

**SUBMISSION TO THE PARLIAMENTARY JOINT COMMITTEE ON
CORPORATIONS AND FINANCIAL SERVICES FOR INQUIRY**

25 August 2015

Ms T Matulick
Secretary
Parliamentary Joint Committee on
Corporations and Financial Services

corporations.joint@aph.gov.au

Dear Ms Matulick,

**RE: Parliamentary Joint Committee on Corporations and Financial Services Inquiry
into the Impairment of Customer Loans**

Thank you for inviting submissions to the Parliamentary Joint Committee on Corporations and Financial Services inquiry into the impairment of customer loans.

As a result of Bankwest's (the "Bank") unethical and unconscionable behavior, our Companies (Cavasinni Bros Holdings Pty Ltd, Cavasinni Constructions Pty Limited, Cavasinni Developments Pty Limited, and Beechwood Homes (NSW) Pty Ltd), my Parents and my Family, including me, ("Us") suffered extreme financial loss and great impacts on our health.

The Bank did not, and we strongly believe, never intended to act in our best interest nor was a duty of care ever exercised. The following is a summary of some of the dealings we had with the Bank:

1. The Bank Approached Us to Purchase Beechwood Homes, (in receivership at the time), then 3 Months Later Started Processes to Place the Loans in Default.

The Cavasinni Group of companies, of which I am Director, Cavasinni Bros Holdings Pty Ltd, Cavasinni Constructions Pty Limited, Cavasinni Developments Pty Limited and my wife and I, were existing customers of Bankwest. In March 2008, the Bank completed a review of the Cavasinni loans and the Bank was very well aware of the Cavasinni assets, financial position and income.

I had asked the Bank for funding (as Cavasinni Bros Holdings Pty Ltd) to carry out the construction on Wetherill Park and for cash flow. I needed \$1.8 million to complete the construction.

The Bank, through their receivers were selling the Business of Beechwood Homes and the Bank introduced me to the proposal and encouraged me to buy Beechwood Homes on the promise that the Bank would lend 100% of the purchase price.

Before I exchanged the Beechwood purchase with the Bank in July, I asked
(both from the Bank) for the construction funding for Cavasinni Group.

said "*We will see how the Beechwood thing goes*".

I said "*No. If this is all to do with Beechwood, then forget Beechwood because this is more important to me. Beechwood is in the never never. Cavasinni is in the now*".

said "*No worries, I'll get onto it right away*".

The Bank's receivers were the vendors of the Beechwood business. The Bank gave me strong assurances of loan approval and support and on the basis of the above and based on assurances from the Bank and the receiver I exchanged on 29 July 2008.

Beechwood Homes (NSW) Pty Ltd ("Beechwood") and related entities (of which I am sole director) purchased the business of "Beechwood Homes" and associated real estate.

The Bank lent money to Beechwood knowing that a Cavasinni loan would be maturing 3 months later. What did the Bank expect me to do when the Cavasinni loan expired in December 2008 and the Bank called in the loans some of which the Bank had advanced less than 3 months earlier?

I made it perfectly clear to the Bank before the Beechwood exchange that my father was not to be part of Beechwood loans. He and my mother were looking at retiring. My father was then 67 years and my mother was 64.

Before the exchange of contracts to purchase Beechwood, I asked the Bank for a written loan approval for the Beechwood purchase so I could consider the acceptability of the conditions of the loan before proceeding to exchange. Despite many requests I did not get any document from the Bank which outlined the conditions of the loan before the exchange. The Bank told me to proceed to exchange on the promise that they would fund the purchase but did not, prior to exchange, disclose to me their proposed loan conditions.

I continued to request documents which outlined the terms of the loans. These were only provided a couple of business days before settlement of the purchase was done on 30 September 2008. The documents were provided so late, I requested through my solicitor an extension of time to settle without penalty interest. The Bank (through its receivers) not only refused to give me an extension of time to settle but instructed its lawyers to advise that it had every intention to apply penalty interest against me if settlement did not occur by 30 September 2008.

The loan documents were signed by me, my wife [redacted] and my father on 29 September 2008, under extreme duress.

The Bank drew up the loan documents on the basis that Beechwood guaranteed the Cavasinni loans.

About a month or so after we settled Beechwood, the Bank told me that it would not fund the construction costs of \$1.8 million for [redacted] Wetherill Park. The Bank timed the rejection to take place after the Beechwood purchase from the Bank's receivers had been completed. I was devastated and felt I had been lied to and deliberately misled to my detriment because the Bank had taken all the security and I had no other resources with which to raise funding for the construction.

Beechwood funded the construction through cashflow. We were forced to sell the development which my father then re-purchased ie we paid for the building then bought it back at full market value. What a waste!

[redacted] told me that [redacted] from the Bank said "they will pick him (my father) up by the ankles and shake him and see what falls out".

A Cavasinni loan expired 31 December 2008, three months after the settlement of Beechwood, i.e. three months after the Bank lent me another \$16.5 million to purchase Beechwood. Less than 3 months after I settled Beechwood, the Bank intimated to me on 23

December 2008 that it would send me breach notices (which were dated 20 January 2009) and place the loans in default.

When the Cavasinni loan was called in on The Garling Road, Kings Park project, all the Cavasinni loans collapsed and Beechwood was caught as guarantor.

I had asked the Bank not to charge me default interest rates and to extend the loan so that I was not in default.

I could not get refinance while the loans were in default.

Nothing substantial had changed between the purchase of Beechwood and when the Bank called the default other than a significant reduction of Cavasinni group debt.

I refer to a section of an article which appeared in the Daily Telegraph 27 November 2008, by

BANKING ON A GOOD DEAL AT BEECHWOOD

MORE details of the sale of Beechwood Homes to the Cavassini family emerged yesterday, which suggest secured creditor BankWest did a mighty good deal for its new owner, the Commonwealth Bank.

For a start, Bizcon's insolvency industry snouts are saying BankWest brought the deal to the Cavassinis, who are clients of the bank through their existing Cavassini Constructions business.

And while the bank recovered about \$9.2 million from the sale, it ensured it got its hooks deeper into the family company by demanding a cross guarantee, which meant the Cavassinis have had to find funds quickly in recent months to pay down debt on borrowings entirely unconnected with Beechwood.

Apparently Beechwood Homes has finished 70 homes to contractual completion and settlement and is aiming to bring that number up to as high as 165 by the end of the year.

BizCon's mail is that they are doing it tough because the family can't get decent prices for any of their assets, such as unit blocks or land, and on top of that they have to deal with remuneration arrangements for remaining staff put in place by former owner

My parents' health, mental and emotional state severely suffered because of this, not to mention mine and that of my family. My wife was hospitalised at the time, with a potentially fatal episode which was brought on by severe stress and anxiety and she was kept in hospital for 5 days.

2. Moving a Beechwood Liability to a Cavasinni Loan on the Bank's Own Accord

A parcel of land at Worrigee (south of Nowra) known as "Twin Waters" was included in the purchase of the business "Beechwood Homes". The valuation of Twin Waters (at the time a

liability to “Beechwood” business) obtained by the receiver was \$3.85 million. The negotiated purchase price for Twin Waters was \$3.2 million. The Bank placed the Twin Waters property with the Cavasinni loan at an artificial value of \$7.5 million and included this \$7.5 million in the Cavasinni facility agreement when it was a Beechwood liability being part of the purchase of the “Beechwood Homes” business.

This meant that my father had to be guarantor for a debt of \$7.5 million on Twin Waters which was part of the Beechwood debt. This was a debt which I had told the Bank before all this started that my father was not to be responsible for. He had nothing to do with the purchase of the Beechwood business. I had asked the Bank a number of times to remove the Twin Waters debt from Cavasinni facilities, return the debt to Beechwood and release my father’s guarantee on \$7.5 million. The Bank refused.

The Bank refused to release its security on Twin Waters to enable me to refinance or sell the land. The Bank’s receiver’s sold Twin Waters for under \$2 million, causing tremendous loss.

3. 24 Garling Road, King’s Park

The property at 24 Garling Road King’s Park , comprised of 45 factory units, 29 of which had pending exchanges for a cash component of \$9.5 million. Bankwest refused to exchange the sale of contracts and sold the 45 units in one line to a third party, under an expressions of interest campaign for \$10.4 million and the purchaser subsequently sold the units and realised over \$25 million.

The Bank’s actions caused severe loss to the registered owner, Cavasinni Developments Pty Limited, and its shareholders my father and my self.

4. Guarantee by HBOS

The guarantee by the HBOS to CBA, that, when CBA cleaned/cleared up their books after purchasing Bankwest, HBOS would guarantee the shortfall. This motivated the unconscionable conduct by the Bank, with a financial motive to attempt to receive a discount from HBOS by way of indemnity.

The Bank acted unconscionably. It was more profitable for the Bank to default our loans and sell our assets at a tremendous loss, allowing CBA to make a warranty claim to HBOS.

I have all records for all events and instances as well as correspondences from my dealings with Bankwest over this time (covering over 2 lever arch folders) and look forward to support this submission with such evidence when requested.

Yours Sincerely

Vic Cavasinni

Vittorio Cavasinni

Cavasinni Bros Holdings Pty Ltd (Director)

Cavasinni Constructions Pty Limited (Director)

Cavasinni Developments Pty Limited (Director)

Beechwood Homes (NSW) Pty Ltd (Director)