

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

Dated. 21/5/2012

Economics References Committee.

P.O.Box 6100

Parliament House.

Canberra, ACT, 2600.

Dear Senators,

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

We have been in the Hospitality Industry for many years and over a period of time have had Bank loans for the businesses we have owned.

We have always furnished these loans on time every time as per the contract details.

We have an excellent credit rating with no defaults against our name.

We (Lockland Pty Ltd) obtained a loan from Bankwest in November 2007 to purchase the Naracoorte Hotel Motel leasehold and business for a purchase price of \$2.4 million.

Our Accountant specialised in Hotel, Motel type businesses, he assisted us in our due diligence on the business.

We owned the leasehold of the Naracoorte Hotel Motel. The leasehold was for 28 years with the right of renewal.

The Naracoorte Hotel Motel is situated in the South East of South Australia, in the middle of the Coonawarra and Padthaway winery region. A tourist area with the famous Naracoorte Caves and the world known Mini Jumbuck wool products produced in the township of Naracoorte.

We took over the lease of the Naracoorte Hotel Motel in December 2007.

We went to Bankwest to apply for a loan to purchase the Naracoorte Hotel Motel on the recommendation of the Hotel Broker.

To obtain a loan from Bankwest we had to have cash money and other security, which we had in property that belonged to us and our children.

The valuation of the Naracoorte Hotel Motel by the Banks valuers was \$2.4 million the same as the purchase price. The valuation was completed by their own affiliated valuer. Mr X at Bankwest who we met on one of our visits said that our loan would be signed off immediately as we had more than enough security and cash and with the Hotel valuation.

Bankwest approved Lockland Pty Ltd a loan in December 2007 to purchase the Naracoorte Hotel Motel.

We then had meetings with Bankwest discussing types of loans i.e. Interest payment only for a specified time or an Interest and Principal payment type loan, and we took out the second option loan.

Bankwest had a clause in the loan that if we did not meet the L.V.R (loan to value ratio) we would be fined. This happened as we did not meet the criteria, due to the GFC, we paid the fine, as we did with the loan we had from the bank.

The loan was for an initial three (3) years, principal and interest repayments with the bank to refinance the Hotel Motel at the end of this time.

WE DID NOT MISS A PAYMENT BACK TO THE BANK AT ANY STAGE OF THE LOAN WITH BANKWEST.

We operated the business hands on all of the time we were at the Hotel, additionally we utilised a full time accountant for management of accounts and wages, and this was the same accountant that negotiated with us the loan at Bankwest.

We had 21 casual employees and 1 permanent chef.

The Hotel Motel had:

14 motel rooms for accommodation

14 Hotel rooms for accommodation

32 Gaming Machines

A very large Bottle shop trading under the Thirsty Camel banner.

This Hotel won many awards for its presentation as well as its food.

The Billy Mac's bistro was very well known in the South East as well as in the City of Adelaide.

We (my wife and I) worked the Hotel Motel 7 days a week as hands on people.

Early in 2008 when the G.F.C. happened we had a meeting with our accountant to discuss how this G.F.C. would affect us.

We knew the G.F.C was going to scare a lot of people as we did not know what affect it would eventually have on Australia.

At this stage we had no trouble with Bankwest apart from on occasions not meeting the L.V.R. and being fined.

We had the Bankwest representative call on us to advise us that the Commonwealth Bank had purchased Bankwest and we would not notice anything different as they were going to trade under their own identity.

This arrangement at the time was accepted and we got on with our business.

Late in 2008 when the Commonwealth Bank bought out Bankwest we (through our accountant) were getting more and more phone calls and E Mails re how was our business going and what were our plans for the future. Bankwest knew how we were going with the business, the reporting that was required was excessive and our accountant questioned this several times.

It was only a few months later that Bankwest were intimating to our accountant that we should be looking for another financial institution to refinance our Hotel

Early in 2009 we discussed selling the Naracoorte Hotel Motel as we were continually getting harassed by Bankwest. We had slashed our wages and all costs, we had this under control and to eliminate the banks continuing negativity towards us we put the Hotel on the Market.

When we told Bankwest that we were selling they were very concerned about the price we were going to sell the Hotel for and wanted us to report almost weekly on the sale situation.

As the months went on Bankwest were showing more concern about the sale as we did not have any one showing any interest in the Hotel. Our accountant was of the opinion that Bankwest may call in the loan.

This would surely have bankrupted us and this added further stress to us as owners of the business.

About this time of our continuing concerns of what the bank may do to us regarding the loan we made an appointment with Mitch Williams the member of parliament (McKillop), we explained our situation to him and he was going to talk to Patrick Secker, member of parliament for the South East, about our situation.

Early in 2010 Bankwest contacted us to see what our situation was regarding the sale of the Hotel and had we discussed how we were going to refinance the Hotel when it was due in December 2010.

We asked the question about Bankwest refinancing us as we had a good track record of repaying our loan; we had not defaulted in anyway with Bankwest. We were told they would not refinance us for

the Hotel as the value of the Hotel Motel would not be high enough, Bankwest said the Hotels value had dropped substantially.

Bankwest never re-valued the Naracoorte Hotel Motel in 2010 to see what value it would have been and the only way Bankwest would refinance us was to have more security.

We had no more security or cash to give so the only solution was to try to sell.

The security Bank west had for this loan was 4 house properties valued at approximately \$1.6 million and \$400k in cash as vendor finance plus our own cash of approximately \$400k and this has not included the percentage of borrowing against the value of the Hotel. The security for the loan was our families' properties (houses) and we knew any default to the bank that there would be the possibility of losing homes.

The way Bank West set up our loan facility with the high Hotel valuation (\$2.4m) and the high percentage loan ratio, it was going to be impossible to refinance with another institution.

There was never any discussion with the bank about any alternatives or assistance in anyway. It was all about selling the Hotel and how we were going to make up any short fall.

Because Bank West would not refinance our loan, we were left with no alternative than to sell. In doing so we had to sell at a much reduced price. By selling at the reduced price we were left with still owing money to the bank. So we sold our own house also at a reduced price because of the urgency to clear the loan at the bank before the refinance date. We then used all of the cash we had on hand to finalise the Bank West loan.

Sale of Hotel.....\$1.55 million.

Sale of our home..\$520,000.00.

We still had creditors to pay, which then resulted in us cashing in superannuation and life insurance policies.

Attempts were made with many phone calls, through our accountant, to reach an amicable situation with Bankwest, all to no avail.

Bankwest at no stage met with us personally, it was always with phone calls or emails to our accountant, and there was never any discussion on how they could assist us.

We owned our own home and a business that was operating profitably, all we needed was Bankwest to refinance our loan and let us keep trading until we could sell the hotel at its full market price.

Our family have stood alongside of us the whole way and they have suffered because they have had to assist us with cash to finalise the business as well as finding suitable accommodation for us because we have had to sell everything to appease the bank.

We are both 65 years of age; we have been looking for work as we are forced into employment.

We have never defaulted with Bankwest at any stage and because of their actions not to refinance our loan we sold at 'fire sale prices' and we have lost everything.

Yours Faithfully

Diane and Max Lock

Trading as Lockland Pty Ltd.