Hi Senator Fierravanti-Wells,

I write to you as a small business owner (just me) and a resident of NSW. I understand your time is limited, but I wanted to make you aware of the unintended consequences of the Liberal Position on the Royal Commission recommendations.

I know you are short on time so here are my points in summary:

1. I support the royal commission and what it is trying to achieve;
2. I do not support the attack on small businesses (advisers or mortgage brokers) in lieu of real reform in banking (an 8% jump in share price the day after the release of the report is not good).
3. The banks will benefit from the attack on advisers and brokers. Clients will have no choice or know no better and go direct to the banks. Win for the banks. Loss for Advisers and clients.
4. As a new small business owner (since December 2017) I am already hurting.
5. To start my business I have annual fixed licensing and software costs of around $50,000 to open my doors.
6. Fixed costs like that mean I had to purchase a book of clients, of which the value is being eliminated effective immediately. I accept this needs to change, but this immediacy hurts A LOT.
7. I owe $600,000 for that client book I purchased just over 12 months ago.
8. I have a family, a home and a business that relies on consistency and some level of commonsense.
9. It is expensive to receive advice due to the compliance regulations that are from decades ago when the rules were different. This needs to change.

There are real small businesses that are going to be hurt by the Royal Commission Recommendations just being adopted without considerations to make an example of “The Banks”, who, ironically enjoyed a share price jump the day after the announcement as the findings actually attack advice and small business pushing more and more clients directly to the banks.

I am a financial adviser. I run my own small business. Just me for the moment but looking to employ directly as well as utilize outsourcing. I have been in the industry since 2004 and took the plunge to start my own business in December 2017. This is a big deal for me. I borrowed money against my house (to the 80% limit) as well as against the business “assets” (which are now worthless). $600,000 in total to start my business.

Why did I borrow money to start my business? Firstly there are significant fixed annual licensing and software costs that I must pay just to open my doors and call myself an adviser. I had budgeted on at least $50,000p.a. for this before I even draw a wage. Secondly I had clients I had been working with for some time. In the small business financial advice space there is/was a value applied to those clients and unfortunately I purchased my clients in a world where there was a value applied to them. I couldn’t just take clients, that wouldn’t be right or ethical. So now I am in debt for an asset that is about to be abolished and a whole bunch of unclear rules on how to deal with clients are created.

I now have a $1,150,000 business and home loan I am trying to service and pay down and make my own way in this business work

Then all of a sudden a Royal Commission into the banks starts which I think was important and brought attention to the actions of the banks in the greater community. However, the term too big to fail comes into play here and not enough was done to hold the banks accountable, instead the likes of advisers who have already had their worlds turned upside down with FOFA and commission grandfathering, commission limiting, the banning of volume bonuses etc have adapted (and so they should) but are being attacked once again as a human shield for the banks. And even though all this has changed already compliance documents provided to clients continue to grow.

I love to help my clients work through and understand their current position. Identify their real goals and potential, then put a plan in place to see them achieve that. That’s real financial advice. Continually attacking Financial Advisers is undermining both the community trust in advice as well as the businesses that provide these services.

I understand all the political grand standing around media headlines that state you’ll implement 100% of the recommendations, but please consider the consequences. These reforms don’t affect the banks. Not one bank will close its doors. Not one bank will make a loss. But I guarantee you there will be thousands of small advice and mortgage broking business closing or making loses if these reforms are implemented ASAP. Give it some time. Some realistic lead times. Time for small business to adapt.

I don’t disagree with the recommendations, I believe these need to change, but a 12 month implementation is harsh, very harsh. I don’t have the people power, infrastructure or resources to be able to adapt that quickly so please consider the individuals that are at risk here.

Kind regards,

Chris Blake

Father, Husband, Business Owner and Financial Adviser.