

Banks holding back \$3b in compo: ASIC

Michael Roddan and Edmund Tadros

Boards and management at major banks and insurers have held back almost \$3 billion worth of compensation during the coronavirus pandemic over concerns that some customers could be overpaid, according to the corporate watchdog.

The Australian Securities and Investments Commission also complained that there had been limited interest from the financial institutions in its “accelerated remediation” program, which seeks to help banks quickly put wrongly charged money back in consumers’ pockets.

ASIC deputy chairwoman Karen Chester told a parliamentary hearing yesterday that the regulator remained “frustrated” with the pace of compensation schemes for victims of poor financial

advice and the fees-for-no-service scandals. The watchdog would soon consult on overhauling its guidance for remediation given its “disappointment” with the schemes.

To further highlight the issue, ASIC will attempt to force the financial institutions to reveal the share of refunds earmarked for the large-scale, and seemingly interminable, remediation programs run by consultants including the big four.

Labor MP Andrew Leigh noted reporting by *The Australian Financial Review*, based on documents released under freedom of information, that showed the major financial institutions had decided against the regulator’s preferred approach in which the banks would likely “potentially overpay” a minority of customers for dodgy financial advice sold to them between 2009

and 2015 in favour of expediting payments to consumers.

Ms Chester said that while \$830 million had been returned to customers, almost \$3 billion was still waiting to be returned to 2.2 million Australians. She, ASIC chairman James Shipton and other commissioners had “encouraged” boards to get payments flowing.

“We do think there are opportunities for the banks and other financial services firms to do better, a much better job of remediation,” Ms Chester said. “There is a substantive consultant spend occurring here with a number of the large remediation programs.”

Liberal MP Jason Falinski said the banking sector was “constantly pointing the finger at ASIC” in holding up payments. “They don’t like spending money on expensive consultants but they feel they have to because that’s

ASIC’s guidance or that’s what the negotiations with ASIC are requiring them to do,” he said.

Ms Chester said ASIC did not “sign off” on remediation schemes but that some banks sought an “informal blessing”, and boards had a choice between spending “18 months working with consultants to work out the exact dollar to pay” or the option of making a “beneficial” assumption on the rate of refund and taking “three months” to get money to consumers.

“It’s a commercial decision and there are legislative obligations, but it’s a commercial decision and not one for ASIC. We have a preference, but it’s still a decision for the board,” she said.

Ms Chester said ASIC had talks with the prudential regulator, the Australian Taxation Office and Treasury to “grease the wheels” of certain policy

impediments to quick payouts, such as tax issues and legal constraints, and had organised a program to help banks get the money flowing.

“We have sought to accelerate some remediation programs, some substantive ones, and there was some media coverage where some senior folk within the banking community had suggested there were billions of dollars ready to roll, [but] we have not been inundated with accelerated proposals, Mr Falinski,” she said.

After the hearing, Mr Leigh accused the financial institutions of using the consultants to slow down the remediation programs.

“The royal commission said the culture had to change, and that means putting people before profits,” he said. “A pandemic is no time for penny-pinching.”

Melbourne family’s heirloom sapphires hit \$2.3m jackpot

Saleroom Gems passed down generations wow New York auction.

Gabriella Coslovich

When it comes to heirlooms, one Melbourne family hit the jackpot with two sapphire rings that had been passed down through the generations for more than 100 years. The bigger of the sapphires, a 9.23 carat beauty, sold for \$US1.244 million (\$1.73 million, including buyer’s premium), at Bonhams’ New York Jewels sale last week, more than double its low estimate. As Saleroom reported in April, the sapphires were consigned by Bonhams’ Australian office.

“It’s more than the family ever had hoped or expected, so they are super excited,” Bonhams’ Australian jewellery specialist Fiona Frith told Saleroom this week.

It was only when the rings were assessed that the family discovered that they contained the rarest and most prized of sapphires, Kashmirs, known for their colour and brilliance. The Kashmir mine operated for only five years, from 1882 to 1887, before the supply dried up. The family’s smaller Kashmir sapphire, weighing 6.95 carats, sold for \$US381,325 (including buyer’s premium) against a low estimate of \$US250,000.

But before you go digging through your jewellery collection in search of a fortune, be aware that not all Kashmir sapphires are created equal, and in this regard, too, our Melbourne family was in luck. The 9.23 carat sapphire was exceptional in size, clarity and colour – “loup

clean”, as it’s known in the trade. This means that even when examined through high-powered magnification, no flaws are detected.

As Bonhams’ New York-based senior international jewellery director Brett O’Connor explains, “Even though they are rare, I have seen a lot of Kashmirs in 26 to 27 years, and not all of them are great.”

“That’s true of any gemstone, you have the good, the bad and the ugly,” he says. “Just because you have a certificate that says ‘Kashmir’ does not mean it’s super high value ... So this was a very, very good Kashmir and it made above current market prices.”

The price achieved, however, is not a sign that collectors are rushing to gemstones as investments during these

rocky economic times. While the value of gold hit a record high this week, the jewellery market has not returned to its peak of 2014 to 2016. Back then, O’Connor was working at Sotheby’s Geneva and sold the world’s most expensive diamond, a 12.03 carat sparkler known as the Blue Moon Diamond, which made \$US48.5 million – roughly \$4 million per carat.

“Like all valuable and collectible items, the value of gemstones rises and falls with time but they are not currently experiencing an all-time high,” O’Connor says. “Unlike gold, which is a commodity, each gemstone is unique, like a fingerprint. So it really is comparing apples and oranges.”

Bonhams Australia’s next jewellery auction will be live streamed on 19 August from Sydney, with director Merryn Schriever in the rostrum. The star lot is a ring featuring a 0.54 carat Argyle pink dia-



Clockwise from main: The 9.23 carat Kashmir sapphire that sold for \$US1,244,075; a 0.54 carat Argyle pink diamond is the star lot at Bonhams Australia; and a 9.02 carat yellow diamond estimated at \$700,000 to \$900,000 at Leonard Joel.

While the value of gold is at record highs, jewellery has yet to return to its peak.

Smith & Singer’s David Mackay, who was charged with assault, and faces court late this month.

Leonard Joel must be well pleased with its new recruit. Sharma has pulled together a \$5.7 million to \$7.6 million sale, to be held on August 26 in Sydney, including a 9.02 carat fancy vivid yellow diamond, estimated at \$700,000 to \$900,000, reportedly the most valuable yellow diamond offered in Australia.

More immediately, Shapiro has an enormous auction on this Sunday in Sydney, 600 lots, including 186 items from the estate of the suave and affable Martyn Cook, the inaugural director of

Adelaide’s David Roche Foundation Museum, who died last year aged 60.

Cook’s collection is a gentleman’s cornucopia featuring everything from scarab cufflinks to Regency chandeliers, silk ties to an ebonised drink trolley after Italian architect Gio Ponti, even ostrich eggs and a photograph of Elton John signed “to Martyn with much love” by the singer.

Cook, who was also an antiques dealer in Sydney, had John as both client and friend. “Sydney will never be the same. I will miss him very much”, the singer posted online after Cook’s untimely death. Cook’s two-metre high late 19th century Prussian stoneware statue of Demeter, goddess of the harvest, would not have looked out of place in the David Roche museum itself. Artworks and statuary from historic home The Hermitage, in Sydney’s Vaucluse, will also be auctioned by Shapiro this Sunday.



Late 19th century Prussian statue of Demeter, from The Estate of Martyn Cook.

SHAPIRO

Property from the Estates of Martyn Cook, Judith Hoyle and Andrew Pratten, Artworks and Statuary from The Hermitage, Vaucluse

ONLINE LIVE AUCTION SUNDAY 9 AUGUST 11AM

In line with current regulations we are allowing 10 people to view at a time. To schedule an appointment please call 02 9326 1588.

ON VIEW Saturday 1 – Saturday 8 August 11am – 5pm

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Charles X Greek Revival Marble and Ormolu Clock c. 1825. Estate of Martyn Cook