



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

7 October 2022

Financial System Division
Treasury
Langton Crescent
Parkes ACT 2600

via email: CSLR@treasury.gov.au

Dear Sir/Madam

Financial Services Compensation Scheme of Last Resort

We continue to support the implementation of a financial services compensation scheme of last resort (CSLR). Small businesses and consumers alike deserve appropriate and timely compensation where they are entitled to it by AFCA determination. We note that many small and family business financial service providers will be contributing to the CSLR and as such, make the following comments.

- 1. We are concerned the CSLR will add unknown costs to both small business in the financial services sector and those small businesses which access those services.** The proposed levy will increase costs for small financial services and may result in these businesses passing on these costs to customers. Small businesses do not have the time or resources of their larger counterparts and, as such, are heavily reliant on the expertise of financial service providers. Additional pressures on the cost of these services may see some small businesses choose to go without valuable advice, impacting both the financial service providers and the small businesses who access their services.

Where a small business falls under multiple sub-sectors the draft regulations will require these businesses to fund the CSLR for all relevant sub-sectors, further exacerbating the cost pressures on the business and its customers.

- 2. The proposed regulations risk possible moral hazard being created where poor actors in the system are incentivised to wind up operations, exiting sub-sectors and leaving remaining operators to bear the cost of funding the CSLR.** The draft regulations apply a nil levy to entities that cease to be a member of sub-sectors at any point during the qualifying period. This detail risks leaving responsible actors in the affected sub-sectors with increased levy costs for the relevant period. Consideration should be given to ways to reduce this potential moral hazard within the CSLR.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Connor Downes on 02 5114 6135 or at connor.downes@asbfeo.gov.au.

Yours sincerely

The Hon. Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

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