

Submission to Senate Inquiry

"Effects of the GFC on the Australian Banking Sector"

28th of May 2012

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

Dear Senators,

Please find attached my submission that relates to how I my partners were treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC in late 2008.

Parties Involved: Guy Dean Goldrick, Nicholas John Karandonis, Craig Patterson, Robert Mitrevski & Bankwest

Introduction:

I Guy Goldrick, are the instigator of the Bankwest Class Action Group against Bankwest & the CBA www.bankwestclassaction.com for the actions of these two banks in the period right before and after CBA bought Bankwest

Some background on how this came about!

In 2006 I sold my house and land that was situated at

. The block was DA approved for 5 residential housing lots. A developer by the name of Robert Mitrevski bought the last 3 lots, and because the market was so depressed at the time I decided to stay in as vendor funder and development partner for the Purchaser Mr. Mitrevski. Mr.

Mitrevski engaged an Architect who designed the houses and gained the necessary approvals over the next 14 months.

Mr Mitrevski sought construction finance from Bankwest to build three luxury houses each on blocks (the land averaging 1000sqm) with Sydney City, extensive Middle Harbour, Chatswood and North Sydney views.

Bankwest at this stage were aggressively seeking market share in NSW and approved his loan in the attached approval (Doc 1 Approval) on the 8th of March 2007. The facility was for \$8.7m with an 18 month term from the initial drawdown date.

No long after Mr. Mitrevski had signed the loan offer he had heard through another lender that his Bankwest friend who was a manager there had just financed a construction for three luxury townhouses at Seaforth, but the client was going to default and he would then buy the houses himself. When we were told this we thought it to just be rumours but you will see later it was no doubt true.

We began construction in late 2007. The beginning of 2008 was a very wet year and we were delayed by rain, but where moving ahead. Things started to slow down as often when we lodged a progress claim the bank appointed quantity surveyor would come out and only authorise Bankwest to roughly pay is 60 - 75% of the requested amount. This in turn hindered faster progress as we were not getting paid the full amount we had spent on each claimed.

Around July of 2008 our Bankwest banking manager advised us to stop work. At this stage we had used some \$5 million of an \$8.7 million facility.

- Note we were not at the expiry of our loan nor anywhere near the limit.

Our bank manager advised us that things were slow and he wanted us to bring on a building partner. We said that this is only slow because you are not paying our progress claims in full and we have had a fair amount of rain. Anyway we reluctantly agreed. Our Bankwest Bank manager told us that

they were going to organise a quote for the remainder of the construction and so will the Quantity Surveyor. We said fine we will organise a quote from a builder as well.

The three quotes came in to finish the construction and Bankwest wanted to go with their quote but it was the highest. We protested and said that any quote you accept over the lowest quote, you (Bankwest) need to pay the difference. They then agreed to accept our quote from the independent builder.

During this stage we were being told that our loan had gone back to credit for an extension (of what we are unsure) to go ahead with the new builder.

Our builder was advised by our Bankwest Bank Manger to attend a meeting between the 11-15th of August 2008. Our builder handed him a complete quote folder and all other relevant documents. He was told at this time that Mr. Mitrevski refinance was going well and that he would soon know if he would be awarded the job.

Our builder was then asked to attend another meeting on or around the 19th of September 2008 with our Bankwest Bank manager and the Quantity Surveyor. At this meeting he was told that all was looking good for the refinance and it was very promising that his company would be undertaking the work. He was told that the project would not start until January 2009 some 3 months later and not to tell us this fact.

All the time we were incurring monthly interest.

The bank appointed builder was then asked if he would accept retention money to be held back from each claim as a condition of the new contract, as it was something the bank wanted. He explained that this was NOT common practice in the domestic industry, that home owners warranty insurance was provided and therefore agreeing to retention would only be possible if the contract was increased by the amount of retention required to be held.

The Bankwest Bank manager and the Quantity Surveyor then discussed how the retention money would be set up and paid out. The Bank appointed builder said that he was happy with his quote and did not require anything further. The Bankwest Bank manager and Quantity Surveyor then discussed in front of the Bank appoint builder how they could "SYPHON OFF" the retention money and split it equally amongst themselves. In other words "STEAL IT"!

On the 22nd of September 2008 the builder then email amended documents to the Quantity Surveyor. He spoke with the Bankwest Manger in October and was advised all was going well and he would start in January 2009.

Note: I have a declaration from the Builder that confirms the above and this is attached (Doc 2 Builder)

During this time Mr. Mitrevski kept on calling our Bankwest bank manager only to be told everything is fine, it is in credit and all is going well it was just a formality and construction would soon recommence. In deed for the months of July, August, September, October and half of November we were told this. And relied on this!

On around the 20th of November 2008 A senior officer from Bankwest "Credit Risk" department (which I later found out was their so called Hatchet Man) came to the site. He said why are you so far behind, some 32 weeks with the construction. We advised him that we were advised to stop work some 17 weeks prior, and we had 13 weeks of rain delays at the start of the year, so we were roughly 2 weeks behind.

I asked what has been happening as we have been told for 17 weeks that the file is in credit. He said that he had only got the file yesterday. I asked where had it been and he said I do not know!

He then asked for the plans, the quotes, cost and budgets. We replied that we had given all that to our Bankwest Bank manager back in July.

He then asked his assistant "do we have it; she replied I was just given the file yesterday I would have to look"!

My concern he was where had our file been for the last 17 weeks. Obviously not where we had be told it was, in Credit, or was it in Credit and they were denying it we do not know!

The Senior Bank Credit Risk Officer left the site saying he would look into it. He said "I am not saying yes and an am not saying no!

For the next three months we were told that both credit and him were looking at it only to receive a formal demand for payment on the 2 March 2009 giving us under 24 hours to pay back the outstanding loan amount that had now grown to \$6.2m. (Doc 3 Demand)

Obviously we could not; they sent in mortgagee in possession receivers and sold the last three blocks for a huge amount less than they were worth.

Impact:

Directly we stand to make in excess of \$6m on this project. My personal share was \$1.5m of invested money and \$1.5 of profit share.

Because of this action by Bankwest I started the Bankwest Class Action Group. As I work in the property and finance arenas I had heard of this happening to other people so I placed the attached add (Doc 4 Bankwest Ad) In the Australian Financial review in late 2009. I was hoping to get some 10 responses. The first day I received over 80 calls and the story was all the same. They had no problems with their loan until the second half of 2008 and around the time that CBA bought Bankwest.

Since then I have spoken to at least 200 Bankwest clients who have been affected by this buy out. I have uncovered many shocking instances of Bank wrong doing and unconscionable conduct.

I have been able to paint a very clear picture of what has been going on and it is now time to discuss this in greater detail!

As a result of their actions I have been wiped out financially. My credit history has been adversely affected to a result where I cannot borrow money to develop further and am having difficulty in keeping relevant licenses I need to continue operating as a Finance Broker and Property License.

Conclusion:

I have since had meeting with very Senior Bankwest officers and everyone has sprouted the same line. We deny everything and we will vigorously defend our position.

I have been told by the Company Secretary of Bankwest that there have been 3 investigations into my matter. Two internally and one externally, and they say that the bank has done nothing wrong. I asked to see them, and was told I could not as they were proprietary property. So I had to take their word for it.

I asked them why these investigations did not involve interview myself or Mr. Mitrevski or the Bank appointed Builder that made the allegations of Fraud and Theft and was told that they did no need to. I said " So you have a murder, and the only people who witnessed the murder you do not interview" They said yes!

Hardly independent or trustworthy!

The attitude of these two banks being Commonwealth Bank and Bankwest is scandalous. They assume that no one can take them on as they are two big.

They use mechanism of receivers, Valuers, lawyers and liquidators to in some instance create defaults and then drive the poor customer into the ground.

They have relied upon clawback provisions in the original purchase agreement with HBOS to claw back any loses they incurred though bad or doubtful debts. It did not matter if they sacrificed loans that were not bad or doubtful as they were getting paid back by HBOS for any loses incurred.

Obviously I can prove these allegations

I started this action to get justice for myself. Over the last three years it has grown so large that justice is now required for us all.

I and am doing this to help all those that have been ruined by the action of CBA. There is a larger story behind it and would enjoy the opportunity of being able to tell this to the Inquiry.

We want the world to know that it was not us that failed. It was Bankwest and CBA that caused this!

Yours Faithfully,

Guy Goldrick

And on behalf of Robert Mitrevski

Attachments: Doc's 1, 2, 3,& 4 as above + Doc 5 Senate Inquiry Notes