

Watchdog claims CBA scalp

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THE corporate regulator has claimed another scalp from its investigation into adviser behaviour in the Commonwealth Bank-owned business Commonwealth Financial Planning Ltd, raising the question of the bank's liability for more compensation payments to aggrieved customer

The Australian Securities and Investments Commission yesterday issued a statement that former CFPL adviser Simon Langton, of Minda Western Australia, had failed to meet obligations as a financial adviser, and said former clients who believed they might be entitled to claim compensation should contact CFPL. Mr Langton has entered into an enforceable undertaking with ASIC not to provide financial services for to undertake professional education, and if he returns to the financial industry, to be supervised for a year.

He is the second Commonwealth Financial Planning adviser to be named, following the banning for seven years of star adviser Don Nguyen who worked at the bank's Chatswood branch.

The bank agreed to a major compensation program for Mr Nguyen's clients, and also settled a multimillion-dollar class action brought by many of them retirees who had requested conservative investments, and instead ended up with high-risk portfolios.

CFPL itself entered into an enforceable undertaking with ASIC in October, as a result of regulatory and systems concerns identified in the Nguyen investigation.

It is required to review and remedy any deficiencies in its risk management framework, as well as consider and "remediate" the position of those who have been adversely affected.

ASIC said yesterday its "investigations into the conduct of several other CFPL advisers are ongoing".

While ASIC has defended its use of enforceable undertakings to bring about compliance, as an alternative to court action or administrative proceedings, the consumer group Choice has pointed out that these settlements mean important details such as the losses of those affected are out of the public eye.

When BusinessDay asked the bank yesterday whether it had paid any compensation to Mr Langton's clients, a spokeswoman said only: "compensation is confidential."

According to ASIC, Mr Langton, 36, primarily provided insurance and superannuation rollover advice until he was "terminated" from CFPL in 2010. ASIC began investigating his advice in April 2011.

It said that between April 7, 2008, and June 23, 2010, he failed to complete financial needs analysis documentation, allowed clients to sign financial needs analysis documentation, and failed to make reasonable inquiries about clients' personal circumstances before implementing advice. He also failed to either provide clients with statements of advice, or provide them within a reasonable time. He also failed to disclose fees in his statement of advice to one client.

In a statement, the bank said Commonwealth Financial Planning Ltd was committed to the program agreed with ASIC in October 2011. "We are committed to implementing changes that will benefit our clients and have already enhanced our focus on training and education as part of our voluntary program," it said.

"We take seriously the quality of advice provided by our financial advisers and will continue to work through any issues that are identified as possible. Compensation is determined on a case-by-case basis."