



# Australian Citizens Party

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## MEDIA RELEASE

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### **Frydenberg's wasted \$13 billion would compensate all financial victims**

Just 27 financial victims testified at the 2018 banking royal commission, out of more than 10,000 who made submissions. The vast majority of financial victims have had their lives ruined by predatory banks and financial criminals, but have never been compensated. Now the government—which shares complicity in their financial ruin by its policy of keeping the regulator deliberately weak and ineffective—has promised a Compensation Scheme of Last Resort (CSLR). However, true to form, Treasurer Frydenberg is proposing a CSLR with a narrow scope that excludes many victims, and with caps on compensation. Frydenberg and his pinstriped colleagues would justify their tight-fistedness by the need to be responsible with “taxpayers’ money”, yet this same Treasurer refuses to call back \$13 billion in JobKeeper payments he made to businesses that increased their profits during the pandemic lockdowns. \$13 billion would pretty much compensate all financial victims in Australia in full.

Scandalously, the financial victims excluded from the CSLR include the 140 elderly victims of the Sterling First rent-for-life scheme, many of whom are in Western Australia. This is especially shameful as, unlike other victims of financial misconduct, the elderly Sterling victims do not have the chance to start over. On Wednesday, 8 September, many Sterling victims and their supporters rallied at Western Australia’s State Parliament House to demand justice, compensation, and an inquiry into Sterling First and the failings of the Australian Securities and Investments Commission (ASIC), which has helped the perpetrators of the Sterling scandal more than the victims.

Denise Brailey, the tireless founder of the Banking and Finance Consumers Support Association (BFCSA), who is assisting the Sterling victims in their fight, addressed the protest with home truths about the government. She attacked Prime Minister Scott Morrison for his bank-serving doctrine of *caveat emptor*—Latin for “let the buyer beware”. Our PM is saying to victims, “this is your fault”, Mrs Brailey said.

She pointed out that between the federal and state governments there are two regulators, who meet for lunch: “And no-one can find any fraud?”

Sterling was a giant scam, she said. The elderly victims thought they were pre-paying rent on downsized homes for the rest of their lives, but didn’t know they were being sucked into a convoluted managed investment scheme. No Sterling victim received the product disclosure statement (PDS) —which ASIC helped Sterling prepare!—until after they signed up; the PDS was provided to them at the bottom of a thick folder of corporate paraphernalia.

We have strong Consumer Protection Laws to protect you, Mrs Brailey told the crowd, but we have bad policies to insist investigators do nothing. As a result, bad financial products are flooding the marketplace. It’s a licence to steal life savings from elderly people, she said: “This is far worse than a bag-snatch in a supermarket car park!”

She attacked ASIC for calling victims “investors” and for deeming Sterling First to be a managed investment scheme. While it can be construed as a managed investment scheme, that’s not what the victims paid into—they were told they were paying into a trust to pay their rent for 40 years to cover the rest of their lives. In total, Sterling First stole \$18 million, almost all of it after ASIC started receiving complaints but did nothing. By insisting on calling it a managed investment scheme, ASIC is locking these victims out of the CSLR, which doesn’t cover such schemes. “ASIC is delivering weasel words for ‘no compensation for you’”, Mrs Brailey said. “This is no way to treat the elderly! Sterling victims are determined to expose the truth.”

Consumer advocate Choice is leading a campaign to expand the CSLR to cover all financial schemes, which the Citizens Party strongly supports. Also, there are proposals in Parliament to expand the funding of CSLR, so it can provide more adequate compensation. However, Treasurer Josh Frydenberg is making a mockery of those moves by his refusal to call back the \$13 billion in unnecessary JobKeeper payments. Remember, JobKeeper was a payment to businesses, to allow them to keep employees on during lockdowns. If the scheme had been structured differently, and the payment had gone directly to the employees, does anybody seriously think Frydenberg wouldn’t have pursued recipients of unnecessary payments to the grave, as the government did with Robodebt, and does with welfare overpayments?

Frydenberg's hypocritical double-standard shows that the government's attitude towards financial victims is not based on any principle, or even a legalistic reluctance for the "taxpayer" to be liable for private financial disasters. The government simply doesn't care enough about the victims to accept the responsibility that providing compensation would bring, which is the political responsibility to overhaul the regulatory system. How could Frydenberg compensate Sterling victims for ASIC's negligence, without reforming ASIC to ensure it isn't negligent in the future? However, a strong, effective ASIC is precisely what Frydenberg and the banks don't want, so for that reason they are prepared to leave the Sterling and other victims to drown. The JobKeeper farce proves that funding for compensation is *not* the problem.

All Australians should find this unacceptable, and demand this not be swept under the carpet. Join the nationwide campaign to demand:

- A full CSLR that covers all financial victims;
- Frydenberg pay the \$18 million immediately to compensate the elderly victims of Sterling First, some of whom have already died in poverty waiting for justice;
- A Senate inquiry into Sterling First and ASIC, and other examples of ASIC's negligence which has caused untold misery across Australia;
- A post-royal commission overhaul of the financial system, which should include the implementation of the Citizens Party's policy for a public post office bank, which can break the power the Big Four banks have over the economy and the political system by breaking their monopoly.

[Click here to sign the petition:](#)

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