

# Media Release

Date: 11 February 2018

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## **RC's last resort compensation scheme a win for SMSFs**

The Royal Commission's recommendation to introduce a Last Resort Compensation Scheme for consumers who suffer a financial loss from advice failures, is being heralded as a win for SMSFs, according to Australia's largest administration firm for SMSFs, SuperConcepts.

The Government has agreed to this recommendation and has advised the scheme will be designed consistently with the recommendation of the Ramsay review.

"The intent is that the scheme will be established as part of the Australian Financial Complaints Authority (AFCA) and consistent with the design principals of the Ramsay review", said Peter Burgess, GM technical services, SuperConcepts.

"It will be available for disputes involving financial advice failures which result in unpaid External Dispute Resolution determinations, court judgements and tribunal awards."

While the AFCA generally has no jurisdiction over superannuation complaints brought before it by members of an SMSF it does have jurisdiction over financial advice provided to an SMSF member.

"Even though the AFCA can make a determination in favour of an SMSF member, under current arrangements, there is still no guarantee that the member will receive any compensation payment", said Mr Burgess.

"There have been cases in the past where members have missed out on compensation that has been awarded to them because the offending financial firm is insolvent or is simply unwilling to pay. And this is where a last resort compensation scheme can play a critical role by ensuring members receive at least partial compensation when all other compensation avenues have been exhausted."

It's particularly important for SMSF members who, unlike members of APRA regulated funds, are not eligible for government financial assistance in the event of fraud or theft.

"One of the disadvantages of an SMSF compared to an APRA regulated fund has always been the lower level of protection members have against unscrupulous operators. While we still need to see the details, we see this new last resort compensation scheme as levelling the playing field somewhat which is a good thing for the sector", Mr Burgess said.

"But we acknowledge a scheme like this needs to be funded which, in line with the Ramsay Review recommendations, is likely to come from a levy imposed on financial firms engaged in the types of financial services covered by the scheme. To this end, to reduce the cost of the scheme, we support measures which require advice firms to hold adequate PI insurance as this will ensure the scheme will truly be a 'last resort' for uncompensated losses.

"We also support a cap being applied to the level of compensation that the scheme can provide along the lines recommended by the Ramsay Review," said Mr Burgess.

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**About SuperConcepts**

SuperConcepts is a leading provider of self-managed superannuation fund (SMSF) administration, software and education services to SMSF trustees, accountants and financial advisers, servicing more than 11% of SMSF funds. SuperConcepts comprises a number of sub-brands including AMP SMSF, Ascend, Cavendish, MORE Super, Multiport, SMSF Managers, SuperConcepts, SuperIQ and superMate. Find out more at [www.superconcepts.com.au](http://www.superconcepts.com.au).