

FINANCIAL OMBUDSMAN SERVICE

MEDIA RELEASE

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FINANCIAL OMBUDSMAN SERVICE WELCOMES STATUTORY COMPENSATION SCHEME ANNOUNCEMENT

The Financial Ombudsman Service (FOS) welcomes the Federal Government's announcement that Mr Richard St John will examine a statutory compensation scheme.

The Ombudsman for Investments, Life Insurance and Superannuation, Alison Maynard, said that recent corporate collapses have highlighted a significant gap in the consumer protection mechanisms afforded by Financial Services Regulation.

"The current requirement that Australian Financial Services licensees hold professional indemnity insurance does not provide consumers with an assurance that they will be duly compensated. A PI policy is not an adequate compensation mechanism," she said.

"The Government's decision to support the Ripoll Inquiry's recommendation that the Government investigate a last resort compensation fund is good news for consumers," she said.

"FOS has been actively researching and promoting a compensation scheme for two years now. We support an industry-based, industry-funded scheme that would offer 'last resort' compensation to retail clients of AFS licensees. It should not only be available to investors, it should be available to all Australians who purchase a financial product or service," she said.

"We have developed what we believe is a very good model of a compensation scheme based on our experience in resolving disputes and on the UK model of a compensation scheme," she said.

Ms Maynard said that the FOS looks forward to working closely with the review.

For more information on the Financial Ombudsman Service visit www.fos.org.au

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