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## MEDIA RELEASE

### Urgent reforms needed to ensure fairness in CSLR funding

The Institute of Financial Professionals Australia (IFPA) is calling on the government to urgently reform the Compensation Scheme of Last Resort (CSLR) to ensure fairness, sustainability, and alignment with its intended purpose.

IFPA's Head of Technical Services, Natasha Panagis, said the current funding model unfairly places the financial burden on financial advisers, despite misconduct often originating by others outside the advice sector, such as product providers.

"Without immediate changes, the escalating costs risk driving small financial advice firms out of business and reducing access to quality financial advice for consumers," Panagis said.

To address these concerns, IFPA recommend the following key reforms:

1. The government should fully fund the first 12 months of the CSLR as originally promised.
2. The scheme should not apply retrospectively, and all legacy complaints predating its implementation should be funded by the government.
3. Reinstate the financial advice sector cap to \$10 million to prevent disproportionate levies on advisers.
4. Limit compensation strictly to actual capital losses, ensuring the CSLR is a true last-resort mechanism.
5. Extend CSLR contributions to product issuers and manufacturers, particularly managed investment schemes (MIS).
6. Include the general and wholesale advice sectors in the CSLR to prevent financial advisers from shouldering claims beyond their responsibility.
7. Reform insolvency laws to improve recovery efforts and prevent corporations from using liquidation to evade compensation payments.
8. Strengthen ASIC's oversight of financial firms and require timely intervention to minimise consumer losses.

"The financial advice sector has been shrinking in recent years, and the rising costs associated with the CSLR may further accelerate this decline. This has far-reaching consequences: rising costs for consumers, pushing financial advice further out of reach for everyday Australians; an

increased financial burden on existing advisers, penalising those who have done nothing wrong for the failures of others; and a deterrent for new entrants to the profession, making financial advice a less attractive career path."

"We urge the government to act now to prevent further unintended consequences and ensure a fair and viable CSLR that protects consumers without jeopardising the financial advice profession," Panagis added.

The full submission is available on the IFPA [website](#).

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#### **About Institute of Financial Professionals Australia**

The Institute of Financial Professionals Australia (originally known as Taxpayers Australia, and more recently Tax & Super Australia) has been serving members for over 100 years and is a leading financial professionals association dedicated to fostering excellence and professional development in the tax, accounting, superannuation, financial planning, and advisor fields. With a membership and supporter base of over 22,000 practitioners and a strong commitment to advancing knowledge, promoting ethical practices, and providing valuable resources, the Institute of Financial Professionals Australia empowers professionals to excel in their careers and make a significant impact in the financial industry.

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