

Confronting the truth about financial criminality

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Lead Editorial

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Labor Senators Deb O’Neil and Louise Pratt and LNP Senator Paul Scarr (top row), and the witnesses in the Sterling First-ASIC inquiry.

17 Nov.—Yesterday brought a moment of truth to the Australian Senate, thanks to the campaign to expose the entrenched corruption that led to the Sterling First scandal. The elderly Sterling First victims, Denise Brailey of the Banking and Finance Consumers Support Association, and the Citizens Party have achieved a remarkable breakthrough in forcing Senators to confront the truth that Sterling and similar scandals can only happen with the passive complicity of the Australian Securities and Investments Commission (ASIC) and a regulatory system that is rigged in favour of banks and financial predators, and against everyday people. The proof that it is systemic, and Sterling is not a once-off, is that more than 200,000 Australians have lost more than \$40 billion in collapsed financial schemes since 2008, but the government has simply shrugged and said “*caveat emptor*”—let the buyer beware.

The most heartening revelation from the first day of Sterling hearings yesterday came from Queensland Liberal Senator Paul Scarr, whose participation in the hearing was excellent, adding serious depth to the proceedings. As a Queenslander, Senator Scarr has no connection to any of the victims, and therefore no particular reason to take a special interest in the case. However, he revealed that his attention was captured by the direct phone calls to his office from Sterling victims, which were made in the week of calls to Senators mobilised by the Citizens Party and Sterling activists in early September. Yet again, this shows that the method of citizens engaging directly with their elected representatives works! While the major political parties are captured entities, beholden to vested financial and corporate interests, there are individual politicians within those parties who can be recruited to act for the good in specific instances (eventually, this is how we will break the hold of the party system).

The way the hearings played out yesterday was beautiful, and ASIC has painted itself into a corner. ASIC chair Joe Longo and his entourage were the first witnesses, and will be the last witnesses on the last day of hearings on Thursday, so they will have the final say. Longo would have hoped that by bookending the proceedings this way, ASIC would shape the outcome; however, that tactic has already backfired, as everything Longo said to excuse ASIC’s appalling failure to do its job was glaringly contradicted by the witnesses who followed. The Senators were polite and respectful to

Longo in the first appearance, but now they have a keen sense that his answers were not genuine, but amounted to legalistic excuses for ASIC, and he can expect harsher treatment at his second appearance.

The most powerful testimony came from a former ASIC investigator, the victims, and Denise Brailey. The former ASIC investigator, Niall Coburn, destroyed Longo's legalistic excuse that in the Sterling case there were no breaches of laws for ASIC to enforce. Coburn revealed that he worked under Longo at ASIC when Longo last worked there in the early 2000s, and he was adamant that the existing laws empowered ASIC to take proactive action to intervene, especially knowing that Sterling was preying on vulnerable elderly people.

The victims' testimony was heart-wrenching and powerful. Laurie Thomas, who along with his wife Lou was evicted a few months ago, was damning of ASIC's submission, which he called "an abomination and insulting to the intelligence of the victims and their families". Beryl Taylor was emphatic that ASIC was completely wrong to call the victims investors; they were tenants.

Denise Brailey spoke with great authority, as she, not ASIC, is the person who has conducted the most comprehensive investigation of the case, having interviewed all of the victims, most of the landlords, and even promoters and directors. Denise has done ASIC's job, but for no personal gain, for which the Senators thanked her.

This hearing badly damaged ASIC; now we must use it to overhaul the entire system.

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