# SUBMISSION TO PARLIAMENTARY ENQUIRY
# STORM FINANCIAL

I have been married for 3 years to my present wife. I am currently a self-employed part time maintenance/gardener and am on a part disability payment from DVA. I currently am on anti-depressants and painkillers so that I can work, and my wife has reapplied for a disability pension, which she had before we married, and due to our financial position we have to rely on welfare. We were working towards being self-funded retirees. My wife has also suffered a number of health issues, from the stress of the mishandling of our investments.

I am a Vietnam veteran and on return in 1968, I worked in the computer management side of a large oil company, finishing up as a Computer Operations Executive. In 1982 I moved to Magnetic Island, and bought a business in partnership, then in 1985 I sold that business, and bought a small car rental business, which I built up to 40 cars before selling it in 1996. After that I worked for other businesses for 5 years, and for the last 7 years I have run my own part-time maintenance/ gardening business.

I met Emmanuel Cassimatis when he was an MLC agent, and I had an MLC home insurance policy. I started an MLC Superannuation fund with him, and later he advised me to look at investing in share market in an index fund. I started in 1994 with $125,000 invested in an MLC share index fund, which was proceeds from a half share in the sale of an investment property in Sydney, and a $50,000 loan from CBA. At the time I was advised

In 1996 I sold the car rental business, paid out my ex-wife for her share of the family home, then invested a further $360,000 with MLC, by borrowing a further $70,000from CBA, and a Margin loan of $352,000 from ANZ Margin Lending. After 2 or 3 years this was changed to Colonial Margin Lending.

Various steps were done in the intervening years to increase the portfolio and of course the borrowings of the Margin Loan. In 2001 I was advised to close my MLC Superannuation Fund of $77,171.97 and a further superannuation policy in 2002 of $38,321.51 and invest them in the share index funds. I felt uncomfortable with cashing in these funds, but they told me that the reason to do this was so that I could borrow against them.

In hindsight this appears to be a bad idea, as I have never been advised to put anything into super, even when I argued that other advisors were recommending clients to put amounts into super, because of the tax concessions and other benefits, that the government has introduced in more recent years. I see now that this was a way of Storm maximizing their income with more up front fees and ongoing commissions, most likely to my detriment. I know of good financial planners who have not told clients to convert their super, in fact encouraging them to put more into super.

They advised me I could retire at any time with what I had invested, in fact they told me that I could draw an income of $70,000 per year for the rest of my life, provided I took their advice. They used this "carrot ", when I asked why not put some money into super. Why is there not some requirement to have mandatory superannuation until you reach age 65 or cease all work, to stop it being accessed by unscrupulous financial investors? Perhaps a portion should always remain in superannuation.

On 1st October 2007 the CGI Margin Loan was $1,182,410, the CBA Investment Loan on the house was $288,722 and the value of share fund portfolio was $2,290,117. This gave me $813,585 net in shares and I owned my home.

In June 2008, I called a meeting with Storm and gave them the news I was retiring at the end of 2008. I had been going to retire two years earlier, but decided to work a little longer, as I had just remarried and I wanted to build up a bit more for our retirement. At this meeting I told my Planner, Ms Carey Fraser that with the potential for a recession looming, and my retirement imminent, that I take the house out of the equation, by paying it off. I was pressured not to do this, and actually advised to borrow another $79,277.00, and this advice on a falling market. This step needed approval from Mr. Cassimatis before my planner could proceed.

I never felt comfortable with this and when the market started to drop in October 2008, I asked Storm via Email to Ms Carey Fraser on the 21st October to save the house. I also asked previously in a phone call on or about the 11th October. On both occasions I was assured that not only was my house safe, but my investments were safe also. When I said I was not happy with this, Ms Fraser referred my concerns to Mr. Cassimatis. In reply to one of these and I cannot remember which one, was a one hour phone call from Emmanuel Cassimatis, telling me not to worry, and that Storm would do all the worrying for me.

On the 17th November I received an Email from Ms Carey Fraser informing me that Colonial Margin Lending had advised Storm that I had a $20,000 margin call. I went to Storm's Townsville office, and queried whether this payment would be putting good money after bad, so would it be better to sellout at this stage. I was told that I should sign over the $20,000 and another document to sign over a further $20,000 if it was required. I did this and found later that the whole $40,000 was paid to CML on 20th November. This was obviously inadequate as subsequent figures show. Who should have issued the sell or margin call orders?

As they say the rest is history, and I found my portfolio sold, with a $58,514 margin loan owing after the sale, and a $368,000 Investment Loan from the CBA against our home.

In Early December, I received a number of calls and Emails from Mr. Nicholas Oslear of CML and with $58,514 still owing, he suggested I ask for a refund on the interest paid in advance on the Margin Loan. This refund was $74,611, but attracted a departure fee of $32,175 so the refund was $42,436. I was forced into doing so as I had no other way of paying it. They also suggested I use $6,226 interest that had accumulated in the account where the sold shares income was lodged. This meant I still owed $9,880 on my Margin Loan, which is still accruing interest.

I requested copies of my loan documents from the CBA. One loan application which I received from the CBA, was one which I had not signed, and I do not recall ever sighting it, prior to receipt from the CBA in February 2009.This application had a number of discrepancies. A margin loan for $594,800 showed a monthly interest payment of $1. My monthly income was shown as $2,295 and the monthly repayments as $3,348.

When my shares were being sold, and the proceeds were being paid in to my CBA Accelerator account, they took from 3 days to 18 days to be lodged in that account. This was far too long.

The first time when I was aware I had a 90% margin call was during October 2008, and I was not told when it changed.  I thought I was on 80% or 85%. I do not know when the 90% was applied. However my average sell down was over 106% negative equity. This was the average, so the last sales were higher than that.

. This was obviously far too inadequate as subsequent figures show. Who had to make the margin calls and who had to issue sell orders, Storm or the CBA. They were neither timely nor adequate.

While the market was dropping, and I decided I wanted protect my house, by cashing in the value of investments to cover my two investment loans against the house. Storm was not doing what I wanted and was hard to contact, so I rang the FPA (Financial Planning Association) and asked if they could intervene, and they said there was no problem with Storm, and to talk direct to Storm. This was what I was doing and getting nowhere. I also asked if my planner Ms Carey Fraser was a member of the FPA and they would not disclose that to me. Storm had a sign at the front of their building saying that they were a member of the FPA. This was a red herring as although the company was a member, less than 8% of employees were members, as I understand.

Storm appears to have had inadequate indemnity insurance to cover against bad advice, and with a major financial event or a problem with the company, the amount of insurance would not cover any potential claims made against Storm. There needs to be a requirement to have adequate indemnity insurance to safeguard investors. I believe the figure was about $20 million, a mere drop in the ocean in comparison to the losses sustained

The obvious relationship between Storm and the CBA was of benefit to both companies, and in that time the CBA got about $106,000 in investment loan interest, CGI got $621,033.95 in margin loan interest from me, and Storm charged me fees in excess of $79,694.

My current financial situation: - Owe CBA approx $280,000 on one investment loan
Owe CBA approx $80,000 on a second investment loan
Owe CGI approx $10,200 outstanding from Margin Loan
Have approx $6000 in bank accounts
Have AXA life policy surrender value approx $15,500

Working about 20 hours per week bringing in approx $500 per week
Have a DVA disability allowance of $320 per Fortnight
Thus I have an income of about $2640 per month

Previously I had managed to cut my hours to about 16-18 per week, but now have had to increase them to survive.

I would welcome the opportunity to appear should you wish to call me.

Terms of reference. Points to be made.

The role of financial advisors in my case was one of maximizing their commissions and fees, and not listening to concerns that I raised. They also seemed to have no differentiation of product with regard to age, income and employment situation, purely relying on the investment to provide all interest payments in addition to income or supplementary income. They made promises, which were not documented, purely because they could not be sustained.

My fears about a recession proved correct, but with Storm not willing to listen to my concerns and Mr. Cassimatis setting himself up as some sort of world authority on all things financial, my wishes were dismissed. A look at restructuring of fees paid to planners is required.

The responsibility of who should make margin calls or sell downs, the lender or the planner, should be set out and made clear to all parties involved.

The professional indemnity insurance is inadequate, and a much higher requirement or a different method of protection for investors be implemented.

The toothless tiger, the Financial Planning Association, whose logo can be displayed on the front of a building with the company a member, but not one Financial Planner need be a member. Also the Association should make available to the public a list of all FPA planners.

The role of banks and planners and the funds they recommend, and if there is a conflict of interest in the products recommended.

The role of planners in a company, where they disagree with management or the principal on selling a product to a client, the planner should have a course they can take to make their concerns known, without jeopardizing their job.

The role played by the banks in accepting what was blatant lying on loan documents, and the role of Storm really being an agent of the bank, if they accepted all data on loan applications without question. False data should be treated as fraud. The banks have a lot to answer for by accepting these false lo-doc applications.