

DON'T LEAVE CONSUMERS STRANDED

# EDR inquiry just a smokescreen



Adrift: Dispute resolution schemes are a vital safety net. Picture: Getty Images

■ David Huggins  
Comment

The Coalition, should it be elected, plans to undertake an inquiry into external dispute resolution schemes, known as EDRs. To have an Australian Financial Services Licence, a financial planner must be a member of an EDR.

The best known scheme is the Financial Ombudsman Service, an independent dispute resolution service. A client who has lost money because of poor financial advice provided by a financial planner can have their claim dealt with by an EDR rather than having to go to court.

EDRs offer clients substantial advantages over going to court. They are free and most importantly the client does not have to pay the financial planner's costs if the client loses the case. The risk of having to pay costs is an important reason why people who otherwise have a good case against their financial planner decide to not pursue their claim in a court.

The schemes are designed to give clients who received poor financial advice a practical way to recover their loss.

For many clients and for many



Poor financial advice has a devastating effect upon people's lives.

reasons, particularly the costs associated with pursuing a claim and the difficulty associated with pursuing a claim against a well-resourced financial planning firm and its insurers, court proceedings are not a realistic option. For this reason, EDRs provide a means for many clients to recover their loss that would otherwise not be open to them.

The background to the proposed inquiry is that the Coalition has decided there is something wrong with the current system.

It would seem that the belief that there is something wrong derives from lobbying of Coalition politicians that has been undertaken by the financial planning industry. This lobbying has been about procedural issues

that underlie the way that EDRs are operated but this is a smokescreen.

The real intent behind this lobbying is to make it more difficult for clients to pursue claims against financial planners.

In thinking about losses from poor financial advice it is easy to think about those losses in terms of money.

Clients who make claims against their financial planner are portrayed by the financial planning industry as greedy opportunists who are exploiting the EDR system to recover money to which they are not entitled.

The truth is very different. These claims are actually about lost time and opportunity rather than money.

Poor financial advice has a devastating effect upon people's lives that I've seen time and time again. The back story to claims made to EDRs is a disturbing one of years of wasted work, life savings lost, lost houses, failed marriages and people being saddled with debts that will take them decades to repay.

■ David Huggins is a lawyer who specialises in resolving disputes about poor financial advice