Whistleblower Explains - Predatory Banking Must Be Reformed

Summary:
The banks are running an organised crime racket. Staff, financial planners, valuers, lawyers, liquidators, Courts are all involved in a well oiled machine which is designed to work against the client's interests simply to enrich each cog in the machine. This is crime on a grand scale. Reform is long overdue.

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Financial Planning More Like The Hunger Games

We need a royal commission and we need it now. It is long overdue. The banks have been playing "hunger games" with their financial planning customers for far too long.

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But this is just the tip of the iceberg: ASIC's failure has been so comprehensive that a royal commission needs to cover virtually all financial services regulated by them – and the white-collar crime they fail to prevent.

This call for a broad inquiry may seem strange coming from someone who has spent the past six years fighting the corrupt financial planning model of CBA and the other big players; the focus should be on financial planning, surely?

The focus, the initial focus, may be but what I have learned in my six-year journey is that the malfeasance in the big vertically integrated financial planning groups is merely part of a larger problem of systemic fleecing of consumers by con artists large and small.

The fact that these groups are "vertically integrated" in itself suggests they are part of a larger problem: 80 per cent of the financial advice industry is owned by the major players and used as sales channels to flog their high-fee in-house product.

The real money is actually made upstream in the annuity income from the financial products the punters are steered into. Therefore if you're going to look at the harvesting of consumers by bank financial planners you also need to look at the other steps in the food chain.

Predatory lending often runs in tandem with the kind of financial planning that has nothing to do with the client's best interests. In the Storm, Timbercorp and Great Southern debacles the complicity of the lenders was integral to the scheme.

When you have seen, as I have, loans given by bonus-incentivised bank lenders/mortgage brokers to facilitate product flogging by bonus-incentivised bank financial planners, you realise the problem is indivisible. When you see these loans cynically given to asset-rich but income-poor clients, so that their palpable inability to service the loans will inevitably mean that the bank will recoup its funds by selling their homes, you realise that the immorality has gotten totally out of hand.

When your request for original loan documents on behalf of a victim is snidely denied by the bank on the basis that they have been "lost", you realise that there is some fire in all the smoke about "mortgage fraud".

The product manufacturers too – the people who brought you Timbercorp, Great Southern, Astarra, Westpoint, Fincorp, Australian Capital Reserve, LM, LKM and all the rest – need to be looked at.

In many cases financial planners were not even involved in placing these investments, in many cases, accountants were – and anybody can call themselves an accountant. Both accountants and financial planners were paid by these product providers to sell their clients out. If they needed some window dressing to justify it, there was always a ratings agency ready to do a "Pontius Pilate" for a fee.

CBA is perhaps in a class of its own with its treatment of BankWest commercial loan customers. The simple metrics suggest to me that CBA ruthlessly sold up a huge swathe of customers because they could claim under a warranty from the vendor of BankWest. What is more general to all banks is the interaction with and behaviour of liquidators in this situation. This has been another sector that ASIC has notoriously failed to regulate effectively – witness Ian Lazar and others.

The problem in financial services is general, caused by ineffective regulation, greed and a general ethical and moral failure. The big players are the prime movers and they operate across the full spectrum. In a moment of clarity the chairman of ASIC recently admitted that "Australia is a paradise for white-collar crime" before "correcting" this statement after a word from the Finance Minister.

The bipartisan Senate inquiry glimpsed the truth last year, only to have their measured recommendation for a royal commission rejected out of hand. The latest NAB revelations follow those in relation to CBA, Macquarie and ANZ/Timbercorp. The Senate is stirring. No more "captain's calls". Time for the Caine Mutiny.

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The momentum for a royal commission into financial services is growing and will at some point become irresistible. There will only be one, so let its terms of reference be broad.

Websites For More Information: Financial Planning More Like The Hunger Games
http://www.smh.com.au/business/comment-and-analysis/financial-planning-more-like-the-hunger-games-20150224-13n0z1.html

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