

Funds urge law banning commissions

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Industry superannuation funds and commercial lawyers have called for legislation outlawing commissions on financial products despite a voluntary ban on the practice announced yesterday by the Investment and Financial Services Association.

Under IFSA's proposal, from July next year advice fees will no longer be built into financial products such as managed funds, enabling investors to stop paying them.

The move, designed to regain investor trust after the recent failure of several investment schemes and heavy falls in financial markets, was welcomed by consumer bodies and many experts in the field.

"The moves by both IFSA and the FPA [Financial Planning Association] to phase out traditional models show that the industry is responding to greater demands for transparency and efficiency and to better deal with conflicts of interest," Association of Superannuation Funds of Australia chief Pauline Vamos said.

The FPA said last month it would introduce a ban on commissions by 2012.

"IFSA's recognition that commissions corrupt the sale of superannuation products is a welcome step in the right direction and has the potential to deliver significant cost savings and an improved retirement outcome for many Australians," Australian

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Institute of Superannuation Trustees chief executive Fiona Reynolds said.

But some retirement industry executives argued more needed to be done to ensure advice and product fees remained separate.

"A meaningful and long-lasting benefit for super-fund members demanded strong legislative and regulatory back-up," chairman of Industry Funds Management Gary Weaven said. "In particular there must be a clear and unequivocal legal requirement for financial planners and accountants to act only in the best interests of their clients."

Commercial law firm Maurice Blackburn, which is acting for aggrieved investors in collapsed rural managed investment schemes such as Timbercorp and Great Southern, agreed that more concrete action was needed.

"The question that arises . . . is how can investors trust that this code will protect them, any more than previous codes? And will it over time be eroded, as economies rebound from the global financial crisis?"

"It is for this reason that the federal government must ensure, through legislative means, that the rights of investors will be protected beyond a code established by the industry," Maurice Blackburn senior associate Alina Humphreys said.

IFSA chief executive Richard Gilbert said that the separation of product from advice would "better attribute the value of advice".

The association has also called for uniform standards to compare different super funds, and regulation to enable "open, fair and transparent" competition in super.