

Paul and Jill Dixon

Submission to the Parliamentary Inquiry

Committee Secretary,
Parliamentary Joint Committee on Corporations and Financial Services

Inappropriate Advice:

We became clients of Storm, then known as Cassimatis Securities, in 1997. At that time we had just finished paying off our home which gave us a monthly amount to invest. We attended workshops and consulted with a Storm advisor who recommended we borrow against our home and take out a margin loan. We did not realise that we were actually mortgaging the home and we didn't understand the concept of the Margin Loan, or that every time we "took the next step" we were actually increasing the size of our margin loan. Any fears we expressed regarding the amount of debt were allayed with the information that it was a 'Clayton's Debt' (pages 18 & 21 of our Statement of Advice November 4, 1997) and all borrowings would be serviced by our monthly contribution. Borrowing to invest was explained as merely paying for the use of someone else's money.

Risk:

We were told there was a certain amount of risk but since our portfolio was set up with 'buffer zones' there would always be enough in reserve to cover any contingency, including a margin call. Now we realize these "buffer zones" didn't exist as at no time did we have enough in reserve to pay our Margin Call.

Fees:

We were told there would be a "one off fee" to Cassimatis Securities (Storm), but the ongoing Commissions, although disclosed in our Statement of Advice, were not explained. When we submitted a Proof of Debt to Worrells, we were horrified to discover we had paid \$100,000 in commissions and fees over 10 years.

Insurance:

We were told at the initial information nights that the company had insurance to cover any likelihood of clients losing their investments through incorrect advice. We now know that the insurance cover was totally inadequate.

In late 2003 our advisor encouraged my husband to retire early and add his super to the portfolio even though he would pay a large amount of tax — the extra shares we could purchase would quickly make up for it. He retired in August 2004, and having added his superannuation to the portfolio, our total income was generated by our investments. From this we received a fortnightly living allowance and serviced our investment home loan and margin loans. In late 2007 we were advised to look at re-mortgaging our home. Our home investment loan at that time was through Westpac who had previously refused to increase our mortgage due to the fact we had no income other than from shares. Commonwealth Bank of Australia had no such qualms (or so we thought) they were only too happy to offer us a \$400,000 investment loan. In February 2009 when CBA finally sent us a copy of our loan application (less two pages they didn't want us to see) we

noted our income (not from shares) listed as about \$80,000 per annum. Our home was also listed as an investment property when in fact it was our sole residence.

When the share market kept falling we were reassured by Storm that there was nothing to worry about but in early October 2009 we were asked to sign forms to convert our remaining shares to cash. According to letters we received the withdrawals were effective 22 and 23 October, we breathed a sigh of relief, thinking we were safe. Then on December 8th we received a phone call from Colonial Geared Investments telling us we were in margin call on both Margin Loans and we needed to pay more than \$100,000 immediately. Our Storm adviser had nothing to say except 'sorry' and just do whatever CGI recommends.

When CGI called again it was to say the loans were to be broken and an email was sent to us detailing our position after breaking the loans. There was a shortfall of more than \$60,000 made up mainly of break fees (\$38,686) which they failed to mention when they suggested breaking the loans. If they chose to break them why did we have to pay for it? With no way of meeting any of these commitments we were at the mercy of bank officials, who seemed completely lacking in compassion, demanding payment. Meanwhile our letters to executives of CBA and CGI requesting information regarding our accounts were completely ignored and our initial request for a copy of our mortgage application was refused.

The CBA manager at our local branch was at least sympathetic regarding our inability to pay our mortgage but any attempts he made to help us were sabotaged by someone further up the corporate ladder.

Until Storm Investors consumer Action Group (SICAG) was formed, there were a great many people in deep distress not knowing what to do or who to turn to. Only when SICAG brought all this to the attention of the media did anyone at CBA decide to take action. We have a drawer full of CBA business cards from officials of the bank who wanted to help us, it seemed that suddenly there were a lot of fingers in the pie — helping or covering up?

We were once self-funded retirees prepared to pay tax for the rest of our lives but now we are solely reliant on Centrelink benefits.

Nothing can compensate us for the grief and anguish that we and so many others have suffered in the last six months, but full restitution by CBA and CGI would go a long way towards giving us back a semblance of our former lives. As for Storm, and all those involved at CBA and CGI, obviously we would like to see them investigated to the full extent of the law.

Stricter government regulations and controls need to be instituted to ensure this never happens again. After all, a great many of us now lining up for the dole or pension would have been self funded retirees, adding to the Government coffers rather than being a drain on them as we now are.