

29th July, 2009.

Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra, ACT. 2600.

[corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Secretary,

### **Storm Inquiry**

Prior to investing with Storm financial we had no debt. Our cattle property's final payment was made in June, 1994. Since then we had a \$50 000 overdraft on our cheque account to support our business operation. We had limited experience in financial investments in 2005/2006 with a few small direct share trades.

To plan for our retirement in approximately 10 years time we were interested in establishing an 'off farm' investment. After attending a 'Storm Financial Education Session' held at a neighbouring property on 2nd May, 2008 we met with Storm Financial advisors and made them aware that at no time did we want to risk our property (our one asset). They assured us 'debt was good' and that by investing with them we would not risk our property and would achieve our goal comfortably without worry or stress.

A business loan of \$200 000 was borrowed from the ANZ Bank using our property as collateral. Storm Financial arranged a \$45 000 margin loan for us with St George Margin Loan and set up a 'cash dam' with a Macquarie Cash Management Trust account. The \$200 000 was deposited into the Colonial First State Storm Financial Index Sharemarket Fund. This gave us a false sense of security as we were aware that Colonial First State was a subsidiary of the Commonwealth Bank (CBA). (Our LVR was 21.7%)

At a meeting on 28th October, 2008 we voiced our concerns to our Storm advisor about the down turn of the share market. We were advised we were in a very enviable situation having little debt and a low LVR and it was suggested we take advantage of the low market and increase our LVR for our benefit. On the 31st October, 2008 \$20 000 more plus Storm Financial up front fees were drawn from the St George Margin Loan and invested into the Colonial First State Storm Financial Index Sharemarket Fund. (LVR now 39%)

At the time, unknown to us Storm Financial was in serious trouble. Dated letters & statements from Colonial First State Storm Index Fund and Storm Financial prove this. These letters were sent and arrived after the damage of selling us out occurred.

Timeline of Colonial First State Storm Index Fund:

- 17 October, 2008.....fund suspended
- 10 December, 2008.....terminated each Fund
- 17 December, 2008.....remaining cash deposited into StGeorge Margin Loan

Our investment ran for only four and a half months before the margin call. We lost over \$100 000 as well as the units of our investments. We are left with paying high interest on our ANZ Business Loan for money that we do not have and which we need to repay.

If the correct 'margin call' protocol was used and we had prior notice, we could have paid it out completely, retaining our units with the capacity to grow when the market recovered. The very stressful drama of the collapse of Storm Financial would have been avoided.

On the 17th December, 2008 we met with our Storm advisor who advised us to reinvest immediately into another Storm badged Australian Indexed Trust - 'Challenger Managed Investments Ltd' and we were handed the Statement Of Additional Advice (SOAA) for us to sign. We declined the offer.

It is hard to believe that Storm Financial was continuing to 'grab' money from clients and gaining upfront fees while placing people in an even worse position.

We fail to understand why Storm Financial -

- did not come under the scrutiny of ASIC with regard to its margin lending practices
- did not advise clients of a margin call at the appropriate time
- did not have an exit plan
- did not have adequate indemnity insurance
- failed to provide services and advice that we paid for upfront
- kept pressuring clients during their last weeks of operation for additional money to invest when they (Storm Financial) were obviously in trouble.

We thank you for considering this statement in the Storm Inquiry.