

29 January 2016

By email: letters@smh.com.au

Re: Check where your super is going

The Financial Services Council (FSC) writes to correct claims made by John Collett (27 January 2016; *Check where your super is going.*)

The claims that “inducements” are offered by retail superannuation funds to employers in order to win default superannuation business is not supported by evidence. The claims mislead public debate on an important issue of the consumer benefits that could flow from proposed competition reforms to the superannuation industry.

The journalist has confused legitimate benefits offered to consumers by calling them ‘inducements,’ which are in fact illegal.

The assertion that “... the banks were exposed for offering their business clients inducements to make the banks’ super funds the default fund for their employees” is wrong.

The journalist appears to rely on a report by a lobby group representing industry super funds, however nowhere in the cited report is the word “inducement” used.

The distinction between a legitimate consumer benefit, such as discounted fees on super products or free financial advice for employees, and an “inducement” is important, as “inducement” has a specific meaning that relates to actual illegal behaviour banned by section 68A of the *Superannuation Industry (Supervision) Act 1993* (Cth). Section 68A prohibits a related party, including a bank, from offering inducements to a person or an employer in return for choosing one super fund over another.

The article infers that super funds are breaking the law but does not offer any evidence.

If there are real examples of wrongdoing, they should be disclosed and the institution should be immediately referred to the regulator.

Yours sincerely

SALLY LOANE

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