

Submission to Senate Inquiry "Effects of the GFC on the Australian Banking Sector"

29 May, 2012

Economics References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senators

Please find attached my submission relating how my business was treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC in late 2008.

Introduction

We sought and obtained funding from Bankwest for a property development. Bankwest rescinded the funding mid project with only a few days notice. The final result was foreclosure on the development, dissolution of our development company, as well as both of our personal companies being declared bankrupt and all personal assets taken.

Our personal bankruptcies have entailed a combined loss of eight (8) properties, which included our family homes. The resulting stress, anguish and loss of sleep have made day to day living extremely difficult. Further more, due to the age of all parties concerned, any prospect of ever attaining financial recovery from this unnecessary action by Bankwest is highly unlikely. Our financial security has been wiped out and we will now be reliant on Government assistance in our retirement.

Business Background

We created a new business partnership for the express purpose of completing a small development of fourteen (14) cluster homes in the Southern Highlands of NSW. It was a joint venture entered into between

These were two small family companies coming together to form
as the company to go forward with the development and sale
of the completed dwellings

Timeline of events

In February 2004 we approached Bankwest for funding. A Mandate Letter was received, signed and returned to Bankwest in December 2006. This was followed up with a Letter of Offer in March 2007.

As part of the loan set up, we gave personal guarantees for the loan as well as obtaining substantial pre-sale commitments. We were also required to obtain Mezzanine Funding for approx 8% of the loan total, with a interest rate of 25%.

In August 2009 we commenced the sale of stages 1 and 2 of the development. This was designed to take advantage of the First home Buyers Scheme which was in full swing at this point in time.

We launched an advertising campaign that included the following:

- Domain.com.au and Realestate.com.au;
- Our own web site;
- Radio;
- Local Southern Highland news print media;
- Selected Suburban papers in the South West and Southern Sydney areas;
- Letters of Conjunction issued to selected Real Estate agents in these areas;

This was to be followed up with a comprehensive brochure mail out to over 40 Investment Planners and Self Funded Superannuation Advisors.

The sale of stages 1 and 2 would ensure full payment of all the funding back to Bankwest, as well as a sizable portion back to the Mezzanine Funder. This would then leave us, at that point, with a manageable amount of debt should it be necessary to carry it over.

We had received encouraging enquiries in the 2-3 weeks of the sales campaign which ran prior to the October meeting requested by Bankwest.

On October 1 2009 Bankwest informed us at a meeting held at their Sydney offices that they were not funding the project any further irrespective of what we were doing to ensure full payment of the funding. They were completely closed to any further discussion on the matter. The Bankwest representatives that we spoke with were very threatening in their manner and even resorted to yelling and standing up leaning over the desk. A most unprofessional approach was taken by their main representative at that meeting

Prior to this incident we had dealt with helpful Bankwest staff who were subsequently removed from our portfolio after the takeover by the Commonwealth Bank. We were left trying to deal with totally new managing personnel , hence ending the relationship we previously had with Bankwest staff.

Impact

The impact of this experience has been devastating for not only the direct parties involved in the development but also our families as well.

I personally have lost my business and hence the ability to earn a decent living. I have lost my principal place of residence and have had to enter the rental market after being a home owner for over 30 years. I have also lost an investment property I rented out for over ten (10) years. Rental accommodation is in limited numbers within this area so I was pleased to be able to offer affordable housing to those needing it.

Since this event with Bankwest, I have had great difficulty sleeping and suffer constant stress and anguish which has now resulted in my developing high blood pressure for the first time in my 50 years.

At times I lose the ability to stay focused on a particular task and am no longer able to function to the best of my abilities. This has resulted in low self esteem also.

I have difficulty thinking and planning for the future as I am so overwhelmed by my feelings of loss. I have worked hard since I commenced work at the age of 17 and was totally unwise to the fact that a bank can cancel funding for a project with no fair or just reasoning. I did not realise they could decide to call a loan and cut their losses for selfish and unexplained reasons.

Conclusion

At the final funding meeting, the bank indicated that they had decided to cancel the project and write it off as a bad debt. This was done with only a few days notice even though we were in the middle of our sales campaign utilising the First Home buyers Scheme.

Bankwest advised that there was nothing we could say or do that would result in the bank coming back into the deal. Although we were able to refute their valuations with historical sales figures and valuations, these were dismissed out of hand as inaccurate and fanciful. These figures were supplied by local Real Estate Agents and were based on actual sales of similar homes over the previous six (6) months.

We suggested that if we had a 'fire sale' of the properties, at least the bank would get its money back; but were told firmly the matter was closed.

Subsequently, we made great efforts to refund our project over the next few months involving funders and third party agreements across three states. We were actively seeking refunding right throughout the receivership process and up to the day before the sale of the site by Bankwest.

We were able to find a funder at the last minute, however the new funder placed conditions on the funding that Bankwest found not to be to their liking, and would not relent on the sale of the development.

I am sending this submission in the hope that you will be able to see the injustice of the actions of Bankwest on myself and my business partners, and to also see the full impact that their action has resulted in. It is imperative that the Senate get involved in this matter as our lovely country could end up in dire financial straits if other banks were to follow suit and destroy the life savings of countless other individuals. The Government needs citizens to find ways of self funding their retirement and not becoming a burden on Centrelink and other assistance agencies.

Yours Faithfully,