

Economics References Committee

P.O.Box 6100

Parliament House

Canberra. ACT.2600.

16.6.2012.

Dear Senators

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

**Regarding: Caloona Stud Pty Ltd.**

Please find below a brief outline of how our family business was treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC.

1. In 2008 our family business, Caloona Stud, was granted a loan of approximately \$1.7million. This business was actively pursued by Bank west. The loan was to enable the purchase of a Management Rights in Alexandra Headland Queensland, which was in the process of being constructed.
2. To secure the loan we mortgaged a Motel in South Western NSW, and three residential properties as well as the management rights.
3. The Bank (Bank west), required us to sell the motel and the residential properties in due course, which we proceeded to do. Two of the residential properties were sold and the proceeds went to the Bank. The other properties were actively marketed, these being our family home and the Motel.
4. Our relationship with the Bank for the first 12 months was amicable, they were kept up to date with our business plan. We supplied the necessary figures required and it was indicated that they were happy with the course we were taking. Both businesses were running at a profit.
5. The motel was valued by a Bank appointed valuer at \$1.1 million.
6. As an act of good faith and to lower the Banks risk we were offered privately \$800,000 for the Motel, we put this offer to the Bank as they owned the mortgage and we were not in control of the sale. They refused to accept this price and said they would hold the mortgage.
7. To lower the Banks risk and to make the Bank feel at ease we appointed managers to run the Motel in South Western NSW, engaged family to manage the Management Rights in Qld and the principles of Caloona Stud accepted a position managing and establishing a new Motel in Central Queensland with a payment of \$524,000 per annum with a 3 year contract.

8. During this period a payment was never missed and always made on time. The contract of our employment to establish and subsequently manage a new Motel was sent to the Bank. The Bank at a later stage denied ever receiving this contract, but after a heated conversation, a Bank staff member sent an e-mail saying the contract had in fact been received.

9. The Bank defaulted us with a paper default. The Bank then commenced charging us default interest which we defended –as previously mentioned we had never missed a payment or been late with repayments.

10. We were very concerned and after numerous phone calls to the Maroochydore Branch failed, we agreed to meet with what the Bank told us was their accountant. Bruce Hathaway attended this meeting with an ex-employee of Bank west and as advised a “Bank accountant”. Our accountant had already done our accounts; the “Bank accountant” said that if Bruce gave him \$30,000 he would do our accounts again. Bruce replied that the accounts had already been done by our company accountant. When Bruce refused to agree to pay the \$30,000 the “Bank Accountant” said “well I will accept \$10,000”.

We later discovered that this particular “Bank Accountant” was a Director or principle of PPB.

11. The Management Rights, The Motel ,our assets and bank accounts were frozen and Receivers – PPB took charge of properties on 16 June 2010.

12. We sought legal advice and as a result we offered the Bank the Management Rights and the Motel in S.W. NSW to clear our debt. This offer was refused. We then also offered the family residence, this was also refused.

13. We were mindful that the position in Central Qld (\$524,000 pa-3 year contract) was conditional that no Bankruptcy or receivership be incurred by the Directors of Caloona Stud during the 3 year contract or the contract would be null and void. The contract for our employment in Central Qld was declared null and void as a result of PPB taking receivership of our properties.

14. We have had no correspondence or phone calls from the Bank or the receivers-PPB since.

15 The properties have subsequently been sold; to this day we have had no notification from the Bank or PPB. WE have heard via informal sources that the properties have been sold for approximately half of their market value.

16. At no stage during this contractual period with the Bank was the Bank ever at risk of not being repaid. This is because we had assets, a high paying position (\$524,000 p.a) and savings. It seems to us that the Bank could not see the trees for the forest or they had an ulterior motive.

17. We were a very strong cohesive family business (mum, dad and the kids) we all worked hard together for the “Australian Dream” and through no fault of our own this has been taken from us.

18. We are currently living in rented accommodation and are struggling to survive.

In conclusion we wish to say that Unhappy Banking has helped us to regain confidence, direction and some hope that there is an avenue to try to seek recompense for the injustice done to us.

We applaud Geoff Shannons courage and perseverance as he has enabled us to network with others who are in a similar situation to ourselves, we have always known that what has happened to our business was not "our fault"

We ask for a response from this submission.

Bruce and Linda Hathaway( Caloona Stud Pty Ltd)