

SUBMISSION TO THE PARLIMENTARY JOINT COMMITTEE ON
CORPORATIONS AND FINANCIAL SERVICES

Specifically STORM FINANCIAL and associated banks.....

31 July 2009

NAME WITHHELD by request

Separated

Two separate Storm plans using Joint Family home as main asset base. –

ANZ Loan 1.38 Million

Two separate **Macquarie Margin loans totally approx 1.34 Million.**

Joined Storm Aug 2007 / Adviser Jodie McIver (SS Coast)

Changed to Andrew O'Brien (Redcliffe / Brisbane)
when Jodie was promoted.

We had ' NO idea ' at all !!! that on Dec 10th 2008 CBA shut down all investments ,
cashed them in and paid investments out to some Storm clients ; that is until I heard
about a newspaper article on the 14th December ; On Monday 15th a letter arrived from
Colonial saying that our share market funds had been terminated.

Earlier we were both told individually on separate telephone calls and emails that
'All was well' – precarious , certainly at times - but not to worry – Leave it all to them at
Storm -everything was being monitored , managed and looked after.

I would have thought for fees of \$130,000.00 initially (jointly) and a further \$ 14,872
at our first step up - **Totally approx \$ 142,872** that we could have been contacted
sometime between those two dates by our advisors – AND have a picture painted as to
what that could mean to us all individually.

We never got to a Margin call – **NOR warned at any time that we were becoming
perilously close to it.** Andrew had previously told [REDACTED] on EVERY telephone call
that we were 'getting near ' but still OK they were watching it !
Had we - We could have topped up using some of our minor assets – but it would have
taken time to arrange and certainly in hindsight that was not being allowing for.

No – I believe that they simply could not handle the magnitude of what was happening
and I am not sure that anybody was watching the shop – at our level anyway.

We drew NOT one dollar in living expenses IN THE YEAR AND A FEW MONTHS
THAT WE WERE Storm clients.– **and have today got to find 1.38 million dollars once
we have used the remaining funds after the McQ margin loan repayments – to the
ANZ bank in interest.**

All in all our share earning capacity was approx 2.7 Million with – at that time in the market – excess of a Million remaining as equity in our home.

Now with a depressed market – we can not afford to let our home be sold at present market rate – and thus somehow have to service a 1.38 Million dollar loan.

I estimate our specific loss as being approx 1.45 Million Dollars.

And from a situation where we had been guaranteed / assured/ promoted / ‘and wait for it – ‘SIGNED OFF ON’ THAT WE WOULD NEVER HAVE TO WORK AGAIN / WOULD HAVE INCOME TO LIVE ON – AND MORE THAN THAT – BE IN A POSITION TO HAVE THE ODD LUXURY - Is often a bitter Pill to swallow.

Due to our marital situation which had not had any financial settlement - After the sale of our home is washed up and the debts repaid and the remaining funds split up –

I might be more fortunate than some to have enough to buy a very small home .

Whilst I remain grateful for that – part of the bitter pill is also having to get rid of most of my treasures that make up the tapestry map of my life.

My estranged husband is already living in a camper van and was awaiting the sale of our home to finance his life.

After the flurry of activity to get papers signed by all the Storm clients on 9th October – allowing them to make the decision as to what was best for each of our profiles – we all did so very comfortably and in Blind faith. Certainly there were very well written follow up letters from Emmanuel Cassimatis that kept us all feeling that they were

‘On and In It’ all – But we were not given any specifics –

Patience urged upon us to allow them time to sort it all out.

██████ checked with Andrew from the road later (I was in NZ later in November) – he was told – that some shares had been sold back into cash as a safeguard – that we had lost some money but still were in a good position to buy back in and slowly re coup the ground we had lost when the market balanced out and recovered.

With ██████ pursuing his retirement plan – encouraged by Storm – and traveling around Australia with his Dog / and ██████ attending to family business in NZ late November / early December ..we were blissfully optimistic that although the market was rocky we only needed to hang in there with Storm managing our affairs.

It wasn't as if we didn't make contact – but always met with the same positive promotion – mostly - “ **Everything is OK !**”

David says after Feb 09 – even though he has left numerous messages on Andrews phone – he has never heard from him again,

Even when “CBA pulls Plug on Storm” hit the headlines – the advisors – who could interact at that stage – kept telling us that ‘All was Well – Trust them !!’

I looked at our Statements and saw all the sell outs that had us recorded losing huge percentages of our net worth overnight - because of the assurances that we had been given over and over and over again – that this was all just a safeguard – Putting ‘some’ of the investments into cash as a means of a safeguard – we were in fact limiting the losses and that we would be slowly reinvesting from this cash as the market returned.

Even the naive – which clearly we were..... knows that the world financial crisis tipped the Storm / CBA situation – starting the dominoes that have toppled and deeply scarred us all – and certainly Storm would have been hoping and trying to stabilize their situation through this period of time for which so many of us are wanting to hold them accountable ; but to become aware now of some of the activities is sobering to say the least. I have to say – I had complete trust in them , from the lower to the higher levels. I was told they had a whole team of accountants and lawyers up there in Townsville. Where are they all now ?

Should WE – as the clients have been monitoring it all more closely as well. After we had been told that the Portfolio plan was almost foolproof .

But actually I did re check things from time to time - I had been disconcerted that, after a raft of assurances, that Storm had wonderful arrangements with the banks and the fund managers etc that there had been mess-ups with paperwork and dishonoring fees appearing for overdrawn accounts. These were not isolated occurrences – and I did wonder how they could be so tacky and slack if this system was really almost foolproof - **smiled upon as it were by ASIC and the ATO – in that they apparently knew all about it – how it all worked , and suited them because it had us all as retirees self funded rather than being reliant on the government.** We were given the impression that Storm was totally and unequivocally under girded by them.

These errors were generally dealt but also often re occurred.

After almost 18 months of intermittent discussion with Jodie McIvor about the Storm plan – with some difficulty, forcibly requested my estranged husband to look into it as well, since our main asset was still joint . It took some time – but once he was ‘Stormified’ as it were – it was only about two / three days before Jodie told us that the ANZ home loan was pre approved and virtually available

We had had a HSBC 1 Million ‘ personal loan / line of credit’ facility in effect – also against our home – and although it was at that time at Nil Owings – we had not had the mortgage papers released against our home.

The HSBC was negative about Storm and was not helpful – holding up the completion of the procedure considerably. They would not disclose their information on Storm nor deal with our adviser Jodie in any way. Jodie took this very personally and wanted to have the situation clarified – but it was to no avail.

I just thought it was annoyance on their part because we were changing banks – but hindsight says something different.

Storm preferred to deal with ANZ - they said because they had a good working relationship with them and got transactions dealt with quickly – that ANZ knew their system and there were no hiccups. The finance was preliminarily pre approved –then they quickly got a valuation done at approx 2.3 million and the ANZ were prepared to lend us 60 % - **1.38 Million @ 7.59 %.**

Within a very few days HSBC became difficult – the manager with whom we had had a terrific relationship for 5 years or more would not deal with or speak to Jodie – as our adviser; even though we gave permission for it.

They became evasive and proceeded to be difficult for some weeks – holding up the transactions considerably.

Unfortunately – the ‘contact’ that Storm had had within the ANZ bank in Nambour had left – and our transaction there became quite a tiresome issue.

However – when we got to the ANZ Nambour branch 3.30pm 30th August 07 – it became evident that Mr. Jason Ernest was in fact not familiar with the Storm process at all.

This left me feeling quite disconcerted and I expressed the same.

As a result of that and the fact that he had neglected to have us sign one of the forms – he was invited to join us at the Storm final sign up appointment at the Jelich Jones offices in Maroochydore Sunshine Coast 11am / 5th Sept 2007 .

He listened in on the whole procedure.

The Storm advisers were always very helpful in providing details and were generous with the time to do so. This occasion was no different and it ended with Mr Ernest being completely engrossed and offered congratulations to Jodie McIvor and Bruce Ibbotson on their impressive package and great scheme – and thanked them for how much he had learned – verbally endorsing the investment with great enthusiasm.

However – the first few months saw many muck ups with the accounts / the original mortgage being released and resultant dishonor fees etc this actually happened too often for my liking About which time a JUSTIN BEDNALL was bought into the Nambour ANZ bank to assist .

I wondered if his presence had come about due to some of the inefficiency I had been experiencing - but I am not sure that it got that better very quickly at all.

He had communications with Jodie mostly since I was going overseas to work for a charity – so it was getting beyond my control ..a few emails which I have copies off.

They all kept assuring me that all would be fixed up.

And since I thought we were going to be receiving generously from the plan – I tried to stop being paranoid.

(Some of the mess ups were Storm’s however as well.)

I have since had confirmed that Storm indeed did have a close and effective relationship with someone at the Nambour branch of the ANZ - who had left ..and our loan was the first to follow. Clearly whoever it was did not prime up her successorand I was given to understand that Storm indicated to the ANZ that perhaps they would deal elsewhere in the future. Don’t really know if that is true or not.

I totally believe that the Storm advisors that I knew were totally convinced that this system was invincible.

Jodie told me on numerous occasions not only that she and her family and most of her friends were all 'Storm' clients – *that the 'LVR' ratios they use of 40 % / 60 % made us all completely safe from any sort of disaster ever.* She told me also over and over that *'Storm ..Sign Off on what they advise – which means they accept liability for it - that it is all researched by accountants and lawyers - and that they use research computers to invest with the fund managers.'*

It was a worse case scenario to expect in a few years \$120,000 pa between my estranged husband and myself.

Since we had worked 24/ 7 for many many years to attain our assets , run our businesses and pay our staff – let alone feed ourselves – which often was tight to do - *That prospect was far from a worst case scenario for me.*

Yes ... I trusted ... even when I asked many questions – I came to trust them.

I had been having a lot of meetings with Jodie over a year and attended workshops as well *I heard it all enough times to be convinced that what they were living was a way of life that everybody knew about except me.*

But what I am facing now is far beyond the worst case scenario of my past life!!!!!!

If I thought I was stressed and tired back then

I have no way of describing how I feel now.

When I re fixed the loans after the first year – ie having them remain variable interest rather than fixed and part principle - under instruction from Bruce Ibbotson – I came to understand more fully that the loans we had were Low Doc loans – which meant that they required less Income verification – because we were self employed.

But the reality is that our previous personal incomes had been

<u>GROSS INCOME</u>		
05/ 06	\$22,704	\$ 7584
06/07	\$ 3019	\$ 40,000

Our Company Sidewinder Investments was currently leasing a building for approx

Gross \$ 48,000 pa

Outgoings \$ 22,000 pa

Which left us approx 26,000 per year to jointly live on .

It was from this that we each took \$1250 (x 2) per month to supplement the Storm plan.

The reality of any MARGIN LOAN RISKS – although may have been stated – were immediately re qualified by Storm advisors with balancing statements like - *But you don't need to worry – It rarely happens ...we watch it all and nip it in the bud with discussion with you. And your ratios are kept so low and safe that there is rarely a worry*

We have such protective margins in place - If I heard that once I heard it over and over

Sign Off on ityou are not at Risk

When I questioned the possibility of a world money crash at least twice – since it concerned me – The collective amusement on that possibility left me feeling somewhat naive.....

Also I noticed shortly after signing up – that there seemed to be a more aggressive shift to bringing people 'into' Storm and I asked – 'Is that wise – there must only be so much money out there' and even though in jest – I was again dismissed and assured and assured and then assured again ...*That all will be well ...leave it to them , they have all been doing it for years.....Storm has signed off on it*

That means that they guarantee their figures and I STILL believe they all totally believed that as well.

But it totally amplifies the question of the amount of Public Liability insurance that was required of them. The figures I have heard are laughable.

If there is one thing I am certain off – and not in Hindsight -

We would NEVER have participated to the degrees that we did if the reality of the risks were disclosed. Yes – the SOA states what it states – while at the same time – or previously or directly afterwards – the surety of the widely accepted , widely practiced, 'ATO smiled upon' and the 'ASIC supported and almost endorsed' string was played and replayed loud and clear.

I know find after discussion with an ex financial adviser acquaintance - who was happy to be named– and speak to the lawyers Slater and Gordon – that he knew in no uncertain terms that ASIC was also accountable and that they had been told about Storm and their over leveraging many times as far back as 10 years ago. He knew names and dates.

In preparing all my statements etc since it has taken me some time to surface from the shock and devastation to a place where I can articulate myself and research my papers - I have re contacted him for more specific information.

I quote below his advice and direction towards ASIC

"... it is my understanding that ASIC requirements are that Advisers must give advice that is appropriate to the clients personal circumstances. I have since been advised that it is NOT, nor has ever been, appropriate that people with limited

business income should be put into a high debt situation involving BOTH home equity and margin lending. It is also my understanding that high debt advice has been given by Storm advisers for over 10 years, contrary to advice given by other less aggressive or less commission seeking advisers, and ASIC seems to have done nothing to monitor the "appropriateness" of advice over this whole time. ASIC should be asked to explain why they have not monitored the appropriateness of advice given by advisers as part of their regular checks of Dealers and their Representatives over such a long period of time. Or if they did, why did they believe double gearing was appropriate?"

As the writer - I have started to write this myself to ASIC twice – for – I found ‘my Anger’ when I thought this through - but the truth is I hold little hope that if they allowed this sort of risk to remain so endorsed in the market place - what possible teeth will these tigers find now that they could not have implemented before so many of us are forced to live in depressed despair.

As the writer of this submission –
On my own at 56 ,
No job ,
Businesses gone , No way to ever re build.

Where I planned to be a positive force in community –
I look now to find a way to scratch out an existence .

We all knew market volatility was something that would have to be weathered from time to time – and certainly the Oct 08 market situation – for Storm and Emmanuel Cassimatis it was something of unprecedented times.

But .. “ After The Storm” ...as it were - the other Storm clients that were not so heavily leveraged – simply due to the fact that they didn’t have enough clear equity in assets too leverage – are limping back and will one day walk again and perhaps raise a glass of wine to their survival.

Those of us that attained assets from which we were taught that we could finance ourselves for our old age and leave inheritances for our children and grandchildren – due to systematic failures , relaxation of prudential guidelines , acts of negligence , had themselves tipped into a financial grave gasping for breath – and may never raise their glasses again.

I for one – have had many days where I didn’t realize till the end of the day that I hadn’t gotten out of my Pajamas and too often, could not recall if I had eaten.

Normally positive and resourceful - intuitive and with integrity – have almost lost the plot during the last 6 / 7 months . My future so uncertain

All I had wanted after a stressful hardworking life was to write a book , contribute to the community by helping start , fund or assist a charity and occasionally paint my nails.

The Burnout from too much business and marriage stress – at that time managed and just avoided – has now overtaken me.

Total Horror.

Hiding away.

Despair.

Psychological Terror.

The inner recognition that I just could do nothing about this - that my instincts had failed me – even though I had thought about and checked on and researched Storm for 18 months .

I had often asked myself - “ Where is my Anger”

I almost feared for my sanity because I wasn't feeling 'angry'

Until a wise confidante helped me identify that **Anger is so often a mask for fear and terror .**

I was Feeling the fear and terror completely head on - unable to breathe through the night and thinking I might die if I shut my eyes .

NAME WITHELD BY REQUEST