

SUBMISSION TO SENATE INQUIRY

“EFFECTS OF THE GFC ON THE AUSTRALIAN BANKING SECTOR”

Without Prejudice

9/5/2012

**Economics References Committee
PO Box 6100
Parliament House
Canberra, ACT, 2600**

Dear Senators,

Please find attached my submission that relates to how my business was treated by Bankwest.

My business was a family business in the small country town of Forbes in NSW. It was created by my grandfather in 1913, which would have made it 100 years old next year. We were a Painting Contracting company.

In 1999 we won a contract to maintain a lot of public schools in western NSW. This was the break we had worked hard for. Within 5 years we went from 5 workers to about 70 workers. This enabled us to tender for other contracts in other areas and in the 5 year period we worked across NSW for such companies as NRMA, TARGET and TRANSFIELD and as well as painting we also started to do building maintenance and insurance works. Life was good.

We were with the Commonwealth bank with our manager based in Orange, NSW. The manager, as far as we can tell, was headhunted by Bankwest, and was employed by them. He approached us to move over to Bankwest and, sadly, we did. We kept growing, with not much help from the bank, as we were under the impression the manager was too busy trying to build Bankwest up.

We had a \$400,000.00 overdraft as well as 2 loans on buildings we had bought, one of them being the shed we worked out of in Forbes. The total value was \$750,000.00. They had security over these loans of about \$1,350,000.00.

Our business, the last year we traded, turned over close to \$12,000,000.00 so these loans were easy to service.

In about 2005 my wife and I separated. This was a very hard time for me. About 6 months later my wife decided to resign as a director of the business, and even though she still worked in the business, she thought it was the right thing to do as it was a family business for a long time and we were getting divorced.

The manager from Orange turned up, and in front of about 6 people, including family and a few employees, said the bank was nervous that my wife had resigned as a director and felt "exposed". He said the bank wanted us to go into VA for "a couple of months" so they could sort stuff out. My wife offered to go back as a director to make them feel better but he declined saying this was a better way.

We had had some dealings with Taylor Woodings from Sydney in the months before in another matter and went to see them. In about a month nothing had happened except some hefty bills from Taylor Woodings so we decided to search out another Administrator. We met a company in Newcastle, Stuart Ariff, who eventually got into a fair bit of trouble, who sent out a team to Forbes to look at our business. We must of been one of the few who were happy with his service, which we found very professional. They told me the company was sound, but we better do the VA as Bankwest wanted. All this time the manager from Orange was pushing us. I was told by Ariff we were solvent.

Once I signed the VA the next day 2 men from RSM birdcameron in Sydney, turned up and told us to close the doors straight away as Bankwest had put us into receivership. We were the biggest employer in Forbes...

I rang the manager from Bankwest in Orange about what was going on and he wiped his hands of me. He told me to ring a manager in Sydney. (Mr H).

When he finally returned my call he told me he was going to teach me a lesson for not using Taylor Woodings (who had previously told me they had Mr. H "under control").

I spoke to the receiver from RSM when he was in Forbes and he said I was mad for going into VA as the business was highly profitable and in front of others stated "this is the best business I have ever seen in receivership".

I told him the manager from Orange told me to do it and he could not believe it.

(I also remember telling the receiver that I had been told that Bankwest were in a bit of trouble because they had gone out to get as many accounts as possible, no matter what. This was 12 months before the GFC. He did not believe me...saying that "they are owned by HBO who is one of the biggest banks in the world". Seems I knew what was going on before everyone else)

I asked Mr H for a payout figure the day after the receivers were appointed and he told me it was approx \$750,000.00. I knew I could get this amount with refinancing and with what money was owed to me from clients. We immediately went to Newcastle to see Ariff's employees and had the money the next day. We contacted Mr H and asked him to send the paperwork through so we could pay him out. He sent paperwork through but it had mistakes in it so we asked for him to fix and resend. His response was "I have to go to a cocktail party and don't have time". We waited in Newcastle for a couple of more days but he would not provide the new paperwork. We could not have had this sorted within 3 days of going into receivership.

When I got back to Forbes I rang Mr H and asked why he did what he did and I was told "I want your business because its worth a lot of money to me ". I could not give up, so went to see a solicitor in Sydney, which cost \$80,000.00. We constantly asked for a payout, every month, with the usual answer from Mr H being "its xxxx dollars but I will check with the receiver and get back to you" . He never did...we had to chase him. All this time my business could not trade.

Three times in the next 11 months I refinanced while waiting for a payout figure.

An example of what we were dealing with.. after about 6 months we rang Bankwest in Perth to get some help. The only way I could talk to someone was to give my name. They promised that Mr H would not find out. I spoke to someone from complaints and told him what was going on. He told me Bankwest did not operate like that and he would sort it out. Within 15 minutes

of my call my solicitor rang me saying Mr H was very upset and would not do a deal. How did he find out so quick???

After 11 months of fighting I had had enough. On the day my mother was buried, I received a call from Bankwest in Perth telling me they were coming in to take my home the next day and everything else I owned. I received this call at the wake!..

I explained to the Bankwest man that I had been asking for a payout figure for 11 months and Mr H would not give me one. He told me it was too late. I was standing next to my cousin and asked the Bankwest man would he talk to him as he worked for the Daily Telegraph. He hung up and rang back with a payout figure 10 minutes later. Problem was it was about one and a half million dollars!!! Double of what I owed.

They also had ownership of my company and when I last saw the books there was \$1,000,000.00 owing to the company for works done so I suppose they got that too.

So for a \$750,000.00 loan, they got all their money plus what was owed to the company(\$1,000,000.00) plus a heap of plant and equipment.

The impact Bankwest has had has been enormous.

To start, 60 people out of work in a small country town, in the middle of the very bad drought. Many had to leave town to get work and have never returned.

I and some of my family and ex-employees have depression. A hundred year old company ruined. I don't think anyone will ever know how much pain they have caused.

I have lost everything, house, business and worst of all my family.

The bank could of easily given me a payout figure 3 days after they put receivers in, but I suspect they always had other things in mind with all my assets.

I did everything I could to resolve this.

*Untold trips to Sydney, time and money to refinance and just plain hard work. It has broken me.

*3 times to refinance which cost a lot of people time and money.

I still can't fathom why we were told to go into VA in the first place. My original thought is there must be an arrangement with Bankwest and the original VA company we were dealing with.

The manager in Orange and 'MR H' must have trouble sleeping.

To sum up, words will never, ever express the hurt these 2 men have caused to me and a lot of other people that were associated with our business.