MEDIA RELEASE

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FSC STATEMENT ON TREASURY REVIEW OF THE CSLR

The Financial Services Council (FSC) welcomes the Government's announcement that the Treasury will undertake a review into the Compensation Scheme of Last Resort (CSLR).

CEO of the FSC Blake Briggs said: "The CSLR is unsustainable in its current form. The FSC welcomes the Government's recognition that the scheme should be reviewed and reformed before a final decision is made around levies to fund the projected compensation payments in FY26.

"It is in the interests of the Government, ASIC, and consumer groups, as well as the industry and its customers, for the CSLR to be sustainable over the long term. Clearly this is not currently the case."

The CSLR has disclosed that the total cost of the scheme is expected to blow out to $78 million in FY26. $70 million of the total is attributable to the financial advice sector, causing the scheme to breach the subsector cap of $20 million and working in direct opposition to bipartisan efforts to reduce the cost of providing financial advice to consumers.

A decision around how to fund the significant increase in CSLR payments cannot be implemented until after 1 July 2025 at the earliest, providing adequate time for a detailed review of the scheme and measures to be introduced to lower the overall cost to industry and consumers.

Commenting on the focus of the review, Mr Briggs added: "The review should consider whether the scheme should continue to compensate consumers who have enjoyed significant capital gains, or instead focus on the needs of consumers who have incurred a loss.

"It does not align with community expectations that 80 per cent of the compensation being paid by the scheme has been for foregone, hypothetical capital gains, not the actual losses a consumer has incurred.

"Treasury should also consider the significant bureaucratic cost imposed on the CSLR by the Australian Financial Complains Authority (AFCA), the Australian Securities and Investments Commission (ASIC) and the CSLR operator itself, who are together responsible for $17 million in anticipated expenditure, or over 20 per cent of the total expected levies.

"AFCA's complaints management and administrative processes now contribute over $20,000 in additional costs per unpaid determination.

"This is not the scheme industry supported when it was originally implemented. The CSLR should be efficient and true to label, to make it a genuine 'last resort' option for consumers who have lost money due to poor financial advice," Mr Briggs concluded.

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Media Contact: Kylie Adoranti - 0423 715 955 - kadoranti@fsc.org.au