE SAME OLD WRONG PATH.

Consumers are going to seek digital advice at their peril. It will be easier to imperil these consumers with this proposed framework. Again, uneven playing field being created.

**6. What else (if anything) is required to better facilitate the provision of:**

**a) limited advice?**

**b) digital advice?**

The same professional requirements that are being imposed on real advisers. Everyone thinks they can offer advice and they do when there are insufficient hurdles for them to give this advice. Its not what the client asks, its what the adviser asks for them. The clients doesn't know what he doesn't know and neither do the 4 week course doers who will fill these rolls.

**7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:**

**a) the quality of financial advice?**

**b) the affordability and accessibility of financial advice?**

a) It will reduce the quality of financial advice because you will likely find that the remaining advisers will be so appalled by some of these proposals that they will sell up and leave just like the rest did. Having read these proposals in full, I for one am now actively seeking a purchaser for my business.
b) It will be cheap, easy to get, be of poor quality and result in more people receiving advice that keeps them applying for the age pension.

**8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?**

**a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?**

No, they are not adequate. Standards are standards. Except when, having completely ruined the profession you do a complete about face and let pretty much anyone give advice so long as they have a super trustee, big bank or robot running the ruler over them. That was called vertical integration and the cause of a lot of grief at the Royal Commission.

## Superannuation funds and intra-fund advice

**9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):**

**a) make it easier for superannuation trustees to provide personal advice to their members?**

**b) make it easier for members to access the advice they need at the time they need it?**

a) Yes, but not quality advice
b) Not necessarily, not all clients know when they need quality advice until you bring them in for a review. Will Super funds now be required to conduct annual reviews for clients?

## Disclosure documents

**10. Do the streamlined disclosure requirements for ongoing fee arrangements:**

**a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?**

**b) negatively impact consumers, and if so, how and to what extent?**

Annual renewals continue to be an impediment and will so in the future. It is not just multiple products that need streamlined consent, it is multiple tax structures: ie SMSF trustees, family trust trustees, individuals and company directors.

An ongoing arrangement that can be turned off at any time by the client is all that was ever needed. If the client decided to get rid of the adviser they should simply be made aware of any increased costs of doing so and risks taken. Most advisers would do this as a matter of good practice and if they didn't they probably would be losing a lot of clients to the extent they are unable to operate. The fees are disclosed on every annual statement by the super fund and the client has already signed a contractual agreement for service with the adviser. Why would anyone want to make it harder than that? After all, politicians only have to get renewed by the public every three years or six if in the senate and public servants seem to never have to get approval from the tax payer.

**11. Will removing the requirement to give clients a statement of advice:**

**a) reduce the cost of providing advice, and if so, to what extent?**

**b) negatively impact consumers, and if so, to what extent?**

**a)** Yes, so long as any advice is properly documented and covers a basic format with room for professional judgement to be exercised in the best interest of the client, it most probably will.

**b)** Clients almost never read the full SoA anyway. They focus on what the advice is being recommended, how they are better off and what it costs so I do not see that they will be negatively impacted.

**12. In your view, will the proposed change for giving a financial services guide:**

**a) reduce regulatory burden for advisers and licensees, and if so, to what extent?**

**b) negatively impact consumers, and if so, to what extent?**

**a)** So long as it is available on the website or on request, this is a good initiative. Clients should be made aware of its existence and how to access it or be provided a hard or electronic copy on request.

## Design and distribution obligations

**13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:**

**a) the design and development of financial products?**

**b) target market determinations?**

These are sensible proposals and not contentious. I really do not understand why they were brought in at all. If an adviser is acting professionally, they are going to recommend a product that is likely to make the client better off. This is especially the case where there is no remuneration received directly from the product provider to the adviser.

Same for TMDs

## Transition and enforcement

**14. What transitional arrangements are necessary to implement these reforms?**

I would say two years. It gives me time to sell my practice if some of these more hideous proposals get up.

## General

**15. Do you have any other comments or feedback?**

It is truly staggering that after 21 years working in financial services as an adviser, doing all things required of me to mee the standards, we are now considering letting super funds, banks and robbo advisers start giving advice without the same professional requirements as existing properly qualified advisers. We will again see the greed of the institutions and industry super funds who at the drop of a hat will seek to offer their idea of advice to all and sundry to the exclusion of those professionals who have laboured now for years to get us to a proper standard.

For me, this will be the final straw and I suggest for many others it will be for them as well. So if the aim is to finish the utter destruction of the advise profession and replace it with the thoroughly unqualified and uninvested institutional employee, then do this.