

20 July 2015

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

Dear Sirs/Madams,

Submission to Parliamentary Inquiry

Please find below a submission that relates to how our family and business were treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC in late 2008. We could go in depth regarding all the concerns with the Bank, however for ease of the Reader, we will discuss key points in this submission and we would be happy to discuss further should the need arise.

Introduction

Tree Houses of Montville was a family owned and run small business accommodation resort located in the Sunshine Coast Hinterland. We owned the business for 9 years and we sold in January 2015. Our wish was to retain the business for longer until the market picked up and appoint managers, however due to the undue pressure and what we believe to be, unconscionable conduct by Bankwest we had no choice but to put the Resort on the market a couple of years after swapping our loan to Bankwest. It took us almost 6 years to sell in this current market as it was considered a 'niche' product and during that time the Bank continued with harassment and constant threats that we were going to lose not only the Business but also our home and assets.

It is worth noting that we never defaulted once on our loan repayments (principle and interest) during our entire relationship with the Bank and the threats of foreclosure etc caused a lot of anxiety and stress for our family all the way up until the loan was repaid in full on settlement in January 2015.

Key Points Regarding the Relationship with Bankwest

May 2007	Initial contact with Bankwest enquiring about a loan facility and subsequent approval of loan
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Jun 2007	Signing of Agreement for \$3.9 million with Bankwest with a loan term of 20 years and interest only for three years. Business, property and two homes used for collateral purposes
Oct 2008	Verbal contact by Bankwest regarding the requirement to have a valuation of the property and pressure commenced to swap the facility from fixed to variable
Nov 2008	<p>Ongoing pressure from Bankwest to change the facility from fixed to variable which we were very uncomfortable with but were verbally informed that life would be 'easier' for us if we were to do this and that the bank would leave us alone to run our business. We were informed that there would be a 'break out' cost to do this</p> <p>Valuation completed by . Resort valued at \$4.030 million</p>
Dec 2008	<p>New Variation of Facilities tabled to us with three years interest only payments followed by Principle and interest (20 year loan term all up)</p> <p>The inclusion also of partners (Vikki and Dave Barnard) to provide funds of \$825,000 (which was cash profit from their personal house sale), to go into a Term Deposit held by the bank as collateral as Bankwest refused to allow them to purchase another home and use that residence as collateral. There was no mention of this by the bank until their sale was <u>unconditional</u>. This caused undue anxiety and stress with the Barnard's as they now did not have a home to go to and as such had to live on the resort until the sale of the Business in January 2015.</p> <p>Letter from Bankwest stating that Commonwealth Bank have purchased Bankwest and that "there will be no changes to your relationship manager, who will continue to focus on meeting your banking needs and helping your business grow"</p>
Jan 2009	After undue pressure and verbal threats from Bankwest, we agreed to change from fixed to variable and as such, another Variation of Facilities offered now stating that it was an interest only loan for an initial three years then the Facility was to be reviewed after this time. The 'break out' fee was at \$215,357 at that stage and still a 20 year loan. When a break out fee was first mentioned to us, we didn't think much of it as we assumed that it would not be anywhere near over \$200,000!
Feb 2009	<p>Another Variation of Facilities stating that it was now a requirement to pay interest and principle(\$6000 per month) repayments commencing 18/2/09. Still a 20 year loan term</p> <p>"Break out" letter from the Bank stating that the fee will be \$246,500 (from Vikki and Dave Barnard's term deposit held by the bank) for our signature. Again, we were put under undue pressure to proceed with this and were told verbally that the bank will not renew our facility if we didn't sign this agreement. This meant now that the</p>

bank held \$533,500 as cash collateral against the loan as well as Danielle and Peter Schaumburg's home. To this day, even after numerous requests to provide details on how the figure of \$246,500 was reached, we have not received any information. It may be that the change of repayment may have been of benefit to us. It would be nice to know however, that the Banks calculations were fair and just. It was not however the Banks place to bully/threaten us to make the change at this time. We would have liked the opportunity to make that business decision ourselves at the appropriate time for us.

- Apr 2010** Property goes up for auction. Passed in with no bidders. \$20,000 spent on advertising. Business put on the market again with a view to just selling the property to cover the loan etc. No amount of money was worth the stress from the Bank
- Aug 2010** Phone call from Bankwest stating that a new valuation was required and that costs for the valuation would be up around \$7000 to \$8000 with
ased in Brisbane. We stated that we were able to get a valuation by
here on the Sunshine Coast for \$4500 however that fell on deaf ears. A complaint was lodged by ourselves
- Sep 2010** Letter from Bankwest addressing our concerns about the valuation and their reasons for the valuation and requesting cooperation and information with regards to the valuation. Loan was still being paid diligently each month. All information was provided for the valuation to proceed
- Oct 2010** Valuation completed. Valuation came in at \$3.2 million which is markedly lower on the previous one of over \$4 million. We stated our concerns about this, especially as the valuer stated to us that she would have trouble valuing the property as there was no real comparison. The comparisons that were drawn in the valuation did not make sense as the comparisons were rated overall 'inferior' to ours however ours was valued less. Our concern with this valuation is how the valuer was requested to value the property. The bank would not provide it's instructions to the valuer to us
- Mar 2011** New Letter of Variation tabled to us. Interest rate from 2 to 2.9% + BBSY and loan term expiry now 18 Jan 12. Our 20 year loan had suddenly disappeared!

Meeting with Bankwest, ourselves and our accountant to discuss the way forward with the bank as they were placing hugely undue pressure. Once again we had not defaulted at all. During this meeting, the bank stated that if we had not sold the business by 31/7/11 that they will appoint an independent advisory firm to review the business operations. It was pointed out to the bank that we had already been working closely with our accountant and an independent Business Mentor as well as an advisor sponsored by Government to ascertain that the business was running as well as it possibly could be in light of the current economic times and that it was just the pure level of debt (that the bank lent to us we might add) that was causing us

grief. Our Accountant made mention that “the Bank clearly did not want us as their customer”

Letter sent to Bank from ourselves requesting further clarification from the above meeting and also requesting release of \$33,000 of the Barnards funds so that they can pay personal debt and also to have cash available should the business require further cashflow in the aftermath of the Queensland floods and general downturn in the hospitality industry. The bank rejected this request

Apr 2011 New Variation of Facilities signed

Nov 2011 Letter from bank stating the requirement to conduct an audit of our business at a cost to us of more than \$15,000 as our bank facility was due to expire on 18 Jan 12. Still no default on loan

Dec 2011 Letter from ourselves to Bank dated 4 December stating our concerns about the audit and the reasons why the audit need not go ahead

Telephone conversation between Danielle Schaumburg (owner) and auditor. Auditor wished to arrange day to conduct the audit. Danielle stated that whilst we had a complaint in with the bank regarding the audit that we were not in a position at this stage to welcome her into the resort until such time as the complaint process had been exhausted

Response from Bankwest dated 19 Dec 11 stating that they would be continuing with the audit action

The creation of the Unhappy Banking Group which highlighted that we were not the only business being victimised and bullied by Bankwest

Letter from us to the Banks Senior Case Manager dated 23 Dec 11 stating our concerns over the alleged ‘default’ that occurred. Principle and Interest payments still being made diligently

Email from Customer Relations on 23 Dec stating that we would have a response by 5 Jan 12. This was of concern for us seeing as our facility was due to expire a couple of weeks later

Jan 2012 Response from Bankwest Customer Relations in response to our queries dated 6 Jan. This was the first that we had that the bank had no intention of renewing our loan. We would have thought that we would have received more formal correspondence than a “throw away” line in an email

Letter from ourselves dated 9 Jan to Senior Case Manager and also the CEO of Bankwest stating once again our concerns and also clarification on what the bank

intends to do if we have not paid out the loan by 18 Jan 12. There was also mention of default interest rates and we also sought clarification on these also. We also stated that our next course of action would be the Ombudsman, legal advice and discussions with the media as we were not getting answers from the bank at that stage

Letter from bank dated 13 Jan from Chief Executive Bankwest Business that the bank were now prepared to talk with us and as such a meeting would be arranged with the Qld State Manager and our Bank Manager to discuss the way forward

16 January - meeting with solicitors and Government supporters advising us of the way ahead with the bank. Also lodged complaint with Ombudsman. Letters were arriving weekly from the Ombudsman's Office stating that the Bank kept asking for extensions to address our issues. The services of a solicitor were engaged

18 January – meeting with Qld State Manager and our Bankwest Manager to discuss our concerns. An agreement was reached to continue with our loan facility with a view to a re-valuation in Oct 12 if the resort had not been sold. Also, it was agreed that the State Manger would look into the “break out” fee of \$246,500 and the controversy surrounding the taking of the Barnard's funds so that they could not purchase a home. A response was not received on these subjects. It is worth mentioning that the Barnard's asked on numerous occasions with many of the managers during the course of the Loan, permission to purchase a home and use it as collateral for the Bank in lieu of the cash held, however their request was rejected each time

Feb 2012 The requirement of us to continually contact the bank to see when February interest is due and how much approximately. This concern was ongoing most months all the way up until the sale of the Business. Principle payments had not also been coming out automatically and we constantly had to remind the Bank each month that it should be deducted

Mar 2012 New letter of Variation from the bank supposedly to address the issues from the meeting in Jan with State Manager. These were not addressed, therefore the solicitor has asked the bank to address these issues once again

Penalty interest rates were taken out of our account. On contacting our Manager, it was stated that we would have the funds back into our account the next morning. The funds were not forthcoming therefore Danielle Schaumburg made contact with Bank manager to inform him that the funds has not been re-deposited. Danielle was told that he would “endeavour” to have the funds back in that day. Danielle then stated that it was not good enough and that the funds needed to be in by midday otherwise the Qld State Manager and solicitor would be informed. The funds were placed back in that afternoon

27 Mar – new letter of Variation provided by the bank to our solicitor. Issues still required to be resolved and still waiting for new Variation letter

Apr 2012 Email from our Bank Manager stating that he was leaving that day and gave us details of our new Manager. This person was about our 10th Manager and it has always been our concern about the inability to relationship build with our managers because of the high turnover. We actually had not met a vast majority of these Bank Managers during their tenure in this position

We since found out that the previous Manager was not in fact an employee from Bankwest and the he was seconded from a “Receiver “ Firm. We were not made aware of this at any stage and that concerned us greatly

Contacted new manager to introduce ourselves and find out when the next Swap Facility (mortgage) is due. After numerous emails/phone calls, we ascertained when the mortgage was coming out. It is worth noting that we have not had in writing since Jan 2012, any details on our mortgage ie how much, interest rate we were currently paying and when the funds were due to be debited. We had asked for these details on numerous occasions and they were not forthcoming at all during the final tenure of the loan which was finalised in Jan 2015

May 2012 Another Variation of Facility with which again we and our solicitor had obvious concerns with. Our solicitor wrote to the bank with these concerns. In the meantime, our solicitors bill was increasing greatly due to the banks incompetence. Our solicitor stated that “this was the worst incompetence that he has seen with a bank”

Letter from us to Ombudsman informing them that the matter had not been resolved and a request to keep our file open

June 2012 Letter from (Banks solicitors) to our Solicitor stating that our facility had expired and that the Bank were unable to accept the changes requested by us. If we did not sign the proposal by 27 June the offer would lapse and would be withdrawn

Due to pressure by the Bank and their lawyers, we signed under duress, the Agreement with a facility expiry date of 18 Jan 2013

August 2012 Letter from the Financial Ombudsman stating that they understood the dispute to be resolved therefore the file would be closed. It was resolved as we had to ‘cave in’ to their bullying!

November 2012 Email to our current Manager requesting the Banks intentions as our facility was due to expire in January 2013

As no response was forthcoming, a letter was sent by ourselves to Managing Director of Bankwest asking for clarification as to the Banks intentions. We were on our 12th or 13th Bank manager by this stage

December 2012 A letter from yet another Bankwest representative () whom we had never dealt with before. He stated that there was critical information that had not been provided as well as other comments and that we should attend to them immediately. All critical information had in fact been provided and the comments that he made were responded to. In fact one comment mentioned that we were in breach of not having had a valuation. The said valuation was not in fact due for another 10 months. This was responded to () via email. We then had no further correspondence with him

Meeting organised with our manager. We also requested that the meeting be held at the Resort so that Bankwest could see the asset they hold as our Bankwest manager at the time (and many others) had never even seen the Resort to appreciate the uniqueness of the Asset. Bank responded with a meeting day however declined to visit the Resort. Meeting conducted with our Solicitor in attendance

April 2013 Letter from Bankwest stating that they were extending our facility until 1 Oct 2013

May 2013 Deed of Extension received from (Bank Solicitor) with glaringly obvious mistakes and concerns. Email and subsequent letter sent to our Manager asking for clarification on the concerns

September 2013 Email to Bank Manager providing monthly required reports (which have never been missed) and also asking the Banks intentions as the facility was due to expire in October. Response received two weeks later stating that they were reviewing the Banks position and that they were likely to instruct a new valuation. They also requested that both of our marketing agents provide feedback on interest in the sale etc which was duly provided

November 2013 After discussions with Manager, an email was sent by us inviting once again for the Bank to visit the Resort as she had not as yet seen the asset and to discuss the way forward

December 2013 Letter from Bank stating what they proposed to do with our facility. These included allowing us a time frame until January 2014 to conclude negotiations with interested parties. If a contract of sale was not in place by 31 Jan, then the Bank would commence with a new marketing campaign with extremely tight deadlines to ensure a sale. An advising accountant was also to be appointed to overview the sale process. A valuation was to be completed. All of the above costs were to be paid by us yet we would have no control over the actual process. We were still diligently

paying both principle and interest of the loan and was still supplying all required financial and sale information. A lovely letter just prior to Christmas!!

January 2014 The Bank still continued to put great pressure on us. We felt like that we were a ticking time bomb and it caused great stress to us even though we were still diligently trying to achieve a sale. However, with subsequent negotiations and the great assistance of _____, we managed to hold the Bank off on having them foreclose on us until we achieved a sale in January 2015. If not for the intervention of _____, we know for a fact that we would have lost everything – our business, our home, cash and our souls.

November 2014 It is worth mentioning that the Sale achieved was approximately \$500,000 more than the valuation that was completed by the Bank (at our expense) at the same time as Contract of Sale in November 2014. Once again, this makes us question the validity of the valuation process and/or the direction by the Bank

Impact

The above has been the most stressful time in our lives. We naively thought that if we were diligently paying our mortgage, providing all required both monthly and three monthly reporting on time, every time and continued working closely with the bank then they would be more understanding and sympathetic to us. We have since sold and basically ended up walking away with very little due to the pressure by the Bank. It breaks our hearts making such a small amount during the nine years, however no amount of money was worth dealing with this Bank for any longer. All partners have had sickness of some sort during this time. Our children, parents and extended families have all been impacted by the unconscionable conduct of the Bank.

We are a hard-working, honest family that wanted nothing more than to live the dream of owning our own business. Unfortunately nobody could forecast the GFC and also subsequent floods/cyclones in Queensland that crucified the Tourism Industry.

All we asked of our financier was to be sympathetic, understanding and to allow us to run our business and trade out of these tough economic times. The relationship building has been non-existent with the amount of managers that we have had during the course of our time with Bankwest.

The Bank had (in our opinion), plenty of equity with the Business, a home, cash of over \$500,000 and excellent cash flow in our Accounts. These more than covered the debt that we had with them.

In Conclusion

Even though we have worked tirelessly to have a great relationship with the Bank, it has been made very clear to us that since the purchase by Commonwealth Bank, that the Bank no longer wished to have our custom. The threats and innuendos (mainly verbal) were forthcoming all the way up until a Contract of Sale was signed. Bankwest destroyed our business, our hearts and souls.

Affidavits regarding the Banks conduct were completed by us on repayment of loan as we knew that the Bank could no longer hurt us. Copies of these can easily be supplied to the Committee if required.

We hope that this Enquiry will bring to light, what we feel, has been disgusting conduct and bullying of Bankwest/Commonwealth. If one Bank sits up and realises that they cannot treat every day hard working Australians the way that we have been treated, then the heartache of retracing our story for this Enquiry has been worth it.

Yours faithfully,

Danielle Schaumburg
Peter Schaumburg

Vikki Barnard
Kenneth David Barnard

Danielle & Peter Schaumburg

Vikki & David Barnard