

DAMATO Family

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

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

Without prejudice, what follows is a quest for answers from Bankwest. A brief description of events as occurred follows:

June 2005, Bankwest refinanced a loan from Homeside in relation to a property in Mosman (NSW) owned by Mr. V. & Mrs. H. Damato. The loan facilitated was for \$2,800,000.00 for a term of 3 years. The loan was split in two parts: \$2,300,000.00 Fixed and \$500,000 "Business Equity Line".

The property in question had a Development Application approved for the development of six luxury apartments in Mosman on the lower north shore Sydney. The guarantors for the loan were the property itself and a company, to which Mr. & Mrs. Damato were Directors, known as 'Ostor No. 17 Pty Ltd'.

Since the approval of finance to proceed with the development of the apartments, numerous attempts were made with various Developers to enter into a Joint Venture agreement. All attempts failed to materialise particularly the result of the 'Global Economic Crisis' which halted all lending and credit facilities.

Ostor No. 17 Pty Ltd owned a motel in Yass NSW. Income from the Motel and Income from Mrs. Damato had gone into the bank account of Ostor No. 17. Early 2008, Ostor No.17 faced a tax liability of \$166,000. In order to pay the ATO, the Motel in Yass was then placed on the market for sale and sold soon after. It was sold for \$1,200,000.00.

Prior to settlement of the motel Mr. Damato spoke to the Relationships Manager at Bankwest informing him of the pending sale of the Motel in Yass. Mr. Damato asked him what would the intentions be of the Bank after the sale of the Motel? The response was: " the Bank will retain two to three months of interest and credit the remainder to your business equity line".

Settlement of the contract took place on 18 February 2008, when an email was received by Mr Damato from Bankwest stating that all remaining proceeds of settlement of the contract to the amount of \$500,000 would be **credited to the Business Equity Line**.

The prospect to pay the amount of money claimed by the ATO became unattainable. Ostor No. 17 was then placed into liquidation and \$32,000 held in the Ostor No. 17 bank account was sequestered by the ATO.

3rd June 2008, the loan facility with Bankwest expired. Mr. & Mrs. Damato had been notified by the Bank that from that date onward they were in default and the Bank exercised its right to charge double interest rates at approximately 20%.

November 27, 2008 (9 months after the Bank received \$500,000 from the proceeds of the sale of the Motel) the property was auctioned by a Receiver appointed by the Bank (Earnst & Young). At auction, the property passed in and a later offer of \$2,850,000 **was declined by the Receiver and ultimately sold for \$1,000,000 less** (ie: \$1,800,000).

December 2, 2008, Mr. & Mrs. Damato received a statement from Bankwest detailing the following: "Dear Mr. & Mrs. Damato, on 7 December 2008, your Commercial Advance Facility was reinstated as agreed. Facility expiry date: 31 March 2009. Interest Rate reduced to 6.23%. For further information, contact the Manager at Credit and Asset Management at Bankwest.

A meeting between Bankwest & Mr. Damato took place on the 31 December 2008. To the surprise of the Bank, they were completely unaware of the statement shown to them by Mr. Damato clearly displaying his name and contact details. The Bank dismissed the statement as being a 'Computer Generated Error'.

Despite requests made to Bankwest by the Damato's via their legal representation, Bankwest has failed to answer crucial questions of which include:

1. Why did Bankwest take a lengthy amount of time to appoint a Receiver, which could have resulted in a better outcome at auction.
2. Why did Bankwest fail to notify the Damato's of such an appointment?
3. Why did the Receiver reject an offer of \$2,850,000 post auction?
4. What power did Bankwest have charging Double Interest Penalty Rates to the Business Equity Line?
5. Is it fair to assume that the Bank took a 'wait and see' attitude until the Equity Business Line was going to reach its limit?
6. Is it fair to assume that the real aim of the Bank was to develop the Property themselves?
7. Is it fair to assume the 'Computer Generated Letter' was just that and not the consequence of particulars entered by humans?

Prior the disgraceful actions of Bankwest, Vince and Hilda Damato owned a very successful Medical Practice and various properties, including the said property in Mosman which was to be developed into six luxury apartments, one of which was to be retained for their retirement.

As a result of the actions of Bankwest, the Damato's were made Bankrupt and literally 'left out on the streets'. Mr Damato developed a tumour on the pancreas and ultimately passed away in 2011. Mrs Damato is suffering Post Traumatic Stress Disorder and currently depending on the handouts of family and friends.

Yours Faithfully,

Claudia Damato

On behalf of Vince and Hilda Damato