

Submission to The Parliamentary Enquiry into the Impairment of customer loans.

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And

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We purchased our home property at Miles in 2006 with finance provided by Landmark. The price was \$360,000 dollars for 1,500 acres of land with a carrying capacity of approximately 100 head of adult cattle. The loan term was 20 years at an interest rate of 8.8%.

Several months later we purchased "Yattenbury" a property of 10,000 acres near Hebel, with finance again provided by Landmark on a 20 year term with a 9.02% interest rate. The purchase price was \$960,000 and the carrying capacity of 5000 D.S.E.

This property we now leased out to a grazier for \$70,000 p.a. making it a very viable investment. The collateral for these loans was a mortgage on both rural properties with cross-collateralisation on some residential rental houses we own in the city of Toowoomba.

All went well for several years. Landmark were happy with the state of our finances, we were considered viable from their view point and we thought we were progressing well. In early 2010 we received a letter from ANZ bank stating they had taken over Landmarks lending portfolio and all future dealings would be through ANZ. This was the first notification we had received of this change, with neither ANZ nor Landmark informing us that a change was imminent. All our lives we had actively avoided ANZ because of their reputation for harsh treatment of rural clients and had we known this was coming we would have refinanced out of Landmark while our position was more favourable. We were never given a chance to do so.

Within weeks of first notification, ANZ sent us a new loan document. The loan term had been reduced from 20 years to 6 months without notice and without our consent or signature. The rate of interest went from 7.9% to 8.9% within a few months. Their explanation for this interest rate hike was that we were now a high risk client and they were applying a risk penalty, effectively meaning our interest rate had risen 3% in around 12 months to 10.95%. This was during a period when the Reserve Bank was continually lowering the cash rate. Overdraft interest rates increased from 11.55% in early 2010 to as high as 17.62% later that year, with a 21.62% rate on overdraft "excess" created by disadvantageous distribution of funds by the lender. They would also require a full document application every 6 months if the loan was to be renewed.

During 2011/12 we continued to hold ANZ at bay despite the fact our income was now severely constricted due to the live export trade debacle and its impact on cattle prices. We continued to meet our payments and their outlandish demands for paperwork. Every correspondence from them now was demanding that the properties be sold despite the fact we had never missed a payment. They also insisted on valuations every six months which we thought outrageous but were not in a position to refuse. Each valuation cost almost \$10,000 which we had to pay. Their account statements became progressively more obscure until our accountant admitted he had difficulty following them. Loan structures were repeatedly altered without reason or explanation. Every time we gained any concession from their lending manager or made any sort of progress, that manager would be replaced and we would start again from scratch. We have now dealt with seven different account managers to date.

By early 2013 I was in poor health and was forced to undergo extensive open heart surgery in Brisbane, meaning I was effectively incapacitated for 6 months. While I was in hospital, ANZ demanded a stock mortgage on all our livestock, they gave us 3 weeks to comply and made it clear we would be in default should we not sign it. They insisted they needed the extra security to support the loan. We had met all payments since ANZ took over including January 2013, with the next payment due July 2013. At this stage they had first mortgage security on our rural properties with a current combined valuation of 1.88 million dollars and interconnected guarantees on 4.5 million dollars of residential rental properties. The total debt to ANZ was 860,000 dollars which would indicate that even under the harshest of LVR criteria; there was no requirement for extra security. The stock mortgage documents were so ambiguously worded, so wide ranging and so constricting on our everyday business operations that in the words of our accountant, only a madman would sign it. One section in the agreement gave ANZ access and control of all our bank accounts, with co-signing authority over every transaction and veto rights over every expenditure right down to household living expenses. We refused to sign the stock mortgage and ANZ foreclosed. No rational assessment of this stock mortgage document could lead to any conclusion other than it was never meant to increase their security, but merely as a trigger for default. We had deflected every attempt at foreclosure they had tried to implement for 3 years but they now had us in a difficult position.

Under the relevant QLD legislation ANZ could not foreclose without a mediation hearing. This was scheduled for April 2014. Attending would be my wife and I, our barrister, the Rural Financial Counsellor for our area and two managers from ANZ Sydney with whom we had never had any contact previously. By now we had been ground down to the point that we would consider any reasonable scenario to divest ourselves of ANZ. In the first two minutes of the mediation, the senior officer from ANZ offered that if we signed ownership of Yattenbury over to the bank they would clear our debt and release the mortgage on Lorraine, our home property. They gave us 5 minutes to consider this offer and left the room. In consultation with our barrister and the Rural Finance Counsellor we agreed that after 3 years of money gouging, bullying tactics and mental torture, this was a reasonable outcome and we agreed to accept it. Upon re-entering the room the ANZ manager announced immediately that the previous offer had been withdrawn and we would now need to negotiate some other outcome. None of the experienced legal staff in the room, including the mediator, had ever seen an action like this in their entire career.

The ensuing mediation came to a conclusion with a signed agreement that ANZ would allow us until 31st August to either sell the properties or refinance our debt, after which they would take control and market the properties by auction. They agreed to freeze our debt at its current level and to pay the advertising costs should we be forced to market.

By now the drought in South-West Qld had reached a crippling stage, with rainfall figures the lowest in recorded history and conditions on the ground the worst anyone has ever witnessed. Our income from the properties had collapsed to virtually nil. With no end in sight to the brutal drought and the corresponding collapse in the price of cattle and sheep, there was no chance of attracting a buyer in the short term, so we tried to refinance. The aforementioned conditions, coupled with a downward trend in land valuations, has made it impossible to date to attract a major lender to our cause. A contributing factor has been Federal Govt. water buy back schemes, which have smashed the resale value of some of our immediate neighbours at Hebel and led to an air of recession and gloom over the entire Balonne catchment, where our property is located.

In August we contacted an agent at Roma to begin a major marketing campaign and hope we could achieve some reasonable outcome. They advised us that was highly unlikely and that it would be much more fruitful to wait for improved seasonal conditions. ANZ had not given us the luxury of time and the agent agreed that from his experience we would achieve a better result marketing the properties ourselves rather than having the bank take control. The mediation agreement stated that ANZ would pay the advertising costs, so a marketing plan was drawn up by the agent, costed at \$13,000. They approached ANZ for payment on several occasions and received no reply. As it is standard practice that advertising be paid in advance, they informed us that no marketing could get underway until payment was forthcoming.

As we were now in a position where we needed to commence a marketing campaign before ANZ took over, effectively leaving ourselves and our four small children homeless, we were keen to get an answer on advertising from ANZ. It had been agreed at the mediation that it would be best for us to contact ANZ via the office of our Rural Financial Counsellor. He contacted ANZ by phone and by e-mail and they failed to respond to either. He did learn that the manager who attended our mediation and signed the agreement had "resigned" the day after and we would be dealing with someone different. Repeated attempts to contact ANZ by the agent, the Rural Financial Counsellor and our legal counsel have all resulted in no return contact at all by the bank since April 2014. They do however send us regular statements of account, which indicate they recommenced adding to our debt, in direct contravention of the terms of the mediation agreement. They will not respond to any direct contact for reasons known only to them.

The conduct of ANZ through this entire ordeal has been despicable. It has been described by various members of our team as unconscionable, immoral, unethical, unprofessional and in many areas illegal. They forced a loan agreement on us that we did not seek or sign for. They then proceeded to use every tactic they could imagine to drive a once thriving enterprise into near bankruptcy and homelessness, merely to suit their own desire for an internal restructure. If ANZ wish to redesign their lending profile to a more Asian focus, they are welcome to do so, but surely they should not be allowed to do so over the smashed bodies of Australian farming families. Our barrister insists we have a strong case to take to the Financial Ombudsman, but also cautions we will be broke and sold up long before any resolution, given their reputation for glacial progress. The drought has inexorably worsened in our area, reducing to almost nothing our income and making prospects of a sale very bleak.

We held out some hope when the Federal Government announced its low interest loan package for farmers in distress. As our debt was under a million dollars we thought a government loan could eradicate our ANZ debt and make us instantly more viable due to the more agreeable interest rate. Hope evaporated when it was announced the money would be channelled through QRAA, who are legendary for only approving loans once you can prove you don't need it. Anyone who is in serious trouble will undoubtedly fail their criteria in one way or another. One of their key lending conditions is that a certain percentage of your gross income must come from the primary industry. Due to the ongoing and worsening drought, our off-farm income is now exceeding our rural income, leading some accountants to suggest that we are too drought stricken to qualify for any drought assistance. Almost humorous if you are not the one caught in the trap. Queensland Country Life newspaper on 11/6/15 on page 13 had a large advertisement for QRAA which clearly stated, "Concessional loans are available to assist farm businesses in financial hardship to restructure existing debt." I contacted QRAA on 12/6/15 and was told unequivocally that they could not take over existing bank debt. We put it to them that we are not seeking extra debt, rather just seeking to replace the ANZ debt with a QRAA loan. This would put us back to a workable interest rate and relieve us from the rapacious tactics of ANZ. The obvious question is – How does QRAA restructure existing debt without either paying out or assuming that debt?

This scenario we find ourselves in is being repeated in numerous cases right across Queensland with absolutely no regard for the families or communities involved. Our accountant warns us that at the start of this affair, he had six clients caught in Landmark-ANZ quagmires and that we are now the only survivors. The other five have all been foreclosed by ANZ, mostly in appalling circumstances brought about by trickery and ruthless behaviour by the bank. Anecdotal evidence suggests there are about 30 producers in South West Queensland who have met the same fate through no fault of their own.

We are always being told to work smarter, not harder, well that is very difficult when your main protagonist is your own financier, and the government is a casual onlooker. Lord Nelson once famously held the telescope to his blind eye and assured his men that he saw no threat. We think there are a lot of Lord Nelson's in the Federal Government these days. Do they see these banking practices as no problem, or do they merely lack the fortitude and moral fibre to take on a major institution? By the time I know the answer to that question, my family will be done and dusted by ANZ. I am in rapidly deteriorating health caused by the stress and struggle of the last few years. When ANZ bring the hammer down on us shortly my family will be lost to the primary production sector forever. Five generations of farming heritage will cease here, ground into the dust and ashes by some banking accountants who want to "restructure their portfolio" and a Government who did too little too late and then retired to the lounge bar to forget about it.

Signed

(Joseph Keith Francis Courte)

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