

Summary of our Submission

We were Storm Financial clients for over fourteen years. We invested everything we had, including a working life time of Superannuation, so we could be self funded retirees when we finished our working life.

And now after eighty five years of combined working life, we have nothing. We do not understand what has happened to our money, how it happened, or why it happened. We need to know how accredited financial advisers are allowed to so badly advise their clients that they end up with no financial security whatsoever, and that the Commonwealth bank is allowed to aid them in this endeavour helping to take all we have. The Commonwealth Bank is the only one who has profited from our hard work and savings. After so many Australians have suffered from so many investment collapses in the past, we wrongly assumed our Government had done something to protect hard working Australians in their investments with Government approved advisers. Why is this being allowed to continually happen? With so many regulations for the smallest of things in this country, how can this still be happening?

Please give us some answers.

/1 SUBMISSION

We have never done a submission before, so please excuse us if this format is not totally correct. Before we can tell you our Storm Financial story, we just have to let you know that we are not able to be exact with all our information, as all our Storm Financial paperwork is in storage in Toowoomba Qld, and as Graeme works on an outback cattle station in the Gulf of Carpentaria and Susan is working in Ceduna in South Australia, it has been impossible for us to check all of our history with Storm. So the following is our story from memory and of course the more recent facts are just that, facts.

In 1994, as we had reasonably well paying jobs and a good standard of living, we thought we should really get into saving for our old age, so we could be self funded retirees. We realised our Superannuations would not be enough to cover that, and so decided to do some compulsory saving by investing.

We had no assets at all, as we both had lived on cattle stations for most of our working lives, and as a manager Graeme was supplied with a vehicle, home and most of our living expenses were covered. So we knew we should be saving more than we were. We had never before been to any sort of Financial adviser. Graeme was 51 and Susan 38.

We knew BF our Storm Financial adviser, through Graeme's many years of friendship with her family. So we went to one of Storm's (It was just Cassimatis Securities then and later changed to OZDAQ, before finally becoming Storm) investor information evenings, where Emmanuel Cassimatis spoke for quite a few hours telling us how history showed that long term, investing in the stock market was the best investment option. Then investing in the blue chip shares was obviously the safest part of the share market to put money in, thus he recommended we get into buying units in index funds which tracked the All Ordinaries, which he demonstrated to us, historically, always bounced back after a fall, to higher than it was before.. He explained how the rich get richer, by using borrowed money and just paying back the interest. There was much more as well, but these are the parts we remember and the idea suited us, as we had both heard bad stories from friends and relatives who had invested in property, and we just wanted a long term investment, so that when we wanted

to quit working, (hopefully not for many years,) we could be self funded retirees.

The morning after the investor information evening, we returned to the office and had a meeting with one of the advisers, we can't really remember who it was, but we do know B was our adviser from the start, if not from that very first meeting. From this initial meeting a proposal was drawn up. As we had no assets we were advised to get a personal loan from our local NAB in Cloncurry for \$30,000, as that is all they would stand us for, as we had no collateral, and with that a \$60,000 margin loan was obtained for us by Storm (shall call them that even though that name came later), and so we had \$90,000 to start our investment in index funds. We paid either \$1500 or \$2000 a month (we don't remember which) to service all this. This all suited us fine, as were saving, investing and Storm assured us they had put in place lots of wonderful safety nets, thus ensuring us that our investment would always be safe. Storm organised new life insurance policies for each of us, to protect us in the event of one dying or becoming incapacitated, (we each already had at least one of these taken out earlier in our lives), and they also set up for us an account with the Macquarie bank that was to have cash deposited in it, and this was our "Dam", for emergencies. Because Susan was only in her late thirties at the time, she was asked to set up another superannuation account with Storm's nominated company. We can not remember why this was done, as she already had her own personal super into which she paid \$1500 a year and had done so since she was thirty. Both of us also had company super funds with the company we worked for. We told them EVERYTHING about our finances, budget, spending, saving, goals, wants, and they also knew of all our insurances, supers and any other sundry monies we had. We now assume Storm made quite a bit of money from us taking out these new policies, which now seemed totally unnecessary, as we had had our own adequate ones before then. They used these life insurance policies that we each had taken out when we were much younger, as collateral against our margin loans plus some incidental shares we had accumulated when our insurance companies had demutualised. We only now (March 2009) find out all this collateral was actually signed over to Colonial, and that all this time we have never actually owned it, they have. We were never told this would happen and we are now shocked to find out that we now have to have it transferred back to our ownership, which is taking some time and much hassle. Seems that them getting hold of it in the first place was so easy we didn't even notice it had happened. But us getting back what is rightfully ours, is so difficult with many phone calls, emails and documents to sign. As both of us have to sign, this takes some time.

/2

Before we signed anything with Storm, we checked their credentials assuring ourselves they were safe to invest with as they were members of the Financial Planning Association of Australia, and were approved by ASIC. To this day, we still do not know what more we could have done to ensure our savings were safe.

B became our adviser basically from the start, and we trusted her implicitly. Generally, each year we would travel to Townsville, for an update on our investment with her, and more often than not, at this time, we were asked to sign paperwork increasing the size of our margin loan. Never in the nearly 15 years we were with Storm did we ever feel we were being duped, or given bad advice. Admittedly, we realised we knew nothing of investing, and that is why

we had gone to an accredited investment adviser for advice. We go to a mechanic when our car plays up, a lawyer when we are seeking legal advice, etc. One goes to the person with the correct bit of paper when wanting advice about stuff one knows nothing about. At the end of 2001, upon B's advice, Graeme retired from his job with the company he had been with for 45 years, so that we could access his Superannuation. We chose to set ourselves up in a fifth wheeler and vehicle to pull it, and the rest we invested with Storm, on B's say so. This was well over 350,000 dollars. We were assured with this extra input into our investment, we would now have enough to keep the whole investment looking after itself, until we chose to draw on it later in life.

B always explained each step of our investment in such a way that we thought we understood, and we felt very confident, that when we reached our old age, we would not be a burden on this country's welfare system. We had a very positive and friendly relationship with all we met at Storm, and often saw Manny and Julie. We socialised with them at B's wedding, and we really felt like part of a big friendly group that would look after our finances properly. We understood they made money each time we added to our investment, but we were never aware that it was anywhere near 7%. In fact if anyone had have asked us, we would have said it was a percentage of 1%.

We look back now and know we were probably remiss in not questioning more closely all that was done and all fees paid by us. We did question everything that was done and always discussed with B all that she recommended we do. Now, we know we did not ask the right questions, and though we checked most of what we signed, we never really understood it all and so just trusted these professionals. At the time we had no idea all was not above board and correct. We trusted these people implicitly and never had an ounce of worry about our investment. Even when our investment went down when the market dropped, we felt very safe, as it had been explained to us that we were always going to be kept at a safe ratio against our margin loan, so that we would have plenty of time to fix things if the market dropped too much. When it did drop, we were encouraged to up our investment, as they had taught us to buy when the market is low.

We have lately been accused of "putting all our eggs in one basket", but we understood that by investing in index funds, we were covered by all facets of the markets, so that if Industrials dropped, the technology and resources sectors would keep us propped up. We felt we had a diversified investment, as we were not interested in property, and investing across all sectors of the stock market, made us feel safe. We were constantly reassured we were safe and at no risk, by those at Storm. Since 1994 we have followed the share market with interest, knowing that all rises and falls were affecting our investment and we were happy and felt safe knowing our savings were being invested wisely and without risk. We still felt this way right up until late January, early February this year. It was not until then that we truly realised the real state of our investments.- we had nothing left. Graeme is now 65 and Susan 52. Retirement is now out of the question.

After reading of the collapse of different companies and its effect on clients, in late October 2008, when Susan saw B in Townsville, she remembers asking her, just what would happen to all our investments if Storm were to collapse. B assured her that we would be safe, as our investments were in index funds that were attached to the All Ordinaries and really had very little to do with Storm. So while the all ords survived we would be okay. Now, in April 2009, we can see just how naïve we were then, and with what we have

now learned, we should have known that was just not true. But then we both believed everything we were told at Storm. We questioned everything, but we believed the replies, as we did not know better. It seems now, that we should have gone to another investment adviser to ascertain all Storm told us was true, and then even another, to ensure we were getting correct advice. But isn't this an unreal situation to have to continually check up on all that one is told by a professional. Surely that is not what has to happen in this country to ensure safe investing.

/3

In October 2008, Susan was living in Richmond Queensland, about 500kms from Townsville, and B had agreed to see her on one of her visits from Sydney to Townsville, to explain the current world economic situation, and to get her signature on bank accounts. Her diary entry for Thursday October 30th 2008, reads in part, "to Storm Financial. B told me all about economic downturn etc and I signed docs to transfer money and cash a/c if necessary. Left there 4pm". Susan understood from this meeting that she signed this documentation so that if it became necessary, our index funds could be sold up and the cash put into a special cash account, where it was guaranteed by the Government, and once the market became more stable, this cash would be used to buy back into the fund. Graeme had signed his documents previously by mail, and the reason we understood we were doing this was that as we both lived in isolated situations, it would take too long for us to get the correct documentation notarised in the event it ever became necessary. As we trusted B, and all at Storm, we had no compunctions in signing in advance for things that may become necessary at a later date.

Graeme saw B in Sydney in mid November, and again she explained to him the economic downturn, but absolutely nothing was mentioned about any problems with our investments. The next communication from Storm about this matter, came with an email to Susan on the 10th December 2008, from B. It is quoted here, exactly as it was received. "Good morning Su a few words to keep in contact with you. From our last meeting, nothing greatly has changed with the world situation and hence no major changes with your file. If you have a free moment, I would like to update you on the latest with Colonial Margin lending. Can you please email me when it's a good time for me to ring you on your mobile. Kind Regards

B..... F.....

Storm Financial Limited"

As you can see no mention on ANY changes with our investments. We have since found out that by that date, all our index fund investment had been sold up, our margin loans paid out and we had virtually nothing left. Yet here is our financial adviser telling us there has been no changes.!!! So you can see why we were totally unprepared for all we found out much later. We had no idea all this had been done to our investment, without one word to us. We still do not understand how, (even though we had signed the paperwork for our index funds to be sold up and the money deposited into new accounts,)

1/ we were not notified that this had happened.

2/ none of that money ever appeared in these two new Commonwealth Bank accelerator accounts, (the only money ever appearing on aca statements only show one deposit and that was the bit left over after we lost everything),

3/ Colonial Margin Investments could call our margin loans without some advice to us.

4/ Colonial Margin Investments could sell all our investments without contacting us at all

5/ Colonial Margin Investments could not make a 30cent phone call to us to check if we could pay into our loan, thus alleviating any need to call it in. We had, after all, paid them nearly \$350,000 in interest since Storm had first had us use them in 1997. How can the Commonwealth Bank be the only one who has profited from all this, and have lost nothing?

6/ this could all be done during November, but we did not find out about it until February.

/4

7/ our investment advisers, whom we had trusted for over 14 years, could let this happen, without a word to us to warn us or advise us how to help ourselves.

8/ our accredited financial advisers could allow us to get into this position in the first place.

9/ we could pay so much for professional advice for fourteen years, and this advice that we followed always, could leave us with absolutely nothing after all that time.

10/ we can work for 85 years between us, never relying on any government handouts, never asking for anything extra, hardly ever having even a sick day, and be left now totally reliant on having to work until we simply are physically unable to, and then being totally reliant on handouts from welfare. This is not what we worked so hard for.

Our lives have changed completely. Before January this year we did our work and any spare time was spent doing as we wanted to. Now we still have to work, and aware that we now have to work harder, longer and cherish the job we have, forever, but any spare time we have now, is spent on phone calls, writing letters, writing and receiving emails, looking up documents, trying to make some sense of those documents we have, and feeling totally let down by the whole system. Feeling frustrated that we cannot afford to get to our old documents to go through them, and as there are 14years worth, that will take some time, when we do get the chance to do it. Having to lay our life bare by writing this submission for the world to read, knowing that if anything comes of it, it will take years and we will never see our savings again. Having to live with the knowledge that family and friends believed all the initial media reports about the Storm collapse, that made us clients out to be greedy and deserved of our losses. We now have to watch every cent we spend and are now always wondering whether it is even worth living once we can't work any more, as our quality of life will not be as we had planned and invested for. All the totally foreign feelings we experience every day and will do so forever, wondering incessantly, where we went wrong. What could we have done differently? What should we have done differently? And we know that there are no answers. That leads to even more frustration.

We now sleep less and sleep less soundly, worrying about what is going to happen to us and what we could have done to prevent this from happening. The frustrating part is that we can think of nothing we could have done to prevent all this, as we were kept completely in the dark, and given no opportunity to fix anything. Surely this can't be right. Susan spends many hours crying and

getting angry as we feel we have been completely and utterly conned by the banks and by Storm. We no longer trust any financial advisers and find it frustrating to now have to try to save money without being able to rely on someone for advice. We can never trust an adviser again, as they all have the same pieces of paper that Storm had, they all give the same assurances and they all say we can trust them. But how can we? We totally trusted Storm for fourteen years, and they had all the bits of paper and no one ever warned us that we were in dangerous investment territory. We now hear that ASIC had some complaints about Storm years before, and yet we were never given any hint that not all was as it should be. We feel totally let down by Governments who have so much red tape in place in so much of our every day life, that we thought nothing like this could ever happen again. How can we ever trust a Bank again when Australia's largest bank that used to be Government owned, can take \$350,000 in interest from us over eleven years, but fail to make one 30 cent phone call to let us know we were in trouble and did we want to try and fix things. How can we be such pawns in big business that we can just have all our life's work taken from us, with no notification nor permission. Why were we not protected in some way? Why were we not given a chance to fix the problem? Why does this sort of thing keep happening in this country and each time consumers are given assurances that the bad eggs have been gotten rid of and it is okay now to put your money out there again. At our ages we have seen it happen again and again. We really thought we were safe. We had no idea we were at risk.

Hopefully this Senate enquiry will find the answers to these questions, let us know the answers, and ensure that nothing like this EVER happens again. We Australians don't want to be overprotected, but we all know how hard it is to get the authority to set up professional businesses in this country. Thus we would expect that those conducting professional services, and especially when they charge so much for doing such, are by law to meet a certain standard for their customers. The lay person must be protected when they pay for a service. Banks also have to return to the time when the customer was an important and respected commodity. Susan used to work for the Commonwealth Bank back in the 70's and at the time weekly staff

/5

training sessions, the big push was that the customer was the most important entity the bank had and so was to be treated with great respect and care. Since demutualisation of the banks, this has changed to what we have today where all banks care about is making as much as possible, as quickly as possible, and not caring who gets hurt doing that. Duty of care seems non-existent and the customer is no longer important, just there to rip off as much as possible. Bankers are no longer respected by society and isn't it sad that they have gone so far down in society's thinking. Greed is such a horrible thing and when it comes at such human cost, it is outrageous that it can cause such hardship for the innocent who are just trying to do the right thing. The banks are the only ones to have come out of this whole debacle unscathed. We the customers are left penniless virtually, Storm has collapsed, but the banks are continuing on their merry way, and still making enormous profits and showing no empathy to anyone they tramp on to make these profits. How can this be? How can big business just keep on profiting from the consumer, using them up, but giving nothing back? What sort of Code of Practice do they work under?

Colonial Margin Lending, still have not answered all our questions about what happened with all our money. They talk about not being able to give us some documents because they have other people's names on them as well and that

would be an invasion of privacy. What about us. We need to see and understand what happened to our huge investment, to turn it into practically nothing. We don't know how it was done, why it was done, and on whose authority it was all done. Colonial needs to be investigated. The Commonwealth Bank needs to be investigated. We need answers.

Also, we are very concerned that all our private details are going to be sold off by the liquidators, when they sell Storm's client list. All of our details were given to Storm by us and only to Storm. We do not agree to have them sold off to the highest bidder, and when we contacted the Privacy Commission, again the buck was passed. No one seems to want to get involved and to help. It is as if we are lepers and those in power are too scared to touch us. We just want to get back to living as we used to. We go to work, work hard, earn money, save it, invest it, and when we can't work, we want to be able to use that money to live as we like.

As Storm Financial supposedly had taken out insurance to protect their customers, just why is that insurance not being paid out to us now, without having to hire lawyers and expend thousands of dollars to claim back what was always ours. Isn't that what insurance is supposed to do. Why should we have to get a lawyer to prove that Storm Financial gave us bad and wrong advice, that they failed to honour their contracts to us by not doing as they promised to do, and by finally lying about what had happened. It is obvious and the paper work is there and the evidence is in the fact we now have nothing. Why does society want us to spend money we don't have hiring lawyers to prove what is obvious? The whole system is just not working, when the ordinary lay person, just cannot expect to have a comfortable retirement after working all their life, because of red tape and all that goes with it. We are just so disappointed and feel totally let down by our Government whom we have supported by paying taxes for 85 years of working life, between us. Now we thought we would have something after all that and we have nothing.

We hope that this enquiry too, can change the way professionals operate in this country, using documents that reasonably educated lay people, just cannot understand. Surely it is about time that all documents are written in such a way that they are easy to understand by anyone who has to sign them. If these professionals are so smart, why can't they produce such documents? Is it to keep us consumers in the dark, so we will never really understand what we are signing? This has to be fixed, so we can protect ourselves. After this horrendous experience, we want answers and we want to be able to invest our future savings ourselves, in such a way that we can understand what is happening and we can choose the options we want. We need answers, a knowledge of where we went wrong, and some assurance for the future, though there is little of that left for us. Don't get bogged down in red tape. Find the truth and ensure it never, and we mean never, happens again. We want to be encouraged to work and save in this country. The Storm Financial collapse and what we have found out since, just makes us feel, "what's the use?" Perhaps we would be better off on the dole being a burden on other taxpayers if this is what happens when one is honest, hardworking and trying so hard to help our economy. It is just so frustrating and we really need to understand what happened. We still don't know and we still don't understand how it all worked out, that we could end up with nothing. Please help us.

Graeme and Susan McDonald