

Submission to the Senate Inquiry into Financial Products & Services

23/07/09

Committee Secretary,
Parliamentary Joint Committee
On Corporations & Financial Services
PO Box 6100
Parliament House
Canberra 2600



Dear Sir/Madam

Our names are Garry & Marion Nosworthy former Storm Financial clients and were self funded retirees. With the collapse of Storm Financial I have been forced to return to the workforce to survive. On the advice of doctors my wife has been advised not to return to the workforce. At almost 62 years of age it is very difficult to obtain full time work. We worked hard all our lives and saved a sizeable superannuation so that we could be self funded in retirement and not be a burden on the pension system. Now because of failures on the part of our Regulators, Financial Advisors, Banks and the lack of regulations governing these bodies we will at 65 years of age join the queues for the hand out system. We joined Storm Financial in 1999 and after financial advice by Storm we both retired in 2005. My superannuation was withdrawn and invested with Storm and is now lost. We had a number of margin loans and two Home Investment Loans. The second Home Investment Loan we were advised by Storm to take out in May 2008 as markets were falling.

After the collapse of Storm Financial, upon request, we received copies of our Loan Application Forms from the Commonwealth Bank. We were shocked to read the untrue information that was written on the form by Storm and endorsed by the CBA. The form has a CBA letterhead. There was a fraudulent Term Deposit account, Credit Card statements were ignored so as to lower monthly expenditure, yearly income was overstated. Margin loan repayments were left out of monthly expenditure. Our home was overvalued by approximately \$100,000.00 to increase the size of the loan. No proper valuation was done only a desktop valuation. We never sighted or signed the loan application forms for the first or second Home Investment Loans. There was never any contact between us and the CBA to verify the information. So much for abiding by the Banking Code of Practice and where was the duty of care? This loan was given without any care for the ability to repay, after all if it went bad the bank would get our house. The Bank should be made accountable and full restitution should be made. It would appear there was a very cosy relationship between Storm and the CBA in which deals were made at the expense of the clients. After we retired in 2005 the momentum of Margin Loan applications increased dramatically, plus we were advised to take out loans to prepay our Margin Loan Interest. We were told by our accountant last year there was no advantage in prepaying our interest because we were not working and the only benefactors were

Storm Financial and the CBA. From the Middle of October as markets went into freefall, Storm Advisors went into meltdown and yet we were continually reassured there was nothing to worry about. In November we were told our investment was okay when it was already decimated. Emmanuel Cassimatis told us our personal shares would not be sold when they had already been sold. Our advisor was giving us false figures and did not understand their own figures.. They dismissed home loans as a Claytons debt and did not include the loans in a total LVR which would have indicated at an early stage that our investment was in trouble. We were continually told we were in low risk and they kept on putting us at high risk. Storm owners and advisors should be thoroughly investigated and made to compensate clients for their loss. After all we all paid very expensive fees for a failed product.

Colonial Geared Investments also have a case to answer for this whole mess. Why was our investment allowed to go to 98.53% before it was sold down and to this day never received a margin call? We were told by our financial advisor when joining Storm that if our debt level became larger than 70% that it was very tiring and leaves no margin for error. Volatility can potentially cause negative equity to occur and the problems associated with it and we consider this range dangerous and to be avoided. So what changed? Did greed change the way of thinking? We were told we would be notified by the Bank if we went into Margin Call. Mr John Clothier of CGI believes it was Storm Financials and our fault. He believed it was Storm Financial responsibility to notify us of a Margin Call and yet CGI was able to correspond with us at other times without going through Storm. Mr Clothiers predecessor thought it was the Banks responsibility. So what changed along the way? Were there more backdoor deals going on between CGI and Storm Financial. It would appear that our Margin Call LVR was a moving feast and kept on rising to the point where we were not going to get a Margin Call. Why was the Colonial computer system" Empire" which automatically issued letters to clients advising of Margin Calls switched off for Storm Clients? Who purchased Storm Clients shares after they sold cheaply? Was there insider trading? Were CGI systems capable of managing our Margin Loan Investments adequately? You would certainly have to ask the question when after receiving copies of our Margin Loan documents we received copies of other peoples documentation. Were there enough people to handle our investments in a time of crisis or because Storm Financial and the Commonwealth Bank were at loggerheads, and there was Court action pending, we were pushed aside?

Throughout this whole mess where were the regulations to protect people and where were ASIC the regulators? After all ASIC did give Storm Financial a clean bill of health after numerous complaints? ASIC should also be Investigated for its part or non action. Nothing can compensate us for the grief and anguish that we and others have endured in the past year, hopefully the Parliamentary investigation will get to the bottom of this mess and in some way restore some restitution and ensure that no one in the future will go through this pain and suffering again.

Yours faithfully

Garry and Marion Nosworthy