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Submission: Compensation Scheme of Last Resort 2026–27 special levy

6 Oct 2026

This submission responds to Treasury's consultation on applying a waterfall framework to the CSLR special levy for 2026-27. We support the waterfall framework in principle, but raise concerns about how connection and levy allocations have been calculated. We call for greater transparency.



Acknowledgement of Country

Super Consumers Australia acknowledges First Nations peoples as the traditional owners and custodians of Australia and we recognise their continuing connection to their lands and waters. We pay our respects to Elders – past and present – and generations of First Nations peoples now and into the future.

We recognise the value that First Nations peoples bring to our work as consumers, community leaders and partners in shaping a superannuation system that works for all peoples in Australia.

Super Consumers Australia supports the Uluru Statement from the Heart.

About us

Super Consumers Australia is the advocate for people on low and middle incomes in Australia's superannuation system. We were founded to fight for an accountable and fair super system that delivers great service and great financial outcomes in retirement. Based on deep research, we influence policymakers, hold super funds accountable, and help consumers maximise and manage their super. Formed in 2013, we are an independent, not-for-profit organisation and a leading voice for consumers of superannuation products and services.

CHOICE is the leading consumer advocacy group in Australia. CHOICE is independent, not-for-profit and member-funded. Our mission is simple: we work for fair, just and safe markets that meet the needs of Australian consumers. We do that through our independent testing, advocacy and journalism.

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Introduction

Super Consumers Australia and CHOICE welcome the opportunity to comment on the proposed application of the special levy waterfall framework for 2026-27 (the “consultation”). This submission is a joint response from Super Consumers Australia and CHOICE.

The Compensation Scheme of Last Resort plays a vital role in Australia’s financial services dispute resolution framework. By preventing victims of misconduct from bearing the full cost of that misconduct, the CSLR provides consumers with confidence in the integrity of Australia’s financial system.

In the wake of the Shield and First Guardian collapses, maintaining consumer confidence is more important than ever. Funding the CSLR to be able to pay Shield and First Guardian investors the compensation they have been promised for the harms they have suffered at the hands of the financial services industry is central to maintaining that confidence.

This submission builds on our [joint consumer submission of 4 June 2026](#) on [Compensation Scheme of Last Resort \(CSLR\): Reform options to support ongoing sustainability](#) (the “waterfall consultation”), in particular our response to Proposal 5.

The success of the CSLR is measured by whether it effectively reduces risks to consumers. The responsibility for huge financial losses spans the financial services sector, from financial advisers to superannuation trustees.

We support the Government’s efforts to speed up the process of funding the CSLR to be able to pay much needed compensation to people who desperately need it. We support the waterfall framework in principle. However, we have concerns about how the connection assessments and subsector caps have been undertaken because Treasury has not been transparent with its analyses.

Summary of recommendations

Recommendation 1: Treasury should publish the evidence and reasoning behind each connection assessment, including for subsectors considered and found not to be connected.

Recommendation 2: Treasury should undertake and publish analyses of subsector capacity to pay before settling on the \$40 million subsector hard cap.

Support for the waterfall framework in principle

We support the waterfall framework in principle. As stated in our joint submission, the CSLR should apportion costs to the sectors where poor consumer protections and/or actors were most responsible for the harm. A rules-based framework that widens the pool of contributions while allocating levies based on connection to the losses can strike the right balance if designed well.

The financial disincentives created by the CSLR are already driving more constructive engagement from the sectors impacted. Linking levies to connection should strengthen the incentive for every responsible sector to improve its business practices and support consumer protections.

We welcome the definition of connection, and the use of publicly available firm, licensing, regulatory and court information. These are important steps towards the transparency we called for in our June submission.

Concerns about the connection assessment and levy calculations

While we support Treasury's proposal to provide greater transparency and certainty over how special levies will be apportioned, we still have concerns about the analyses behind the connection assessment and levy calculations.

Connection assessments are opaque

We agree with the proposal to identify tier subsectors via AFCA case work, and regulator and CSLR data. However, we reiterate our concerns about how Treasury has determined whether or not a subsector is connected to the claims that the CSLR estimates will be incurred. The consultation paper presents conclusions about connection "based on publicly available evidence." While a definition of 'connection' has been provided, there is no analysis provided in the paper about how the unspecified publicly available evidence supports a conclusion that there is a connection based on the definition.

Table 1 maps connections for the responsible entities sub-sector, but does not show which other sub-sectors were considered for Tier 2 or why they were excluded. As we noted in our joint submission, responsibility for these losses spans the financial services sector, from financial advisers to superannuation trustees, and many Shield and First Guardian investors were invested through APRA-regulated platforms. Treasury should publish its assessment of any other sub-sectors considered.

Connection findings are high stakes, as it will impact whether a subsector can be levied up to \$40 million. These decisions are likely to be highly contested and are at risk of being subject to interference by industry. This could delay a special levy and therefore payment of compensation claims to consumers. We recommend that Treasury provide greater transparency around how it has determined an entity is connected in order to ensure that objections do not derail the collection process.

Justification for sub-sector caps is absent

We continue to question the basis on which a \$40 million sub-sector hard cap was reached. There is little evidence in the waterfall consultation paper as to how these contribution caps were derived. Choices made about capacity to pay should be transparent and evidence-based.

Depending on the details of any future claims on the CSLR, sub-sector caps may unduly inhibit the scheme's ability to apportion cost appropriately. There may be scenarios where better capitalised subsectors are able to afford more than the \$40 million cap, or where only one sub-sector is responsible for the harm caused. Treasury should undertake and publish proper analyses of capacity to pay before settling on the \$40 million sub-sector hard cap.

Recommendations

Recommendation 1: Treasury should publish the evidence and reasoning behind each connection assessment, including for sub-sectors considered and found not to be connected.

Recommendation 2: Treasury should undertake and publish analyses of subsector capacity to pay before settling on the \$40 million subsector hard cap.