

## AFSA gets tough on untrustworthy advisors

The Australian Financial Security Authority (AFSA) has long made it known that it has no tolerance for “untrustworthy advisors”. This month AFSA flexed its muscles even more, launching a campaign to raise awareness of “dodgy insolvency advisors” who exploit people when they seek help to manage debt. It comes ahead of a predicted increase in personal insolvencies.

Of particular concern are vulnerable people experiencing financial stress because of the economic impact of COVID-19, who may be easy targets.

“People who find themselves dealing with large debts for the first time as a result of COVID-19 may be tempted to turn to advisors who say they have a quick fix and later find out what they’ve done is illegal,” say AFSA’s Deputy Chief Executive Gavin McCosker.

Mr McCosker says a few dodgy advisors have the potential to damage the industry and he has urged the public to know what to watch out for. “It’s not always easy to spot a dodgy advisor, but if someone offers a solution to your financial problem that sounds too good to be true, it probably is,” he says.

Tell-tale signs that an advisor could be dubious include:

- promising a payment to get you out of bankruptcy within a few months
- recommending you include false, exaggerated or fake debts in a bankruptcy application
- offering to organise your affairs so your property will be protected if you go bankrupt
- advising that bankruptcy or a debt agreement will not affect your credit rating.

“Insolvency practitioners say dodgy advisors are their number one concern. If an advisor persuades someone to hide or dispose of their assets before they enter into a debt agreement or bankruptcy everybody loses,” Mr McCosker adds.

“When we discover or are notified about a dodgy advisor, we investigate and take action. Each year we inspect hundreds of personal insolvency administrations and attend creditors’ meetings if dodgy activity is expected. We rely on the industry and members of the community to report any activity that has the potential to take unfair advantage of people who use the personal insolvency system.”



Jimmy Trpcevski, Managing Partner, WA Insolvency Solutions

AFSA has developed resources, including a [short video](#), to increase awareness of the risks of dealing with dodgy advisors. Anyone facing financial hardship should contact one of the registered insolvency practitioners listed on [afsa.gov.au/advice](https://afsa.gov.au/advice).

[Jimmy Trpcevski](#), WAIS Managing Partner, who is a Registered Liquidator and Bankruptcy Trustee, says it's crucial for individuals and business owners to deal with qualified, experienced, registered insolvency specialists.

"AFSA is clear about its objective to identify those people who provide false or misleading information about insolvency options and processes, taking advantage of people's vulnerability at a time where they need clarity and the correct advice," says Trpcevski. "Awareness is so important, particularly with an expected spike in bankruptcies once government support measures have ended.

"Across the Jirsch Sutherland / WA Insolvency Solutions team, we have seven Registered Bankruptcy Trustees, all of whom have vast experience working with individuals and businesses to provide the most suitable option to deal with their financial as quickly as possible."

### **Other tell-tale signs of an untrustworthy advisor:**

- An advisor giving a trustee their own contact address as the contact address for the bankrupt and creditors
- An advisor insisting all enquiries by AFSA or Trustees' staff be done through them instead of the bankrupt or creditors
- Mortgages being taken out on property just prior to a person becoming bankrupt
- False companies being used to claim manufactured debts
- A high number of 'friendly' creditors recorded as unsecured debts
- A lack of supporting documents of debts owed
- Late inclusion/submission of proofs of debt in compositions or personal insolvency arrangements
- Potential misuse of the Personal Property Securities Register (PPSR).