

Submission to the Parliamentary Joint Committee on Corporations and Financial Services

Having been customers of Storm Financial for over 10 years, we have enjoyed a wonderful relationship with Julie & Emmanuel Cassimatis and their team and cannot understand how this has occurred. We all signed documents to sell us out and believed this would happen at the right time. We are still waiting for the CBA to advise who, when and how the margin call was advised, however after several attempts this information is still not forthcoming.

Once I retired, selling my business, I invested further money into the share market. My wife & I also built a new house and on the advice of our advisor, took out an additional loan with ANZ against our new property for \$250K for the purpose of further investing. This additional loan was taken out in July 2008, however at this time; we then believed the market was becoming unstable. Due to this, we told our advisor that we did not wish to invest this money at the time and instead to pay this off our margin loan. However, Storm inadvertently paid this money against a margin loan that already had pre-paid interest. When this was brought to their attention, the funds were then placed into our CBA Accelerator Acct at Storm's advice to sit there for future investment. This money was then used along with additional \$47K & our redemptions to pay back the margin loan, leaving us with a debt now of \$570K. I have now gone back to work to try to rebuild our position and recover from this situation.

When we invested in the share market, we did understand it was a risk and that markets go up and down. We had ridden out some big dips and survived in the past, however at no time did we ever think we could possibly end up in the position we are now. How could we end up in the red, when we were so clearly in the black? Someone should have been monitoring this more closely, yes, the market fell and we have to live with that (even though that too was due to the banks!!), however surely there was a trigger point prior to us all going into negative equity that should have indicated to sell earlier. Once the decision (if that's what it was), was made to let it ride (certainly NOT by us) then it should have been allowed to get worse and then better again. If the banks, weren't prepared to take that risk along with us, then they or Storm should have acted earlier. It was all happening too fast, too much data, too few people to manage the situation and all of us now in financial ruin as a result. We are not greedy people, we are ordinary people, who were trying to do the right thing and fund our own retirement, free from relying on the government to support us. Now, like many others, we too will be a burden on our country.

Our issues:

We initially asked our Storm advisor that the additional \$250K be paid off our margin loan, however they did not agree and it was attached incorrectly to the margin loan that we had already paid the interest in advance for, so of no advantage to us. After realising, they (being Storm), then put this money into the Accelerator Acct where we ended up losing it anyway.

Why was one blanket sell down made for everyone, all together at the same point in time, (surely our positions were all different at that point), how was one person's LVR let

go to 143% when another was at 110% and yet both are sold at the same time. Shouldn't this have been sold down on a % basis, not at a given time in the market where clearly someone has pushed the panic button and made a blanket call on us all.

The banks response to us following our communication with them, was "it was YOUR responsibility to monitor the situation; the information was available on their website". Not good enough CBA, not good enough at all. Even when they did sell us down and we were to receive these redemptions through, we had to chase them up several times to see where the money was. The money had been placed into Margin Loan accounts where we didn't even receive interest. When we complained about that, CBA claims to have credited some of the interest that should have been received, however we are yet to be able to confirm this. We also had to break our pre-paid fixed interest loan and then to add to injury, CBA charged us a hefty break fee when we were trying our best to meet their terms.

We were advised all along by Storm, that should we at any time, go against their advice, we would not be covered by their PI insurance. Well, we never did go against their advice and are now wondering..... Where is that insurance??

Where was the professional management of these funds?

Where was the trigger point to sell down prior to a negative equity situation?

How, when and to whom was the margin call advised? Why were we not given the opportunity to redeem our position prior to the sell down?

Did the Banks have a 'Duty of Care' to warn clients before margin loans went into negative equity?

We were not the experts; we paid huge fees for professional advice and money management.

These **above** questions/issues are ones that I would like addressed as part of this enquiry and I thank you for looking into this matter on behalf of all investors.