

'Systemic failure' in insolvency industry

BY IAN KIRKWOOD
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AFTER four days of damning evidence about the failure of regulators to stop Stuart Ariff and other "rogue" insolvency practitioners, a Senate committee is set to recommend changing the way the industry works.

Committee chairman and Liberal Senator Alan Eggleston told The Herald the committee had begun with a belief that there might be "a few bad apples" among Australia's 600-odd insolvency practitioners but had since heard evidence of "systemic failure" throughout the industry.

He said the committee would look at what other countries did with insolvencies and believed there was probably a role for something like the "chapter 11" bankruptcies in the United States, where companies were allowed to work their way out of trouble without directors handing over to external administrators.

Evidence about Stuart Ariff dominated yesterday's hearing in Newcastle. Ariff settled a case the Australian Securities and Investments Commission brought against him last year by agreeing to pay \$4.9 million in compensation to 16 of his victims.

He was banned for life from acting as an insolvency practitioner but as various witnesses told the hearing, ASIC's settlement was little more than a slap on the wrist because Ariff declared himself bankrupt soon after and no one expected him to pay the reparations.

National Party Senator John Williams confirmed that Ariff gave evidence to the committee behind closed doors this week, but said Ariff's input would remain confidential.

Bill Doherty, whose company Independent Powder Coating was one of the 16 administrations in the eventual ASIC investigation, said it took media pressure to get ASIC to move.

"If we hadn't have had the press he'd still be going," Mr Doherty said.

Mr Doherty said ASIC's allegations were only the tip of an iceberg and he urged authorities to look at the rest of Ariff's 280 company administrations.

Labor Senator Louise Pratt described some of the things the committee heard as "outright corruption".

Bernard Woods, whose company Singleton Earthmoving "survived" Ariff's attentions, agreed: "I've got a son in the [insolvency] industry and they just look at the assets and say what's in it for me - I really believe that."