Dear Senator,

In August of 2009 we purchased a childcare business as a going concern. The valuations were conducted on behalf of Bankwest. The business is owned as a partnership, between myself and my in laws. The residential security has been in the family for 40 years, my in laws are in their 70's and are on the pension. I also work full time employed by the Queensland Police Service. My wife has the expert knowledge in childcare. It is important to note that during this time, **we have never missed a repayment or defaulted on any loan.**

There were two valuations, one residential and one business.

Residential Security.

At the time the valuation took into account recent sales of properties, however, due to the suburbs location and older population there were none. As a result the valuer compared our property with those that were some distance away, further west in more rural areas. Our property was larger, had two separate established homes and was 5 minutes from a large town centre and only 20minutes to the centre of Brisbane. As a result the property was valued in excess of 1 million with no direct comparison to local properties.

Business Security.

Child Care Centre: 65 place.

Two crucial factors determining valuation.

1. Occupancy, number of children currently attending the centre compared to allocated spaces.
2. Profit and Loss statements provided by current owner.

The valuation took a few weeks to obtain, as with any business the figures were relied upon as this was a leasehold. Since the business was well established the current owner provided information to both the bank and the valuer. At the time the business was reported to be operating at near 100 percent occupancy. After only two and half years in the childcare industry, I know as with any business that there is an income fluctuation cycle during the course of the operating year. I was informed by the Bank Manager, , that the valuation was like a snapshot of the business at a particular time. It just happens that at this time the reported occupancy was very high, I have since discovered that children who no longer attended the centre were being reported on the roles as still attending. No average of the occupancy data was taken to determine the true occupancy of the centre at the time, by either Bankwest or the valuer.

Despite receiving independent accountancy advice, I later reviewed the documents and discovered that it was glaringly evident from the profit and loss statements that all the operating costs being experienced at the time by the business were not listed. For instance, no accounting fees for the current financial year, the current owner had other businesses operating; we believe the expenses were being taken from other businesses in order to make the centre appear to be operating at lower costs, obviously increasing profit.

As a result of these two main factors, the valuation came in near the purchase price of the business. The profit margins contained within the valuation had a great deal of impact on the banks expectations of any future profit forecasts of the business; this was not explained to us at the time of purchase.

I obtained accountancy advice at the time of purchase and independent legal advice, however after reviewing the documents I would not have allowed two pensioners to become involved in a business where the bank expected profit margins based on near 100 percent occupancy. The bank was negligent in the first instance by lending the money based on these ridiculous expectations and obviously inaccurate financial figures. Obviously at the time, it suited that banks interest to increase business lending.

2009 – 2011

The business took approximately 6 months to settle, which it did in August 2009. After completing the relevant documentation with Bankwest, we were then transferred to a specialist bank manager who dealt with the purchasing of childcare centres within the bank. He mentioned that the paperwork completed by the bank at the time of purchase was incomplete and did not contain all the information he needed. As such we provided this information to him, it was then that we discovered that we were to provide figures to the bank every six months and that our figures would be compared with those contained within the valuation.

Of course it was then we realised how important the figures in the valuation were. Two more childcare centres had opened in our area and the health of the economy had suffered. As such, our occupancy was a great deal lower than the 100 percent occupancy contained within the valuation. As a result, we were not meeting our obligations according to the banks guidelines; I have received many phone calls and spent many hours on the phone with in an attempt to explain our business plan and expected income and operating costs every six months. This whole process has caused us continued stress during the first few difficult years of business ownership.

2011 – 2012

Despite only owning the business for just over two years, we were contacted by the bank regarding another clause in the contract, valuations. As a result two valuations were ordered by the bank.

Residential Security.

As any person knows, the property market has deceased in the past few years; however, our situation is different again. We are in an area designated by the state government as a priority for residential development. Unlike the lack of comparative data for the first valuation, property sales in the area were mainly to property developer Stockland. All sales are in the millions, the land sizes were generally less than half of ours, and all sales were for vacant unimproved lots with no development approval. Stockland only purchased enough land to tie up the area to secure future development rights and have the opportunity as the major land holder to control input into the local area plan with local council. Stockland had only purchased land that was immediately approved in the local area plan for development without restriction.

A release of the draft local plan designated a great proportion of our land as nature reserve; I spoke to the valuer when here at the property, we both agreed that valuations of this nature were difficult and that values in the area could change at any time due to the fluent nature of the planning process. The valuer also mentioned that she was unsure how the bank wanted to value the property considering its current location and recent sales to Stockland. To further emphasis the issues impacting on the property, a developer on our back boundary with development approval in place was also included in the nature area. I have spoken to the developer personally and know that he will fight council, making the whole nature reserve aspect a mute point if we have development on our back boundary.

The valuer as instructed by the bank did not take into account any recent sales to Stockland, the main effect on the valuation was a sale of the property next door to ours. We received a notice from the Dept of Natural resources a few weeks after the valuation, the value on the unimproved value was higher than the unimproved component of the Bankwest valuation. Despite this being mentioned to , this was not taken into consideration.

As a result the valuation was less by some 200 thousand compared to the original valuation at the time of purchase.

Business Valuation

We dealt with the valuer directly after being contacted by Bankwest. The valuer informed me that he was to follow instructions as provided by the bank. We provided copious amounts of financial data, lease agreements and occupancy figures during the course of the valuation. The valuer attended the business and discussed the process with us. As opposed to the original valuation that only took a matter of weeks, this valuation took approximately four months. Despite the valuer reassuring us that he would discuss the findings with us, he failed to do this and therefore did not update any recent figures from the business.

At the start of the valuation, we provided occupancy figures to the valuer, these were taken over approximately 6 months, this included a period of time where the business is normally is quiet due to a loss of children reaching school age. Further to this, it was a time when there were legislative changes, which included changes to the ratios of staff to children. Again, occupancy levels were a large factor in the valuation, the valuer pointed out that the centre was performing badly with lower than expected occupancy levels for a centre in the area. Since providing those figures, the centres occupancy has increased nearly 25 percent, as the valuer did not discuss his findings at the conclusion of the valuation we were not afforded the opportunity to provide more up to date information.

During the course of the last two and half years, from Bankwest has stressed the importance maintaining our costs at 65% of our income. We had still maintained this expectation, despite the occupancy figures mentioned in the valuation, in fact he made comment on how well we were controlling our costs. This is not what is reflected in the valuation, which mentions our lack of business skills attributing to performance of the business and the low valuation.

The valuer also mentions a current dispute we were experiencing with the landlord over a lease matter, again this was resolved during the course of the valuation period. The valuer mentions that this would benefit the valuation; however, again we were not afforded the opportunity to discuss this.

The valuation mentions the negative impact of the two new centres opening in the local area and the recent economic conditions, but despite this, it is obvious that it's our fault the business was performing below expectations. Adding to this, the valuer on this occasion did not take the after/before school care income into account when assessing the business income. This was in direct contrast to the original valuation.

In summing up, the valuer was very negative about the childcare industry and its future prosperity in the current market conditions. I have since spoken to brokers in the industry who have been involved with other financial institutions who are more than positive regarding the outlook of the industry. The valuation was the size of a phone book compared to the original valuation, it appeared its sole purpose was to discredit our business and the childcare industry in general. As a result the valuation was 200 thousand below the original valuation.

In summary:

In total we are now 400k below the original valuations, at no fault of our own, like so many others, we are faced with losing everything. We have a successful business and a business plan in place which will allow us to pay off half our loan within the next four to five years.   We have an excellent reputation in the local area and are finally starting to see some positive results from all the hard work we have done. Now, due to Bankwest's ultimate agenda of destroying lives and obtaining both the money and assets of innocent hard working business owners through contractual arrangements with the banks previous owner. If we had know that the bank would take our only family owned asset regardless if we meet all the banks repayments, we would not have gone into business. With the GFC still effecting our economy and the drop in valuations, I am sure there would be hundreds of thousands of home owners and business owners who are in a similar position to us when it comes to their own LVR position, however, it just depends on the banks own agenda when dealing with these situations.

Thanks for your time.

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