

HESTA consultation submission

Curbing lead generation activity

May 2026



About HESTA

HESTA is a specialist industry super fund serving over 1.05 million members and managing more than \$100 billion in retirement savings. Our membership is around 80% women, with a majority working in health and community services - nurses, aged care workers, midwives, social workers and others whose working lives are characterised by dedication to others, often at significant personal cost.

The typical HESTA member is female, 42 years old, earning \$63,000 a year. She faces a gender pay gap of around 21 per cent¹, is more likely to work part-time or casually, and is more likely to take time out of the workforce to care for children, elderly parents or loved ones. Her super balance is lower than the Australian average, and more than half of members expect to rely on the Age Pension in retirement.

HESTA strongly supports the Government's reforms to curb harmful lead generation activity

The collapse of Shield Master Fund and First Guardian has exposed real and serious consumer harm, including potentially vulnerable people whose superannuation - often their most significant financial asset - was switched into inappropriate products through high-pressure, misleading practices. The losses are not abstract. They translate directly into reduced income in retirement, greater reliance on the Age Pension, and diminished financial security for people who have worked hard their whole lives.

HESTA's support for reform is anchored in the following principles which are based on the Organisation for Economic Co-Operation and Development's (OECD) principles for financial consumer protection²:

- Reforms should be aimed at delivering quality financial products that must be grounded in members' best financial interests and the risks identified through recent consumer losses.
- Financial consumer protections should be an integral part of the financial services regulatory framework and cover all types of financial products and services and foster responsible business conduct of financial service providers and intermediaries.
- Disclosure and transparency are important to member protection - conflicts of interest must be managed through regulatory coverage of lead generators and declaring all conflicts.

¹ WGEA Gender Equality Scorecard 2024-25

² [OECD/ G20 High Level Principles of Financial Consumer Protection 2022 access at https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/financial-consumer-protection/G20-OECD-FCP-Principles.pdf](https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/financial-consumer-protection/G20-OECD-FCP-Principles.pdf)

- Reforms must be targeted and proportionate - they should not impede the ability of APRA-regulated funds to support and engage their members, including through proactive, trusted communications.
- Reforms must be consistent with, and complementary to, progress on the Delivering Better Financial Outcomes (DBFO) package, which is critical to ensuring members can access quality advice.

The most effective protection against harmful lead generation is members having strong, trusted relationships with their APRA-regulated fund. Government should pursue reforms on both fronts simultaneously.

The business model at the heart of these collapses relied on a chain of activity - click-bait advertising, cold calling, high-pressure fact-finding, and referral to financial advisers - that was able to operate largely outside the financial services regulatory framework. Each link in the chain could individually claim to be providing factual information or a legitimate marketing service. Together, they funnelled consumers into products that resulted in loss. In recent cases, each link in the lead generation chain - from unlicensed data collectors, to cold callers operating outside financial services law, to platforms that outsourced governance obligations without adequate oversight - exploited regulatory gaps that, taken individually, may have appeared minor, but together enabled serious and systemic consumer harm.

The core regulatory challenge is that consumer harm does not arise from any single act in isolation - it arises from the chain. Reforms that address only one link risk simply shifting conduct upstream or downstream. Because lead generation operates at scale - algorithmically identifying and targeting individual consumers based on their vulnerability and likelihood to convert - the response cannot rely on consumers protecting themselves; it requires systemic regulatory solutions that interrupt harmful conduct before it reaches them. A comprehensive, principles-based approach is needed, anchored in member outcomes rather than technical compliance.

Recent harms to consumers arose through individual contact between members and lead generators. The most effective consumer protection is a system that works for members before harm reaches them - which means not only closing the regulatory gaps that harmful lead generation exploits, but actively enabling APRA-regulated funds to engage their members proactively through targeted prompts and default retirement transitions, so that members are informed, engaged, and less susceptible to those who would exploit their disengagement.

Stronger consumer protections must be matched by systemic reforms that actively support members to stay in, and get the most from, the APRA-regulated system. Progressing DBFO reforms, including legislating targeted superannuation prompts and default retirement transitions, is essential to enabling funds to meet their Retirement Income Covenant obligations in practice and to reduce the risk that disengaged members are persuaded to move their retirement savings into products with far weaker protections.

Our recommendations

Licensing of lead generators

HESTA supports banning of lead generation activities, or at a minimum bringing high-risk lead generation activities within the AFS licensing framework. Lead generators who materially influence consumers' decisions about their superannuation should be held to appropriate standards of conduct and accountability.

We support Option 1a as the preferred approach through bringing lead generation activities into the regulatory framework, with a definition that captures activities involving the collection, assessment, and referral of consumer information to financial advice providers in relation to financial products, particularly superannuation.

Any definition of regulated lead generation activity must be carefully drawn to capture commercial activity that is directed at channelling consumers toward financial products - and must explicitly exclude APRA-regulated funds communicating with existing members, fund-initiated retirement prompts and nudges, and the provision of genuine factual information. Getting this boundary right is critical: too narrow and the harm continues; too broad and the funds best placed to protect members are prevented from doing so.

Licensee accountability

HESTA supports Option 1c (Enhance accountability of licensees for the conduct of lead generators). Requiring AFS licensees to take reasonable steps to ensure leads are sourced in compliance with legal and regulatory requirements is a proportionate and effective reform. It places accountability with the party that benefits from, and is best placed to manage, the conduct of lead generators.

We recommend this option be progressed in combination with Option 1a (Bring prescribed lead generation activities into the regulatory framework), with specific obligations including:

- Due diligence requirements before engaging a lead generator.
- Record-keeping obligations covering the nature of consumer contact.
- Mandatory reference checks and ongoing monitoring of lead generator conduct.

Anti-Hawking Requirements

HESTA supports strengthening the hawking prohibition to address practices where broad consent and exemptions may be used to circumvent consumer protections.

HESTA supports Option 2a (Enhance the conditions around consent) to enhance consent requirements. Requiring clear, prominent, and proximate disclosure at the point of real-time contact - including the purpose of the call, potential conflicts of interest, and the consumer's right to end contact - is a practical and effective reform.

HESTA notes that any reform to anti-hawking provisions must preserve the ability of APRA-regulated funds to proactively contact and engage existing members - including through targeted prompts and retirement support communications. These interactions represent the kind of trusted, member-centric engagement that should be encouraged, not constrained.

Remuneration Structures

HESTA strongly supports reforms to address conflicted remuneration in lead generation arrangements. Complex remuneration chains involving product issuers, lead generators, and advice providers create incentives that prioritise product sales over consumer outcomes.

HESTA supports reforms progressed in combination:

- Explicitly capturing third-party lead generators within the conflicted remuneration ban where their actions could reasonably influence advice given to retail clients (Option 3a). This prevents circumvention by interposing unlicensed third parties.
- Clarifying that client flows resulting from lead generation arrangements constitute a form of conflicted remuneration where they are likely to influence advice (Option 3b). This should include advice fees charged to members' superannuation accounts that are not clearly tied to services rendered.

HESTA supports prohibiting conflicted remuneration models. Payments that reward lead generators for directing members to particular advisers or funds, or that link platform revenue to product listing and member flows, create incentives that are fundamentally incompatible with acting in members' best financial interests. These arrangements should not be permitted in the superannuation system.

HESTA also supports reforms to address the use of platforms in conflicted arrangements, where members are advised to move into superannuation investment platforms that require ongoing adviser access, with fees deducted from superannuation without clear service justification.

Advertisements

HESTA supports both options under Reform 4, implemented together as proposed.

Requiring AFS licence numbers to be displayed on superannuation advertisements (Option 4a) improves transparency, supports early ASIC intervention, and assists digital platforms to meet their own gatekeeper obligations. Expanding ASIC's stop order power (Option 4b) to capture lead generator advertisements and lower the evidentiary threshold for action is a practical and necessary complement.

Together, these reforms enable earlier disruption of harmful lead generation funnels before consumers are exposed to escalating high-pressure tactics downstream.

Interaction with DBFO Reforms

HESTA strongly urges Government to progress the DBFO reform package as quickly as possible, in parallel with these lead generation reforms. These two reform streams are complementary: curbing harmful lead generation reduces the risk of members being directed to inappropriate products, while DBFO reforms ensure members can access quality, affordable advice from their trusted fund.

Curbing harmful lead generation requires systemic solutions, not just individual consumer protections - including updating proposed DBFO reforms to enable APRA-regulated funds to proactively reach existing members through targeted prompts (including an amendment to enable funds to prompt members to specific fund retirement products) and progressing reforms to allow default retirement transitions. These reforms will support members to be informed and engaged before harmful actors exploit their disengagement, including by persuading them to move their savings outside the APRA-regulated environment entirely.

In particular, HESTA calls on Government to prioritise:

- Legislating targeted superannuation prompts ('nudges') that enable APRA-regulated funds to proactively direct disengaged members to specific fund retirement products that meet their needs. This reform, implemented in the UK, has not been adequately addressed in the current draft DBFO legislation. It represents one of the most powerful consumer protection mechanisms available - members engaged with their trusted fund are far less susceptible to harmful lead generation.
- Enabling funds to default eligible members into retirement income streams (with opt-out), supporting better retirement outcomes for the large proportion of members who do not voluntarily transition at Preservation Age.
- Reducing regulatory barriers that currently prevent funds from proactively supporting members through the retirement transition.

HESTA's modelling³ shows that only 45 per cent of eligible Australians voluntarily transition to a tax-free retirement account when eligible, with inaction most prevalent among women and low-to-middle income earners. By 2030, it is expected that nearly 3 million Australians will collectively miss out on \$5.44 billion in retirement savings each year as a result. Trusted fund engagement - enabled by DBFO reforms - is the most effective long-term protection against harmful lead generation.

Conclusion

HESTA strongly supports this reform package. The harm caused by predatory lead generation is real, it is serious, and it falls disproportionately on the kinds of members

³ HESTA, Make the move: guiding members to tax-free retirement 2026 access at <https://www.hesta.com.au/campaigns/make-the-move-guiding-members-to-tax-free-retirement>

HESTA exists to serve - women, carers, low-to-middle income workers whose superannuation represents their best chance at a secure retirement.

Getting these reforms right means holding the full lead generation chain accountable, closing the loopholes that allow harmful business models to operate on the fringes of the regulatory framework, and ensuring that the financial incentives within the system are aligned with strong member outcomes rather than product sales volume.

It also means ensuring that in the process of curbing harmful engagement, we do not prevent the trusted, member-centric engagement that APRA-regulated funds are best placed to provide. The goal is not less engagement with members about their superannuation - it is better engagement, from sources that are genuinely acting in their interests.

HESTA welcomes the opportunity to engage further with Treasury on the design of these reforms and looks forward to their swift progression alongside the DBFO package.



hesta.com.au