

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

3 June 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.

In August 2007, I was amazed that BankWest had lent me personally 2.23 million dollars to acquire a neighbouring vacant rural block that would be an extension to my farm.

BankWest had provided me with a 'low doc loan' even though I did not have the capacity or income to service the loan so the loan was structured to be an interest capitalised only loan. Interest was compounded and I was not required to inject any funds during the entire loan.

As the property market was hot at the time, I was happy for BankWest to lend me the money though I must admit was surprised that they would agree to do this given that my income was very low – Below \$50,000.

The loan was for 3 years and on August 2010 it had jumped to 2.9 million dollars.

In or around early 2009 I became extremely nervous because the GFC had set in very quickly and property conditions had deteriorated rapidly and significantly.

As I could foresee that I would not be able to repay the loan when it was falling due because of my low income and that I did not think that I would be able to sell any assets given the very poor state of the property market, I contacted my bank manager in early 2009 and asked whether they would extend the loan in August 2010 when it would become due.

The bank manager came back to me a few weeks later and clearly stated that BankWest would not entertain an extension when the loan is due and BankWest will be asking that I repay the entire loan back.

I asked the Bank Manager to reconsider their position given that I had not breached the 60% LVR ratio. But BankWest fully declined all alternatives/avenues/resolutions that I had put to them.

I became extremely concerned and worried as I thought the bank had given up on me so quickly and they would force me to sell my farm when BankWest had originally agreed to lend me all this money so easily.

I decided to put all my properties up for sale including my farm and our family home in a hurry in an attempt to repay BankWest in time at the expiry of the loan in August 2010 as BankWest had indicated that it would not extend the loan on any condition.

I was very lucky that I managed to sell one property (part of my farm at a forced discount) and at the time of expiry of the loan in August 2010, I injected 1.4 million towards my loan reducing it to 1.5 million.

Prior to and at the time of the expiry of the loan in August 2010, I was in France caring for my sick mother. BankWest had agreed to extend the loan for another 12 months at a fixed rate of 7.55% on the provision that I pay down the loan to 1.5 million by injecting 1.4 million. As I had the funds from

the sale of part of my farm, I deposited 1.4 million towards the outstanding loan to reduce it to 1.5 million.

BankWest still had the same security as at the time of the beginning of the loan. In addition, BankWest had security over another 2 properties which came about from a subdivision that I had done during the term of the loan.

I estimate the LVR to be around 20% after I had injected the 1.4 million in August 2010.

When I returned to Australia in early September 2010 I attended a meeting with BankWest which they had requested.

I attended the meeting on my own and there were 3 BankWest representatives including my Bank Manager.

During the meeting, BankWest demanded that I repay the remainder of the loan within a few months if I could not show servicing of the loan.

BankWest had changed the agreed terms from August 2010 and during the meeting, BankWest were very intimidating and acted like bullies.

BankWest made it clear that if I could not show servicing that they would take appropriate action to recoup its monies, force me to sell my farm and/or increase the interest rate that it was charging.

I provided BankWest with options such as allowing me extra time to sell other properties or pay one years interest up front but BankWest were not interested and declined all offers I put to them.

BankWest clearly said to me that they wanted me to prove servicing and they would not accept asset sales to reduce the loan and thus were not prepared to give me more time for asset sales.

When I provided BankWest with my financials in or around November 2010 BankWest representatives rejected them at first. I had to return the next day and forced them to accept my financials which were lengthy documents.

The next day I received a message from BankWest saying that the financials were not strong enough and they did not show capacity to service the loan. I found it strange that they had analysed the financials so quickly and I was of the view (advice from my accountant) that I could service the loan. BankWest declined to comment on how they took this view.

A short while later I started receiving legal correspondence from lawyers of BankWest threatening that they would begin legal action against me if I did not repay the loan in full or sign a new 'letter of offer'. The terms of the letter of offer were simply not feasible and acceptable to me so I declined.

During the next six months between from January 2011 onwards my interest rate went up from a fixed rate of 7.55% to 10.06%. I also was subjected to a lot of intimidation and threatening tactics by BankWest and its lawyers.

BankWest kept insisting that I sign new 'letters of offer' which I declined at each occasion as they were simply unacceptable terms and conditions.

I was so gravely concerned by BankWest and its bullying type behaviour that in or around early 2011 I lodged a complaint with the Financial Ombudsman against BankWest (case No: 227588). This matter is still being investigated by the Financial Ombudsman but it has given me more time and refuge from BankWest's threats and intimidating actions.

Since reporting BankWest to the Financial Ombudsman I have managed to sell more properties and reduce my loan from 1.5 million to a current balance of \$630,000. BankWest still has the same securities and I believe the LVR is now about 5 to 10% at most.

However, BankWest have continued to charge me 10.06% which I believe is too high and against our original agreed fixed rate of 7.55%.

I found BankWest were not considerate and acted in a manner or engaged in conduct that was intimidating, threatening and bullying type behaviour towards me. I got the impression that I was being singled out and they desperately did not want me to be their client any longer. I thought that BankWest were taking desperate measures to have me out, especially when they directed my account to their credit department and were using legal services to contact me.

BankWest actions has had a profound impact on me personally, on my partner and my two little boys. I believe the financial stress that I went through in dealing with BankWest largely contributed to my separation with my partner and the break up of my family.

BankWest had plenty of security and I never breached my LVR.

BankWest did not want to provide me with time to sell down assets to repay my loan which forced me to seek refuge with the Financial Ombudsman.

However, BankWest took the view that it did not want me as a client any longer. I now understand that I was not an isolated case and that BankWest acted in this manner with many of its other property clients.

Yours Faithfully,