

Submission to Senate Inquiry
"Effects of the GFC on the Australian Banking Sector"

30 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 business was treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC in late 2008.

Add whatever detail you want here.

Introduction:

We had a small share in the Dog and Parrot Hotel in Robina, Gold Coast. It was part of the Seeto Group which also owned the AB Hotel in Glebe in Sydney. The Hotels were financed by BankWest. After the GFC and the acquisition by the Commonwealth Bank, BankWest put our Hotels, all our related companies, shareholders and guarantors into receivership on the grounds of non monetary defaults. The hotels were sold off and the loan was paid off with more than \$800,000 left over, despite some ridiculous receiver's cost and legal fees. However, BankWest would not retire the receivers nor release the left over money to us, even until today, some 18 months later, and continued to pressure us into agreeing not to pursue in our Court case against them for their wrongful act. In the mean time, continue to charge us legal fees and receiver's fees so to use up the left over money.

Detail:

The Seetos have been operating the AB hotel since 1998 and purchased the Dog and Parrot a few years later. We joined the Seeto Group when the Dog and Parrot hotel was acquired. At the beginning, the loan for the hotels was with the Commonwealth Bank of Australia. Our account manager at CBA moved to BankWest when BankWest was expanding and we took our loan across to BankWest because they were very competitive.

All the usual valuations, application, approval went ahead without any hiccups and the loan was approved.

During the GFC, BankWest increased their interest charges a few times and part of the interest we were paying was as high as 16%. That really put strain on our finance and not to mention the affects of the GFC. We started to run on skeleton staff which led to delay in some of the reporting being done on time. Although this happened on a few different occasions, BankWest did nothing other than a default letter sent. We never thought much more of it as we believed we had a good relationship with BankWest. In the mean time, because the general value of all the pubs have decreased, BankWest sent in investigative accountant, PBB, to look at our hotels and made some suggestions, including selling one of the hotels to decrease the loan amount. We then proceeded selling the Dog and Parrot hotel on the open market. The GFC had made it difficult to achieve the price we had hope for and the best offer came from Woolworths at \$24.775M but eventually fell through as we later found out that someone from one of the real estate agents had leaked information to Woolworths about the investigative accountant visiting our hotels and that we were in financial trouble. "Co-incidentally", the investigative accountant became the Receiver and the real estate agent became the selling agent during the receivership AND, Woolworths ended up buying the Dog and Parrot hotel for \$18.2M, only because it was conducted in a closed tender and to date, we are still not provided details of the proceed of sale, despite requesting for these information numerous times.

The Receivers took over the hotels and all the companies in July 2010 with 24 hours notice to repay the \$23M loan. We tendered a \$1.3M bank cheque to the BankWest after the weekend to the State Manager and we were turned down. By then, of course the Bank's lawyers and receivers have already well on

their way to recoup the Bank's money and charging ridiculous amounts of money on the way, including \$500,000 worth of legal fees just for conveyance cost for selling the two hotels.

During the receivership, we had contacted the bank (via their lawyer) to try and resolve the issues, including but not limited to discharging the loan by way of completing the sale of the Dog and Parrot hotel, or refinancing with another bank or simply arrange money from overseas to pay off the whole loan, they were all turned down by BankWest. I could have and would have paid off the loan in full if we were given a month to arrange the money, which is what is in the loan agreement, not 24 hours Bankwest gave us.

By that time, we realised that BankWest does not just want their loan paid off, they wanted our hotels, our companies and all the guarantors to be bankrupted so none of us can go back and sue them for any wrong doings.

They knew that our hotels were worth a lot more than the loan and as events unfolded in the past 18 months, I am confident to say that there were a lot of "monkey business" conducted behind our backs and BankWest's little "receivership club" with their receiver and lawyer would have made a lot more money if I hadn't stepped in and made a genuine bit at a "reasonable price" for the Dog and Parrot hotel to push up the eventual sale price and successfully re-acquired the AB hotel at the public auction.

If I hadn't stepped in and bit for the hotels and ended up buying back the AB hotel, Bankwest would have "fire sale" the hotels to whoever they wanted (not to rule out the possibility of colluding with someone and sell off the assets at a much lower value), there will not be enough money to pay off the loan and all the guarantors would be bankrupted and hence there will be no one to go after the bank and their "club members".

Impact:

This has made me loose confident in the banking system all together. There is no "fair, consistent and reasonable" when it comes to how banks treat their customers. Banks lends you money when they want and they will take it back whenever they want, rightfully or not. If they know they don't have the right, they will just make sure the borrower does not survive to cause them any

trouble. The loan agreements are all there to protect the bank and not the borrower. That is why the banks do what they do because they can. Our family had suffered much stress, pain and suffering because of what Bankwest did to us. My marriage was on the brink of breaking up as my family assets was almost lost because of my wife's business (my wife is a Seeto).

Conclusion:

Our loan and our business were never "under water", as proven by the asset sale which yielded more money than owed.

Bankwest did nothing to work with their customer to solve problems, they just took the easy way out for themselves, making no regard what they are doing to their borrowers.

Bankwest was never at any time, under any threat to loose any money from this loan. Yet Bankwest choose to take the most drastic action, which was not called for.

Bankwest's lawyers make numerous errors in handling the sale of the assets, losses we suffered was in the hundreds of thousands. Yet they charged us over \$500,000 to sell just two hotels and did a BAD job at it!!

Receivers took over the guarantor's assets and did nothing with them, except charging ridiculous amount of fees. Their objective was to charge out all the money in the account, which they did very well. I lost a rental tenant during receivership because the receivers did nothing to stop the tenant walking out. Bankwest would not release the left over money from the sale of the assets and they even use it to leverage their negotiation with us to make us drop the Court case against them.

Yours Faithfully,

Thomas Lee
AJC Enterprises Pty Ltd