

Senate circus snares FoFA

► Labor splits Palmer party ► Financial advice rules in disarray ► Cormann ambushed

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The federal government's changes to Labor's financial advice laws were demolished on Wednesday night following a Senate revolt which has fragmented the Palmer United Party and further complicated the Coalition's ability to pass legislation.

In a coup engineered by Labor senator Sam Dastyari and independent senator Nick Xenophon, the renegade Palmer United Party senator Jacqui Lambie and Australian Motoring Enthusiasts Party senator Ricky Muir broke ranks with Mr Palmer.

They joined Labor, the Greens and Senators Xenophon and John Madigan to disallow the Future of Financial Advice changes that PUP supported in July. The breakaway Senate majority has badged itself the Coalition of Common Sense and has not ruled out wielding its influence on other matters.

The ambush, which infuriated the financial services industry, throws into turmoil the already fragile Senate balance and weakens Mr Palmer's hand.

The government needs six cross-bench votes to pass a measure through the Senate when opposed by Labor and the Greens. Previously, Mr Palmer could deliver four votes – his three senators plus Senator Muir, with whom he had an alliance.

Now, with Senators Muir and Lambie breaking ranks, Mr Palmer can guarantee just two votes, making the government's task vastly more complicated when trying to build numbers.

Senator Lambie has been at daggers drawn with Mr Palmer for weeks and, as the coup unfolded, Mr Palmer suspended her from the parliamentary party and stripped her of party positions.

"We've also suspended her from attending any party room meetings until such time as she gives an undertaking not to attack individual party members and to attend party meetings and to abide by majority decision and normal party procedure," Mr Palmer said.

His relationship with Senator Muir also appears to have deteriorated.

Mr Palmer attacked both breakaway senators for their FoFA backflip, saying neither could be relied upon to honour their word.

"It doesn't matter what Jacqui and Ricky say in the future, no government will ever trust them again," he told *The Australian Financial Review*.

He branded Senator Lambie a liar who was secretly planning to set up her own party. Neither senator would take Mr Palmer's calls on Wednesday.

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In July, the government used regulation rather than legislation to water down the FoFA rules Labor had implemented in response to a series of financial advice scandals such as Timbercorp and Storm.

Regulations can be undone by the passage of a disallowance motion through either house of Parliament and Labor tried to pass a disallowance motion in the Senate.

But it was defeated after Mr Palmer, who had previously opposed the government's changes, did a deal and his three senators plus Senator Muir backed the government, thwarting Labor's motion.

Senator Lambie said on Wednesday that she was new to the Senate then and did not know what she was doing. She first expressed misgivings last month and was further swayed by the testimony of Timbercorp victims to a Senate hearing last week. She was finally convinced to change her vote on the weekend when Senator Dastyari visited her in Burnie, Tasmania. "I've found my way now," she said. "I have to go in there and make it right."

She told the Senate "I will not be told how to vote by anyone" and that her mission was to "protect the ordinary Australian investors against the powerful". Senator Muir also addressed the house in what was his first speech since talking his seat on July 1.

The disallowance of the changes is a setback for Finance Minister **Mathias Cormann**. As he tried to filibuster in the Senate on Wednesday to stall the vote, he blamed the "union-dominated" industry super funds and the PUP's internal dysfunction.

"Good public policy is now sadly getting caught up in political fighting inside the Palmer United Party," he said.

Senator Xenophon said the move was on behalf of the victims of financial advice scandals.

"Our common unequivocal objective is to have the government's financial advice regulations disallowed today in the Senate because they are unambiguously bad for consumers,

He implored the government to come to the table and negotiate a compromise between Labor's laws and the government's changes.

The Financial Services Council director of policy, **Andrew Bragg**, was scathing of the move.

"The changes will make advice more expensive and less and affordable," he said.

"FoFA in its original form was a lawyers picnic," he said of the best interest test which the government watered down.

Mr Bragg said the suddenness of the reversal would have an immediate market impact because of the effect on financial advisers.

David Whiteley, chief executive of Industry Super Australia, called on the government to sit down and negotiate a compromise between its changes and Labor's laws.

"Whether people go to an industry super fund or as bank, the advice must be unequivocally in their best interests and no kickbacks are paid to financial advisers," he said.

He said Senator Cormann was well-respected throughout the financial sector and all parties would be willing to negotiate with him.

The Coalition of Common Sense was also backed by Ian Yates, chief executive of the Councils on the Ageing who said senior Australians and people approaching retirement were especially vulnerable to dodgy advice.

Opposition leader **Bill Shorten** said the government had ignored serious community concerns in its original deal with Mr Palmer.

"It is simply unbelievable that the Abbott Government remains so determined to reduce these critical protections, especially after so many Australians have fallen victim to dodgy financial advice in scandals involving Storm Financial, TimberCorp, the Commonwealth Financial Planning, Trio and Westpoint," he said.

"I am extremely concerned that despite tens of thousands of investors losing their money, the Abbott government remains determined to weaken – rather than tighten – consumer protections."



Senators ganging up... from left, Democratic Labour Party's John Madigan, Peter Whish-Wilson of the Greens, Labor's Sam Dastyari, Motoring Enthusiast Party's Ricky Muir, Nick Xenophon and Palmer United Party's Jacqui Lambie. PHOTO: ANDREW MEARES