



Australian Citizens Party

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MEDIA RELEASE

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What do bankers get for \$22.6 million? Liberal and Labor protection from accountability

Albanese government minister Stephen Jones promised compensation for financial victims and civil penalties for bad banking—demand he deliver for the people, not the banks.

The Labor Party talked the talk against the banks in Opposition: supporting the banking royal commission; promising to implement the recommendations in full; and promising a compensation scheme for all financial victims.

Many of these promises were made by Financial Services Minister Stephen Jones.

In Government, however, they aren't walking the walk: Jones has reneged on his promise to include victims of managed investment schemes—95 per cent of all financial victims—in the Compensation Scheme of Last Resort (CSLR), which he made in person to a meeting of the elderly victims of Sterling First, who face eviction and homelessness.

The CSLR is to be industry-funded, i.e. by the big banks and insurance companies etc.; given that banking royal commissioner Justice Kenneth Hayne recommended a CSLR include MIS victims going back to 2008, which would cover 200,000 victims who collectively have lost *\$40 billion*, breaking this promise saves the big financial institutions tens of billions.

In an explosive submission to the October 2022 Senate inquiry on the CSLR, Peter Johnston, Executive Director of the Association of Independently Owned Financial Professionals (AIOFP), representing independent financial planners not employed by the big banks, wrote:

"The recent political backflips by both major parties over implementing CSLR in its original Hayne recommended form, raises serious concerns that anti-consumer vested interests are trying to change the operational format of CSLR to suit their own position, rather than that of the consumer."

Johnston specified: "The only stakeholder to benefit from these diluted/changed benchmarks would appear to be the Banks."

The AIOFP submission included research that revealed banks have donated \$13,125,791 to the Liberal/National Coalition, and \$9,499,008 to the Australian Labor Party, over the past 10 years.

Peter Johnston proposed two questions should be asked:

- "Do these political donations to the political parties have an influence on political outcomes, such as for instance in the proposed CSLR amendment outcomes?
- "Would there be a threat to continued political contributions, if the CSLR amendments were not delivered?"

"We will leave it to others to reflect and decide on the relevance of these proposed questions", he said.

No personal accountability

Most shocking to Australians would be learning how both bank-funded major parties are committed to protecting bankers from personal accountability for bad banking behaviour.

Remember how no bankers went to jail after causing the 2008 global financial crisis? They were "too big to jail"! That same corruption is rife in Australia too—and Labor is complicit.

At the end of this month the Albanese government intends to push through Parliament the Financial Accountability Regime Bill 2022 (FAR).

The most important aspect of this bill is that in January 2020 the Commonwealth Treasury recommended it should include civil penalties for financial executives who do not take reasonable steps to ensure their business doesn't rip off consumers.

Bank and other financial executives already incur criminal and civil penalties if they are caught

deliberately committing, or ordering their staff to commit wrongdoing.

If, however, the executives don't specifically order the wrongdoing, but look the other way while wrongdoing occurs on their watch, they don't incur any penalties.

For example, the bank executives exposed at the banking royal commission who looked the other way and ignored complaints while their banks charged fees for no service and to dead people, did not incur any penalties.

It was the notoriety of these examples from the banking royal commission that led Treasury to say the FAR should include civil penalties for accountable executives, namely hefty personal fines of either 5,000 penalty units (\$1.05 million) or three times the value of the benefit derived or detriment avoided, whichever is the greater.

Coming from Treasury, this recommendation was really something, as Treasury is notoriously close to the banks, with a revolving door of executives regularly moving between the Treasury and high-paying bank roles.

The fact that Treasury made the recommendation was an acknowledgement of the political reality in the wake of the royal commission that something had to change.

But then COVID-19 hit, and the bank lobbyists got to work using the COVID chaos to get Treasurer Josh Frydenberg to water down and even abandon many of the recommended reforms coming from the royal commission, including civil penalties for bankers and other financial executives.

Frydenberg and PM Scott Morrison obliged the banks and dropped civil penalties from the draft bill, but then lost the election before they could pass it.

It's now up to Labor to follow through on ensuring the royal commission leads to serious reform, but are they? The \$9.5 million answer is "no".

Albanese, Chalmers and Jones have picked up the baton from Morrison and Frydenberg to give the banks what they want, or in this case protect the bankers from what they don't want—personal accountability.

Jones is keeping civil penalties for executives out of the bill, but is shamelessly lying about it!

A dishonest puff piece in the 28 October *Guardian* by Paul Karp claimed: "The Labor government will push ahead with a new compensation scheme for victims of financial misconduct, refusing to water down civil penalties for the finance sector...."

"[Stephen] Jones said there would be 'no changes' to the financial accountability regime. 'We're not taking [civil penalties out]—it's locked and loaded legislation that is before the parliament.'"

Except that's a lie! The compensation scheme excludes 95 per cent of victims, and civil penalties for individual executives have been taken out; only civil penalties for organisations remain (meaning in practice that, as usual, the shareholders will pay fines but the executives responsible will avoid personal accountability).

This is unacceptable! The Australian people must demand Labor stand up to the banks and hold bankers accountable for their scams by including civil penalties in the FAR bill.

What you can do

Call or email Labor MPs and Senators to demand they follow Treasury's recommendations to include civil penalties in the Financial Accountability Regime Bill 2022. [Click here for contact details](#).