

Productivity Commission - Superannuation.

John Telford  
Secretary  
Victims of Financial Fraud (VOFF Inc)  
July 12<sup>th</sup> 2018

To the Productivity Commission (PC),

The submissions published on the PC's website as of July 2018:

Stage 1. Initial submissions (46) Post-draft submissions (70);

" 2. " " (52) " " (49); and

" 3. " " (100) " " (19).

are submitted from two main sources:

- Industry = regulators, banks, large funds, policy makers, lawyers, accountants, advisors etc.;
- Consumers = person(s) with superannuation. The following are approximate figures.

Consumers submitted a total of 369 pages - Industry submitted 4368 pages - about 10 times.

Some of the consumers who were affected by the Trio Capital fraud show no interest anymore in superannuation or to write a submission. Their disengagement with superannuation is not unique. The ANZ Bank discovered through its financial literacy surveys carried out over the last twenty years found that a large number of Australians are not interested in their financial affairs. While the surveys measured consumer skills, the surveys published from 2003 to 2008 (before the Trio fraud was discovered) also show that 'fraud' was not a question that was ever raised.<sup>1</sup>

After the Trio fraud (September 2009), consumers were informed that they are ultimately responsible for their loss to fraud. This means that mum and dad superannuation investors are expected to know more about 'fraud' in superannuation than ASIC, APRA, the Custodians, the Auditors and Financial Planners. Superannuation is designed to supplement retirement income but it's hardly user friendly or do ordinary people have the tools to uncover 'fraud'.

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<sup>1</sup> • May 2003 Survey Reports of Adult Financial Literacy in Australia prepared for ANZ Banking Group by Roy Morgan Research, 81 pages - "fraud" does not appear.  
• November 2005 ANZ Survey of Adult Financial Literacy in Australia, 356 pages - "fraud" is found on 3 pages as credit card fraud.  
• September 2005 ANZ Financial Literacy & Inclusion Global Benchmarking Report, 66 pages - "fraud" is not mentioned.  
• 2005 University of Wollongong Research Online Financial literacy in Australia, Andrew C. Worthington, 25 pages - "fraud" is not mentioned.  
• 2007 Financial literacy Australians understanding money by Commonwealth of Australia, 110 pages - "fraud" is not found.  
• October 2008 ANZ Survey of Adult Financial Literacy in Australia, 199 pages - "fraud" appears on 4 pages as credit card fraud.

The Trio fraud victims, although they followed strict rules and regulations to operate a superannuation fund, Mr Shorten claimed,

*"I believe in caveat emptor; Latin for "let the buyer beware" meaning you need to take responsibility for your own decisions, if you buy something without doing your homework, well, you're an adult, that's your responsibility".<sup>2</sup>*

Prior September 2009, consumers doing homework could not have found information about 'fraud' in superannuation or about systemic failure of the financial system. Nothing existed, not even in publications such as:

- *'Thinking about self-managed super fund'* pub. March 2009 (16 pages);
- *'Running a self-managed super fund'* pub. June 2010 (36 pages);
- *'Setting up a self-managed super fund'* pub. March 2009 (28 pages);
- *'How your self-managed super fund is regulated'* pub. August 2008 (16 pages); and
- *'Winding up a self-managed super fund'* pub. 2009 (8 pages).

The above 5 publications make no mention of 'fraud'. Also the following publication, published in November 2009, does not mention 'fraud',

- *'Investing between the flags'* (ASIC publication 23 pages).<sup>3</sup>

After the Trio fraud, Part 23 of the Superannuation Industry (Supervision) Act 1993 was displayed as if everybody understood the legislation. But this was not the case, the legislation only surfaced after the fraud event. With all the rules and regulations around superannuation, why Part 23 of the SIS Act legislation was not made available in guidance or information material remains an unanswered concern.

The Banking Royal Commission has shown a wide range of financial services misconduct, malfeasance and breach of corporation laws. There seems to be a wide range of methods used to steal another person's money and the Trio fraud is just another example. In the wake of the Banking Royal Commission, fortunately, victims are not being told, "buyer beware".

John Telford  
Secretary VOFF

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<sup>2</sup> The Assistant Treasurer Bill Shorten's article "Clean-up time for financial advisers" (Telegraph 6 May '11 p34)

<sup>3</sup> The first 5 publications are by The Australian Taxation Office, the last publication - published by ASIC.