



Australian Citizens Party

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MEDIA RELEASE

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Treasury's one rule for thee and another for me?

The government's compensation scheme won't compensate elderly financial victims facing eviction and homelessness, but officials of the Treasury, which designed the scheme, are reportedly among one select group of financial victims who are getting compensated.

The organisation representing independent financial planners has sensationally referred government ministers and Treasury officials to the anti-corruption watchdog, over a Treasury-designed compensation scheme for financial victims that has selected one case that benefits Treasury officials but excludes hundreds of other cases involving hundreds of thousands of real victims.

The Association of Independently Owned Financial Professionals (AIOFP) has referred a group of government officials, including at least four Treasury staff, to the National Anti-Corruption Commission (NACC) for designing the Compensation Scheme of Last Resort (CSLR) to include victims of Dixon Advisory, which collapsed in 2021, but to exclude hundreds of thousands of financial victims of collapsed managed investment schemes (MIS) since 2008.

Dixon Advisory was the fourth largest superannuation advisor in Australia which went into administration in January 2022 with losses now estimated as high as \$458 million, following a \$7.2 million fine from corporate regulator ASIC in 2020 for not acting in the best interests of its clients, and a 2021 class-action lawsuit for investor losses.

Dixon was vertically integrated, meaning it designed its own investment products, which were managed investment schemes in which it advised its clients to invest; the dramatic collapse in value of Dixon's US Masters Residential Property Fund (URF) is responsible for the largest share of investor losses.

Dixon's collapse makes it one of more than 190 frozen or failed funds since 2006, on which well over 100,000 Australian investors lost more than \$43 billion.

The CSLR, originally recommended by the 2018 banking royal commission to cover losses for all such schemes going back to 2008, was legislated by Assistant Treasurer Stephen Jones in 2022-23 to exclude managed investment schemes, and not to be retrospective, only covering losses from 7 September 2022 forward.

So people in the financial advice sector are questioning why the CSLR is compensating for losses in managed investment schemes run by this one firm, why it is doing it retroactively, and why they are being levied to pay for it.

Corruption?

Jonathan Shapiro reported in the 2 June *Australian Financial Review*: "Some even believe the fact that Dixon Advisory's clientele were heavily weighted towards Canberra public servants may have been a factor." *AFR* called that suspicion "unproved".

But according to AIOFP Executive Director Peter Johnston—who referred the scandal to the NACC and whose members are in the financial advice sector which is being heavily levied by the CSLR to recoup the cost of the compensation—Dixon Advisory's clients include "several Canberra-based residents and Federal Government Bureaucrats", he wrote to Assistant Treasurer Stephen Jones in June, adding: "We believe several of the Bureaucrats/Associates worked in the Department of TREASURY and they all face heavy individual financial losses from the failure of the Dixon Group."

In a June hearing of the Senate Economics Committee, Treasury confirmed to Senator Andrew Bragg that three Treasury officials had "declared a possible conflict of interest in relation to Dixon Advisory", and one former Treasury official "may have sought meetings".

In his letter to Jones, Peter Johnston called out the "stench of corruption", and asked for an explanation as to "why a senior manager of the failed Dixon Advisory Group, is now the director, financial advisor regulation unit—advice and investments division of Treasury".

"Considering this person directed the Dixon advice strategy, and Dixon management were found guilty by the Federal Court for breaches of the best interests duty and failure to disclose their conflicts

of interest with selling their own funds to clients, we find this rather confusing”, Johnston said. “We are also wondering why ASIC, who successfully prosecuted the case, did not act against any Dixon management person.”

Jones betrays real victims

Of the hundreds of thousands of victims of financial schemes since 2008 who aren't being compensated, around 100 of them are elderly tenants of the Sterling First scheme, the majority of whom live in Western Australia.

The Sterling tenants were persuaded to sell their homes and downsize into homes for which they paid rent in advance for the rest of their lives; it's important to note that, from the standpoint of the tenants, Sterling was not a get-rich-quick scheme—Sterling tenants merely hoped to downsize.

Although both ASIC and WA's Consumer Affairs government agency approved Sterling First, unbeknownst to the Sterling tenants their money was put into a complex managed investment scheme.

Following a 2021-22 Senate inquiry into Sterling First and ASIC, which found that ASIC failed to act on the complaints it received about Sterling until many more victims had been sucked into the scheme, the Australian Citizens Party and inquiry participants including Senator Malcolm Roberts called for government compensation for the Sterling victims, to save them from eviction and homelessness.

Total compensation needed to save around 100 victims from eviction was \$18.5 million plus interest (compare that to Albanese paying \$2 million to compensate one person—Brittany Higgins—no questions asked).

In April 2022, just before the election, then-Shadow Assistant Treasurer Stephen Jones flew to WA to meet Sterling victims and promised them an Albanese government would include them in the CSLR.

Jones betrayed the Sterling victims within six months, legislating the CSLR to not include MIS victims and not be retrospective—except in the case of Dixon Advisory!

He did it to protect the banks, which would have been on the hook for billions in compensation for historic MIS losses; as Minister, Jones has developed a reputation for subservience to the major banks and Australian Banking Association boss Anna Bligh—*The Australian's* 31 July “Margin Call” column described Jones as “wrapped tightly around her finger”.

But if the AIOFP's complaint is true, it's less subservience than outright corruption, rigged to ensure only everyday people are hurt, not government insiders.

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