



# Australian Citizens Party

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## MEDIA RELEASE

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### End fake regulation! Demand inquiry into Sterling First and ASIC

*Call Ministers Josh Frydenberg, Ben Morton and Andrew Hastie to save Sterling First's victims and hold the government and ASIC accountable for failing to regulate.*

The elderly victims of the Sterling First scandal are the canary in the mine of Australia's financial system. Two and a half years after the banking royal commission, their plight is a disturbing warning that the government and the regulator, the Australian Securities and Investments Commission (ASIC), have not cleaned up the system that made Australia what then-ASIC Chair Greg Medcraft in 2014 called a "paradise" for white-collar criminals. Now 140 retirees and elderly pensioners face imminent eviction from their homes because ASIC failed to protect them from, or even warn them of, serial Ponzi schemers with multitudes of victims from previous failures in their wake. Instead of compensating the victims and forcing ASIC to lift its game, the government is effectively throwing the pensioners out on the street.

*See instructions below on how to call and email your local MP and Senators, and the three Ministers closest to the scandal—Treasurer Josh Frydenberg, Assistant Minister to the PM Ben Morton, and Assistant Defence Minister Andrew Hastie—to demand they compensate the Sterling First victims and convene an inquiry into ASIC.*

A 14 July 2021 article by Melissa Harrison in the Citizens Party's weekly magazine the *Australian Alert Service*, "[Tenants and landlords of Sterling scandal speak out](#)", reports the cases of tenant victims Beryl and Ray, and landlord Matt, and how they were drawn into Sterling First's rent-for-life scheme. Crucially, after seeing an ad for Sterling First in 2016, Beryl did her due diligence, calling ASIC and searching its registers to find any red flags on the company; however, despite Sterling's directors Ray Jones and Simon Bell [having been involved in multiple financial scandals](#), and ASIC having received its first complaint about Sterling a year earlier in 2015, Beryl was advised ASIC had no concerns about the company. Beryl and Ray thought they were paying Sterling a lump sum to rent for the rest of their lives, but unbeknownst to them they were drawn into a complex managed investment scheme. Landlord Matt was drawn into Sterling as a property investment, signing a twenty-year rental agreement having been told that his tenant had paid a lump sum to Sterling as an investment, and that Sterling would pay the rent out of the investment returns. When Sterling collapsed in 2019, retirees Beryl and Ray lost their money and now face eviction. Matt, in his 30s and with a young family, stopped receiving rent and has no choice but to eventually evict his elderly tenants, who like Beryl and Ray are among 140 victims of the scandal, many of whom live around the city of Mandurah in Western Australia.

"You don't treat pensioners this way", says Banking and Finance Consumers Support Association founder Denise Brailey, who is advocating for Sterling First victims (as she has for thousands of financial fraud victims over the past three decades). So why are they treating pensioners this way? Well, when it comes to this government, there's only ever one answer: *to protect the banks!* To acknowledge ASIC's disastrous failings in the Sterling First scandal, or any other financial scandal, Prime Minister Scott Morrison and Treasurer Josh Frydenberg would be obliged to overhaul and strengthen ASIC so it can actually do its job and regulate properly. An effective ASIC wouldn't just go after Sterling First-type Ponzi schemers, however; it would also have to take on the banks! And for Morrison and Frydenberg, who voted 26 times against a banking royal commission, which Morrison dismissed as a "populist whinge", that cannot happen. The 140 elderly pensioners and retirees are a sacrifice they are prepared to make in order to keep ASIC weak and ineffective as a regulator, so the banks they serve can continue to profiteer from all sectors of society.

#### **Fake regulator**

In a 2019 paper, "[The Farce of Fake Regulation: Royal Commission Exposed Australia](#)", former ASIC official Dr Wilson Sy described Australia's deliberately weak and ineffective corporate regulator ASIC as the product of neoliberal politicians like Morrison and Frydenberg who don't believe in regulation, but in *caveat emptor*—Latin for "let the buyer beware", or, in other words, if you get ripped off it's your own fault. During the banking royal commission in 2018, former ASIC lawyer James Wheeldon blew the whistle on ASIC's "culture of acquiescence and subservience to the banks", revealing that he was explicitly instructed "to deliver for the banks ... and to produce outcomes that were satisfactory

to them”.

While Morrison and Frydenberg paid lip service to implementing the recommendations of the banking royal commission, two and a half years later it may as well not have happened: no banker has gone to jail; the government is trying to water down responsible lending laws against Commissioner Hayne’s explicit recommendations; they intend to strip individual penalties for bankers from their Financial Accountability Regime; and, again in defiance of Hayne’s explicit recommendations, this week ASIC and the Commonwealth prosecutor have even dropped plans to prosecute AMP for charging fees for no service (also called *stealing*). There were signs that former ASIC Chair James Shipton and his deputy Daniel Crennan QC were trying to lift ASIC’s game following the royal commission—Shipton publicly demanded the banks “obey the law”, and Crennan said ASIC “should be feared”—but the government used a contrived expenses scandal to force them out and replace Shipton with a new Chair from scandal-wracked Deutsche Bank, Joe Longo, whom the 3 June 2021 *Australian Financial Review* called “the ‘business-friendly’ regulator craved by Treasurer Josh Frydenberg.”

Enough is enough! The Sterling First victims are the latest glaring example that exposes the ongoing corruption and criminality of the financial system, despite the royal commission, and that we have a government that makes a mockery of regulation. Australians must not tolerate this state of affairs. Join the fight to demand compensation for the elderly victims (and adequate compensation for all financial victims), and, most importantly, a thorough Senate inquiry into ASIC and the ongoing pressures and structures that stop it from being a proper regulator.

### **What you can do**

Call and email your local federal MP and all the Senators from your state, and demand a Senate inquiry into ASIC and cases like Sterling First:

[Click here for contact details for MPs and Senators.](#)

Call and email the three ministers closest to the scandal and demand they compensate the Sterling First victims for ASIC’s failings, to stop them from being thrown out on the street:

Treasurer	Josh Frydenberg	03 9882 3677	<a href="mailto:Josh.Frydenberg.MP@aph.gov.au">Josh.Frydenberg.MP@aph.gov.au</a>
Member for Tangney	Ben Morton	08 9354 9633	<a href="mailto:Ben.Morton.MP@aph.gov.au">Ben.Morton.MP@aph.gov.au</a>
Member for Canning	Andrew Hastie	08 9534 8044	<a href="mailto:Andrew.Hastie.MP@aph.gov.au">Andrew.Hastie.MP@aph.gov.au</a>

Aside from proper regulation, Australia needs a public bank alternative to the Big Four private banks that can break their monopoly and political power by forcing them to compete. [Click here to sign the petition:](#)

[An Australia Post ‘people’s bank’—a win-win solution for the nation](#)