Crooked Adviser Protected By NAB

Summary:
NAB planners involved in fraud, forgery and other unconscionable activities against clients. So far the bank has only compensated 62 victims - $1.3 million. If ASIC is serious NAB will be the first bank to be properly dealt with.

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NAB Financial Advice Inquiry Claims First Scalp

The banning of former star financial planner Alfie Chong for five years marks the first head to roll in an investigation into the multibillion-dollar wealth arm of National Australia Bank.

Corporate regulator ASIC launched an investigation into NAB in February this year after Fairfax Media

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published a series of articles based on explosive whistleblower testimony, victims of rogue NAB financial planners and leaked internal documents.

The articles revealed the bank had quietly shunted off dozens of financial planners due to serious misconduct.

A sensitive leaked document, a "risk review" written in August 2014, said NAB had terminated, suspended or "ensured resignations" of more than 30 NAB financial planners due to "conflicts of interest, inappropriate advice, inappropriate practices or serious or repeat compliance issues". Other "major incidents" had involved forgery of client signatures and file reconstructions.

What was even more disturbing was that in many cases, NAB hadn't reported the rogue advisers to the corporate regulator or filed breach reports.

It meant the dodgy planners could freely move to another financial institution without a black mark against their name, a veritable clean skin, ready to weave their shoddy advice on new victims.

It put the spotlight on the national financial planning register and resulted in NAB promising to inform ASIC from now on when any of its financial advisers leaves the business.

In the case of Chong, NAB moved him on from its subsidiary Meritum on June 9, 2014. A month earlier, NAB had written documents that said Chong had been involved in "systemic breaches" in his advice to customers on complex products.

The leaked documents said the bank was concerned at "what appeared to be 'copy and pasted' client signatures on the Authority to Act documentation". It said "the responsible manager is proposing to terminate the adviser".

Chong discreetly left NAB and turned up at NEO Financial Solutions, a Perth firm not aligned to one of the four big banks. It is understood that his new employer was never given the heads up about his misconduct when it contacted NAB for a reference.

Chong's case made an example out of the national register for financial planners, which was set up this year as the supposed panacea to fix the crisis of confidence that has gripped the financial planning industry.

Chong has been banned for five years but according to ASIC's national register for financial planners, Chong left NEO only a few days before the banning order came into effect.

His banning order isn't pretty. It relates to "inappropriate advice", failure to determine a client's relevant personal circumstances, "misleading or deceptive conduct in relation to a client signature that was copied and pasted on to an authority to proceed form" and providing personal advice without giving clients a statement of advice.

The fact that breach reports or reasons for employment termination aren't listed on the national register exposes a big flaw.

Jeff Morris, who blew the whistle on wide-scale misconduct inside the Commonwealth Bank's financial planning division and alerted the NAB board to misconduct by one of its star planners in 2010, is critical of the register – and the banning order.

Morris believes if the register is to be taken seriously, there needs to be more than the bare bones of information and it needs to go back further than a few years. "Being a financial adviser means holding a position of trust: I would have thought one "copy and paste" client signature on an authority to proceed would mean never practising again – not just being banned for five years," he says.

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Chong was one of several financial planners "moved on" by NAB.

The big question is what has happened to them. ASIC says its investigation into NAB is continuing and it cannot comment on it.

In one case a star NAB planner was "moved on" and the bank filed a breach report with ASIC in 2010. He hasn't been banned, yet NAB has shelled out millions of dollars in compensation to customers during the past few years for inappropriate advice.

Separate to the compensation NAB quietly paid out to customers in the past few years, it has paid out an additional $1.3 million in compensation to 62 customers post the scandal that broke in February. According to the company, half of these customers received $5000 or less.

The compensation scheme has been criticised for lacking transparency. However, the company has appointed Professor Dimity Kingsford Smith as a customer advocate. In a statement it says Kingsford Smith has started meeting customer advisers and "connecting with independent consumer organisations including consumer advocacy and financial counselling organisations". How that will go, time will tell.

For now, Chong is ASIC's first scalp relating to NAB. But the clock is ticking. ASIC has been working on this investigation for seven months. If it is serious about rebuilding its credibility and cleaning up the financial planning industry, it needs to take decisive action.

ASIC is looking at several advice-related matters across the four major banks, Macquarie and AMP; but more needs to be done than just banning a few planners.

Websites For More Information: NAB Financial Advice Inquiry Claims First Scalp
http://www.smh.com.au/business/banking-and-finance/nab-financial-advice-inquiry-claims-first-scalp-20150917-gjos1s.html

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