

STERLING FIRST LIFETIME LEASE SCHEME

Grievance

MRS R.M.J. CLARKE (Murray–Wellington) [9.29 am]: My grievance this morning is to the Minister for Commerce. I thank the minister for taking my grievance this morning. I am raising a matter of grave importance to many residents in my electorate of Murray–Wellington and the neighbouring electorates of Mandurah and Dawesville. These constituents, such as Mr and Mrs Fardoe, Mrs Taylor, Mr and Mrs Cade, Mr Race, Ms Dall and many more have lost their life savings to a scam investment scheme sold to them by Sterling First Group. I call on the minister to outline the actions the state government has taken on behalf of Western Australian victims of Sterling First and to please provide an update on the case so far.

I understand that the demise of Sterling First is primarily an investment-related issue and the responsibility for action lies with the commonwealth government. On 10 June 2019, Sterling First (Aust) Ltd, the flagship of a group of several property management and investment companies, went into liquidation. Perth-based Sterling First Group marketed its Sterling New Life retirement housing as the smart way to retirement. The Sterling New Life product involved people paying large, up-front sums, usually hundreds of thousands of dollars, to secure long-term leases on properties for up to 40 years. Elderly customers across the country signed up, paying in total more than \$18.5 million. But in June 2019, the Sterling First Group was put into liquidation, leaving more than 100 customers across the country facing possible eviction and heavy financial losses, including many people in Murray–Wellington, Dawesville and Mandurah. People have lost their life savings, some have become homeless and I know of at least one person who suicided.

The Sterling Group scam was particularly shocking. Sterling Group targeted older Australians. The victims are hardworking, honest Australians and Western Australians who were looking for financial security in their retirement. Many were defrauded of their entire life savings. Many feel shame, anger, injustice and humiliation. The state government and I share their anger and disappointment.

I want to share the stories of some of my constituents who are willing for them to be on the record. Mrs Taylor purchased in February 2017 and lost her life savings after selling her home. For two years and 26 days, she has had nothing but harassment from KPMG, the mortgagee of the real estate. Mrs Taylor is fighting cancer, and the stress and harassment from KPMG has not helped with the fight for her life. Mr and Mrs Fardoe put in \$151 000 expecting they would have a 40-year lease, but within three years they were told that not only was their money lost, but also they would be evicted. All their money has been lost.

The state and federal governments need to work together to ensure that our citizens and constituents are not the victims of scams. Although the state government does not have primary responsibility in this area, it is supporting victims where and when it can. My understanding is that as early as 12 April 2017, the Department of Mines, Industry Regulation and Safety's Consumer Protection division raised concerns regarding Sterling First with the commonwealth regulator, the Australian Securities and Investments Commission. Consumer Protection has provided ongoing advice and support to the affected parties and the Department of Communities has offered affected tenants housing priority or special rental assistance. Consumer Protection also led a liaison group of state and commonwealth agencies, tenancy advocacy and pro bono legal support to share information and coordinate activities to support the impacted parties as much as possible.

On 26 November 2019, on behalf of the McGowan government, Hon John Quigley, MLA, Attorney General; Minister for Commerce, sent a letter to the commonwealth government requesting information about the status of the activities of the Australian Securities and Investments Commission in this matter, together with any future actions that would be taken by that agency. Senator Louise Pratt grilled ASIC over its lack of oversight in federal Parliament on 19 March 2021 during a hearing of the Parliamentary Joint Committee on Corporations and Financial Services.

I call on the minister to inform the house and affected victims of Sterling First what action the state government has taken on their behalf and provide an update as to where we are now.

MS A. SANDERSON (Morley — Minister for Commerce) [9.34 am]: I thank the member for Murray–Wellington for her grievance and for raising this very important issue that affects not only her constituents but also those of the members for Dawesville and Mandurah. First of all, I extend my sincere sympathy to the victims of this unscrupulous scheme. This is a terrible circumstance for people to find themselves in at retirement, when they should be comfortable and enjoying the fruits of the years of their work. Some of their stories are quite harrowing. They have been the victims of very unscrupulous failure and the failure of the federal regulator to act in this space. Sterling First was a web of several property management groups and investment companies. Its business arrangements were very complex and opaque and, essentially, this helped it take advantage of older citizens and cheat them out of their life savings and retirement income. The scheme offered retirees the sublease of a property in return for their life savings. Sterling First told tenants that they could enter the scheme by paying their savings into an investment fund and that the returns from this fund would cover their ongoing rent. Tenants understood that they would not need to pay further rent, rates, home insurance and maintenance—really, it was a scheme too good to be true. The member for Murray–Wellington is correct in outlining to the chamber that in 2015, the WA government was ringing alarm bells about the scheme with the federal regulator.

The Consumer Protection division moved very quickly to ensure that at least the long-term leases proposed by Sterling First and its subsidiaries were compliant with the Western Australian Residential Tenancies Act 1987. In the meantime, the federal regulator did nothing. In April 2017, the Consumer Protection division again flagged concerns about Sterling First and some of the arrangements it had implemented with the Australian Securities and Investments Commission. Unfortunately, in 2019 Sterling First entered liquidation and only then did ASIC initiate legal action. I share the member's concerns about the inaction of the federal government on this issue. Investment issues are squarely a matter for the federal government. Obviously, we do not want to leave these Western Australian community members hanging, so the WA government has done everything it can to support these victims. Federal member Andrew Hastie has said some very nice words and offered his sympathies, but he has delivered nothing. They do not need a cup of tea and sympathy; they need action from the regulator. There are clear actions that the federal government could implement to support these people but it simply has not done that.

Mrs R.M.J. Clarke: They've done nothing.

Ms A. SANDERSON: Yes, it has done nothing.

From the state government's point of view, when Sterling First went into liquidation, the Consumer Protection division reached out to the 98 groups of tenants affected by the collapse and connected them with various agencies, including Circle Green Community Legal, which was formerly Tenancy WA. The WA government provided \$195 000 to Circle Green to provide ongoing specialist legal advice to assist 43 of those tenants. This has culminated in a number of law firms providing pro bono assistance through Law Access and spearheading legal defences in the Magistrates and Supreme Courts on behalf of a number of those tenants. We have also assisted victims by helping them find alternative housing. As the member for Murray–Wellington mentioned, the Department of Communities has an open invitation to those tenants to be on the priority housing list and assist them into alternative accommodation. In the meantime, a number of victims have lodged complaints with the federal government agency, the Australian Financial Complaints Authority, but have been left waiting for a response. AFCA has received nearly 150 complaints from investors and tenants about the collapse of Sterling First and it is sitting on those complaints until it receives clarification from the federal government about the compensation scheme of last resort. The compensation scheme of last resort was a recommendation of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which we all know the federal Liberal Party was dragged kicking and screaming to hold. It was not until its Nationals partners threatened to cross the floor and vote with the federal Labor Party to support the establishment of the royal commission to examine these unscrupulous players across the finance sector that the federal government agreed to hold the royal commission. It did not want to hold the inquiry and it has barely implemented any of the recommendations, including this recommendation that would help this group of people.

The former Minister for Commerce, the Attorney General, also wrote to the federal minister asking what action would be taken to address the collapse of Sterling First. He responded by saying that legislation for a compensation scheme would be ready by the middle of this year. We are in the middle of this year and approaching the federal parliamentary winter break and we have seen nothing—nothing has been either drafted or flagged.

The federal government urgently needs to establish a compensation scheme of last resort. That has been reinforced by a WA Supreme Court decision that was handed down on 1 June this year. In a private civil action brought by an investor through the Sterling First scheme against renters through the scheme, Hon Justice Smith held that although the investor could terminate the lease, they could not recover outstanding rent, which meant that the investor lost future expected rent and the renters lost their life savings. In handing down his decision, Justice Smith noted that all parties to the court proceedings were innocent victims who have all suffered a loss by the actions of third parties being held by Sterling First and its associates. These innocent victims deserve help and they need the federal government to quickly set up the compensation scheme of last resort.

The federal government is asleep at the wheel on this issue. I know some victims of Sterling First have received advice discouraging them to make complaints to AFCA. Let me assure all those victims that initiating a complaint with AFCA is the best way of ensuring that the federal government facilitates a compensation scheme of last resort and that all Sterling First victims will be eligible. I thank the member for her advocacy on this issue.