PARLIAMENTARY SUBMISSION

We both worked throughout our adult lives and raised two children; Irene gave up work in 1993 due to major health problems from osteoarthritis and Frank worked for Queensland Rail. We were in our 50s when we were introduced to Storm and had no debts except for a small mortgage. Friends referred us to Cassimatis Securities in 1997 and we attended introductory seminars run by Emmanuel Cassimatis.

We had no knowledge of how to invest in the share market and told Stuart Drummond, our prospective adviser, that we only wanted a low risk approach to any investment. Stuart said there would be no risk because they had trigger points to protect our investments. We were attracted by the opportunity to not be dependent upon the government pension and to fund our own retirement. We were told by our adviser Stuart and the Cassimatises, "Don't worry, we'll do the worrying for you." We were reassured by their approach and even though their fees seemed high they told us that we were getting value for money and they would closely monitor our portfolio. We were informed that Stuart was highly qualified and the company was monitored by ASIC; and that they were members of the FPA. It all sounded so good and we kept informed with reviews with Stuart, and by attending all investor updates over the years.

Our first investment was January 1998. Stuart arranged for us to mortgage our home and get an investment loan through Westpac; we never met a bank manager. In July 2008 we were transferred to Commonwealth Bank "as they could give us a better deal"- (to our surprise we had nil income and we got an increased home loan); and again didn't see anyone from the CBA Bank. Our investments remained with Colonial. We also had a margin loan. During this time we also invested funds from an accident compensation and we were asked to take more equity out of our home – in other words larger and larger mortgages. We did other step ups throughout the years and when Frank retired in 2005, Stuart had us put all his payouts and superannuation into the share market.

When the market dropped in 2008, we were not greatly concerned as over the years Storm had previously sold down shares and then reinvested for us. This was explained as the way to safeguard our portfolio. To our shock, in October 2008 we were sent letters - first to authorise selling down the portfolio at 50% and then 100%. We were sold out by late November. Eventually we made contact with Stuart who had avoided talking to us; after we phoned a few times he finally phoned us and stated that he could not give us any advice. At one time we told Stuart we were worried as he had told us that our home would never be at risk and in an off-handed manner he commented that we should be too as we could most likely loose our home. He did not seem to care about that or us and he did not demonstrate any care or any empathy for us or our situation.

We are left owing hundreds of thousands of dollars and Colonial kept phoning and demanding that we pay the margin loan off. We told them to contact our financial Advisor. We paid the bulk off with cash, and some by cashing in our prepaid interest. Now we still owe a huge mortgage and part of the margin loan. Our situation is that, Frank is on a carers pension and Irene is on a disability pension and we have a meagre existence. Income is not sufficient to pay the mortgage and we have qualified for hardship consideration with CBA.
The effect on us has been major as we also got our adult children and friends to join Storm, leaving us feeling guilty We are totally devastated and traumatised as we trusted Storm and the Banks, and we are still in shock at the situation we are now in. We cannot now afford the health insurance Irene requires to facilitate necessary surgery in a timely manner; with her disabilities, and this is an ongoing issue even after five surgeries.

Both Storm and the banks should be held responsible and there should be compensation for client losses, as we were lied to and deceived and the banks knew the product was flawed.

TERMS OF REFERENCE

1. role of financial advisers - they should be registered and have to demonstrate they have appropriate qualifications.
2. Should be required to act in clients interests.
3. General regulatory environment.
4. Role played by commissions - Storm sold a product – they did not give us low risk, reasonable advice.
5. Licensing – banks should be required to check details with clients and not just go through an adviser.
6. Appropriateness of information – statements of advice should be short and understandable not like the Storm one which was too long and confusing and probably meant to be so.
7. Consumer education – Storm seminars and investor updates were more brainwashing than education.
8. Professional indemnity insurance – needs to be adequate to cover the volume of business they are handling.
9. Need for legislative or regulatory change – better regulation needs to be present for advisers and the banks who lent without checking investors details and ability to repay.

Frank and Irene McGuirk