



Claim Compensation Scenarios

**COMPENSATION
SCHEME OF
LAST RESORT**



The Compensation Scheme of Last Resort (CSLR) is an important piece of the external dispute resolution framework in Australia. We can pay compensation to eligible people suffering from financial misconduct. Compensation payments of up to \$150,000 can be made.

We're an independent, not-for-profit organisation authorised by the Australian Government to perform our role. The CSLR payment scenarios outline our approach to administering the scheme and the approach we take in assessment of claims for compensation.

Who is eligible to make a claim?

Based on the assumptions and data CSLR has considered to date, we anticipate the upcoming levy will exceed the \$20M sub-sector cap for personal financial advice.

01

you have experienced financial misconduct on a product or service covered by CSLR.

02

you completed the AFCA complaint process and were awarded compensation.

03

the financial firm did not pay the compensation, and you have let AFCA know.

As CSLR is a genuine last resort compensation scheme, it is important these steps are followed. We note that CSLR is likely to take steps to verify the information you provide to us.

How the CSLR compensation scenarios can help you.

The CSLR compensation scenarios can assist consumers and financial firms better understand how we administer the scheme. The approach we take in relation to how we pay a claim is dependent on the terms of the relevant AFCA determination.

Each scenario contains the AFCA award scenario and the proposed approach by the CSLR.

We have included only the most common claimant scenarios. If you require additional guidance for your situation please contact us.

[Contact Us](#)



Claims compensation scenarios

Scenario 1

AFCA determination awards compensation is to be paid to an individual in their personal capacity, SMSF, and/or superannuation account.

Case study

Retiree Pam received personal financial advice from an advisor that did not align with her best interests. The advisor recommended investments that were not suitable for her risk profile and provided advice on a related investment that may have involved a conflict of interest.



The AFCA determination is:

To be awarded to Pam

\$200K

The CSLR can compensate her up to the CSLR Cap

\$150K

These are the compensation payment options available to Pam dependent on her AFCA determination:

Variation 1

AFCA determination awards compensation to her in a personal capacity.

CSLR makes the compensation payment directly to Pam's bank account.

Variation 2

AFCA determination awards compensation to a nominated superannuation account.

CSLR makes the compensation payment to Pam's nominated superannuation account. If Pam's superannuation is in pension phase the funds can be paid directly to Pam.

Variation 3

AFCA determination awards compensation to the SMSF (or other superannuation account).

CSLR makes the compensation payment into Pam's SMSF or superannuation account at her discretion.

Variation 4

AFCA determination awards compensation to the SMSF.

CSLR makes the compensation payment into Pam's SMSF.

Variation 5

AFCA determination awards compensation to the SMSF (or other superannuation account, and the SMSF is wound up).

CSLR makes the compensation payment to Pam's nominated superannuation account.

Scenario 2

AFCA determination awards that compensation should be paid into a SMSF but the SMSF has been wound up. The SMSF trustee was a corporate trustee and the corporate trustee is deregistered.

Case study

Li intended to rely on his SMSF income and trusted his advisor to act in his best interests. However, the advisor did not adequately assess Li's existing circumstances before recommending a high-risk investment strategy. Additionally, the advisor did not consider alternative investments that might have better aligned with Li's objectives.



The AFCA determination is:

To be awarded to Li's SMSF

\$180K

CSLR can compensate Li's SMSF to the CSLR cap

\$150K

Approach - These are the steps the CSLR will follow to compensate Li as stipulated by their AFCA determination.

Step 1

Confirm the SMSF has been wound up - documents that we may request include: certified copies of SMSF Trust Deed, final SMSF tax return and any other documents that may satisfy CSLR that the SMSF has been wound up.

Step 2

Confirm the corporate trustee has been deregistered.

Step 3

Where the corporate trustee has been deregistered all funds must be transferred to ASIC unclaimed monies.

Step 4

In the circumstances, CSLR will make a payment of \$150,000 to ASIC Unclaimed monies. When transferring the funds to ASIC, CSLR will provide all relevant documentation including confirming the beneficiaries of the SMSF.

Step 5

Once funds are transferred to ASIC the beneficiaries may request the funds those from ASIC.

Scenario 3

Variations on AFCA determinations that are made to two people.

Case study

Retirees Brioni and Scott received advice from a financial advisor regarding their SMSF that did not align with their risk profile and involved a potential conflict of interest. The investments recommended were too aggressive, and the financial firm appeared to prioritise its own interests over those of the couple. As a result, Brioni and Scott experienced a loss of \$200,000 and the stress of seeing their SMSF savings diminish. They separated before the AFCA determination was finalised.



Variation 1

AFCFA determination awards compensation to two people jointly in their personal capacity, but only one person has lodged the claim with the CSLR.

The AFCFA determination is:

To be awarded to Brioni and Scott jointly in their personal capacity

\$200K

The CSLR can compensate them collectively to

\$150K

Approach - These are the steps the CSLR will follow to pay their compensation as stipulated in their AFCFA determination:

Step 1

Subject to certain exceptional circumstances, CSLR requires both Brioni and Scott to jointly lodge a claim.

Step 2

We will request a joint account in both names as a preference for payment.

Step 3

If Brioni and Scott do not have a joint account, both parties to provide joint written confirmation of separate payment account/s

Step 4

Make a compensation payment of \$150,000 to the joint account, or \$75,000 each to separate accounts.

Variation 2

AFCA determination awards compensation separately for each person in their personal capacity.

The AFCA determination states that Brioni and Scott have each been awarded \$200,000. The CSLR can compensate them \$150,000 each. Only Scott has lodged the claim with the CSLR.

Approach - These are the steps the CSLR will follow to pay their compensation as stipulated in the AFCA determination:

Step 1

Their claims can advance independently of one another.

Step 2

Make a compensation payment of \$150,000 to Scott.

Step 3

Subject to Brioni lodging a claim, make compensation payment of \$150,000 to Brioni.

Variation 3

AFCA determination awards compensation jointly into two people's SMSF with individual trustees.

The AFCA determination states that Brioni and Scott's award of \$200k be jointly paid into their SMSF. The CSLR can compensate them \$150,000.

Approach - Noting that Brioni and Scott have separated:

If CSLR confirm that the parties remain amicable CSLR pays Brioni and Scott compensation of \$150,000 into their SMSF.

CSLR will engage with Brioni and Scott to find a workable solution to pay the compensation in a manner that is consistent with how AFCA has awarded compensation - for example, CSLR could pay Brioni and Scott compensation into their SMSF or their respective superannuation accounts, or, in the absence of each party having a superannuation account, their personal accounts.

CSLR will require both parties to provide written instructions confirming where payments are to be made.

Variation 4

AFCA determination awards compensation jointly to an SMSF but the SMSF is wound up and there are individual trustees.

The SMSF is wound up and had individual trustees.

Approach - These are the steps the CSLR will follow in order to pay their compensation as stipulated in their AFCA determination:

Step 1

Request certified copies of Brioni and Scott's SMSF Trust Deed and final SMSF tax return and confirm the SMSF has been wound up.

Step 2

Confirm Trust deed identifies Brioni and Scott as the joint beneficiaries.

Step 3

Pay \$75,000 compensation into Brioni's nominated superannuation account.

Step 4

Pay \$75,000 compensation into Scott's nominated superannuation account.

Scenario 4

AFCA determination awards states the beneficiaries should receive different amounts.

Case study

Lucinda and Finn had worked hard all their life and been contributing to their superannuation in order to live comfortably when they retired. But the financial firm provided advice that was not appropriate, recommending investments that did not reflect their risk profile and provided conflicted advice.



The AFCA determination is:

\$200K

be awarded to Lucinda and Finn as beneficiaries of their SMSF (their SMSF had an individual trustee and has been wound up)

\$30K

be awarded to Finn

\$150K

be awarded to Lucinda

Approach - These are the steps the CSLR will follow to pay their compensation as stipulated in their AFCA determination:

Step 1

Request certified copies of Lucinda and Finn's SMSF Trust Deed and final SMSF tax return and confirm the SMSF has been wound up.

Step 2

Confirm the Trust Deed identifies Lucinda and Finn as the joint beneficiaries of the SMSF.

Step 3

Lucinda and Finn's claims can be advanced independently of one another.

Step 4

Assuming a 50/50 split between beneficiaries as outlined in the trust deed the CSLR will pay \$130,000 compensation to Finn. \$100,000 as his share of the award to the SMSF beneficiaries and \$30,000 for the individual award.

Step 5

The CSLR pay \$150,000 compensation to Lucinda.

Scenario 5

AFCA determination awards that list multiple amounts to multiple accounts.

Case study

Matt and Eva invested \$300K with a company they were told invested in international bonds, under the recommendation of their financial advisor. They planned to use the return on investment towards their children's education. After the first year, they stopped receiving payments.



The AFCA determination is:

\$150K

be paid to Matt's
superannuation account

\$50K

paid into Eva's
superannuation account

\$200K

be paid jointly into their nominated
bank account

It was Matt who has lodged the claim with the CSLR.

Approach - These are the steps the CSLR will follow to pay their compensation as stipulated in their AFCA determination:

Step 1

Require Eva to join the claim in order for it to proceed.

Step 2

Confirm both are entitled to up to \$150,000 in compensation.

Step 3

Offer Matt a payment option: up to \$150,000 into his superannuation account with \$0 in his personal account, or \$100,000 in his personal account and \$50,000 in his superannuation.

Step 4

Matt may nominate any combination in between, as long as the total compensation does not exceed \$150,000.

Step 5

Offer Eva \$150,000 with \$50,000 into her superannuation account, and \$100,000 (half her jointly awarded amount) into her personal account.

Please note: The examples and scenarios presented above are provided for illustrative purposes only. Approaches may differ where facts and circumstances are different. As such, the examples should not be taken as a guarantee of any specific outcome.

Contact information

GPO Box 556 Melbourne VIC 3001

Free call 1800 372 757

info@cslr.org.au

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