

31 May, 2012

The Senate Standing Committees of Economics
PO Box 6100
PARLIAMENT HOUSE
CANBERRA ACT 2600

Dear Sirs/Mesdames

RE: INQUIRY INTO THE POST- GFC BANKING SECTOR

My name is Karen Rose Adams. I tender this submission on behalf of my husband, Brian William Adams and myself.

Our submission focuses on the way in which we and our company were treated by Bank West after it was acquired by the Commonwealth Bank of Australia.

History:

- 1976 Leased 1066 Pitt Water Road, Collaroy;
- Late 1970's Purchased 1064 Pittwater Road, Collaroy in the name of Brian Adams. Operated Sweet Fanny Adams Night Club which later became the Caprice Italian Seafood Restaurant and later Surf Rock Café;
- 2001/02 Purchased 1060 Pittwater Road, Collaroy in B Adams Investments Pty Ltd;
- 2002/03 Purchased 1062 Pittwater Road, Collaroy in B Adams Investments Pty Ltd;
- 11.09.2003 We leased an area on the beach from Council where a deck was built;
- 2004 Borrowed \$7 million from the Commonwealth Bank to demolish 1060-1064 Pittwater Road, Collaroy and built the Surf Rock Hotel. The Hotel was run in a partnership by my husband and myself, renting 1060 and 1062 from B Adams

\$1,348,717.00 per annum valued by Robertson & Robertson. The indebtedness was \$7.1 million owed by B Adams Investments Pty Ltd and \$5.4 million owed by my Husband and I in the partnership, being a total of \$12.5 million

- February 2010 We were encouraged to sell the Hotel by the Bank and listed the Hotel on the market for auction through Frank Knight.
- 18.03.10 The property failed to sell at auction. Not one bid was made;
- 19.03.10 The day after the auction, the Bank appointed Max Donnelly and Peter Walker of Ferrier Hodgson as receiver to B Adams the business.
- My Husband and I were excluded from the Hotel. We were by far the best people to manage the hotel prior to sale. The Receivers traded the business though B A Adams Investments Pty Ltd whose only assets were part of the property for which it received rent.
- The Receivers placed a manager into the Hotel and the turnover dropped substantially. This in turn would affect the sale price.
- 20.04.10 My husband and I organized a buyer for the hotel for \$7.5 million renting the property back to us for 30 years. We obtained finance through Capital Finance using the family home, the hotel licenses and the business as collateral for \$3.9 million, giving the bank \$11.4 million. The offer was rejected on the basis that the Bank belied they would realise in excess of \$11.4 million at auction.
- 13.05.10 Bank commenced proceedings against my husband and I for \$6,038,239.74 and B Adams Investments Pty Ltd for \$7,732,915.53 and seeking possession of our family home where we and our daughters lived. Our home was valued at \$3.25 million to \$3.5 million.
- 22.07.10 The sale of the Hotel business was settled. The sale price of \$2,500,000.00 for the business and \$5,000,000.00 for the land.

The Receivers dealt with and sold Assets of the Partnership over which the Bank had no security.

The Receivers traded the business until sale in the name of B Adams Investments Pty Ltd using the assets of the Partnership with no allocation of profits to the creditors of the Partnership. Instead, allocated all of the money to their client, the Bank.

As it was a partnership, my husband and I were personally liable for the debts of the partnership and were forced into Bankruptcy.

The Deputy Commissioner of Taxation was the largest unsecured creditor who lost a substantial amount of tax revenue by the way in which this realization of assets was handled.

Instead of accepting \$11.4 million, the bank realized \$7.5 million and \$1.7m from the sale of our family home. There was no commercial commonsense and certainly no compassion for my husband and me, nor our family.

We lost our life's work for over 30 years, our livelihood and our home. My husband is 61 years of age and I am 58 years of age. We still cannot understand the action of the bank. Our business dealings with the bank had always been open and transparent. Hotel trading was strong in 2009 even through the GFC. The bank could have restructured the loan and allowed an interest rate that did not include the 4% line fee as well as penalty rates.

Yours faithfully

Mrs Karen R Adams