

## **Submission to Senate Inquiry**

### **Effects of the GFC on the Australian Banking Sector**

May 25<sup>th</sup> 2012

Economics Reference Committee

PO Box 6100

Parliament House

Canberra ACT 2600

Dear Senators,

Please find attached my submission that relates to how a business I became involved with was treated by BankWest after it was acquired by the Commonwealth Bank of Australia during the GFC of late 2008.

My submission relates to a client of BankWest with whom I had dealings with when they were placed in receivership. My name is Ronald William Cooper and I retired from St George Bank Ltd in January 2008 after having served forty years at ANZ Bank, Barclays Bank Australia Ltd and ultimately St George Bank Ltd (SGB). My banking background was in corporate lending and assisting with debt recovery. Prior to my retirement I was General Manager for Corporate and Business Banking at SGB.

This included making recommendations on how we approach collection of bad debts and working with the Loans Management Unit to achieve the best results for the debtor and the Bank. In 2010 I was also seconded by the George St .branch of Corporate and Business Banking for SGB to assist with mentoring staff in collection of bad and doubtful debts as well as working with the Loans Management Unit to achieve the best outcome for all parties concerned.

I acknowledge that sometimes the bank is placed in a position where recovery action is required, including the appointment of Receivers and Managers or even liquidators. This is general the result of inaction by the client, or completely ignoring the banks requirements for an orderly clearance of its debts.

I am making a submission on behalf of Mr Victor Seeto, whom I believe was treated unfairly and harshly by BankWest as per my attached submission.

## **INTRODUCTION**

Around September 2009, I was approached by an acquaintance, who was aware of my past banking experience and asked whether I might speak with their friend Mr Victor Seeto who was having difficulties with BankWest. In fact Receivers and Managers had been appointed to their business and he was endeavouring to work with them and the bank to achieve a result which would see them divest themselves of one of their hotels and retain the Ancient Briton Hotel in Glebe.

## **DETAIL**

My business is Dirore Pty Ltd and it is a consultancy dealing with finance broking, business restructuring and bank/client negotiations. It was commenced in 2008 after retiring from banking.

I undertook a consultancy on behalf of Victor Seeto and other members of his family as I felt the business would be viable after the sale one of their two hotels. In turn the resulting exposure could be refinanced with another financial institution.

During my service in banking I made many acquaintances in the other banking institutions and had countless dealings with the firms of receivers and managers. I was confident this would enable me to negotiate on behalf of the Seeto interests and allow them to withdraw from BankWest in a manner which would result in both parties being satisfied. This proved not to be the case as the bank appears to have taken the approach that they wanted both hotels sold come hell or high water.

The group had loans totalling circa \$24 million which were secured against two hotels, being the Dog and Parrot on the Gold Coast and the Ancient Briton Hotel in Glebe (Sydney). Prior to the appointment of Receivers and Managers, the professional valuation of the Dog and Parrot hotel was \$28 million and the Ancient Briton \$15 million. Therefore it could be concluded at that time that adequate security was held by the bank. However, the value of hotels was diminishing at the time and the appointment of Receivers and Managers meant that buyers would wait for the bank to force a sale. A sale had previously been negotiated with Woolworths but it was withdrawn when action was taken by the bank.

Basically the Seeto connections were caught up in the upward market of hotels. Victor Seeto has been an owner of hotels since the 1990s. He has first-hand experience and has always had a good relationship with his bankers. In fact, when his bank manager moved to BankWest, he in fact transferred his arrangements to them. This would in fact end up being detrimental to his cause.

Prior to the value of hotels subsiding, Victor undertook the refurbishment of the Ancient Briton Hotel. He appears to have been misled by the contractor in terms of the cost of the refurbishment and associated works which resulted in a cost blow-out. Add to this the contraction of the hotel values and obviously the bank would have been nervous. There also appear to have been some amounts of unpaid interest at this time however, his family had agreed to assist and my understanding is that they advised the bank that arrears would be overtaken.

In my experience banks do not wish to recover debts by taking such action as appointing receivers and managers unless it is absolutely necessary and then only if the client has failed to make every endeavour to sort their position out. The other times are if outside creditors move against a business

and the bank needs to protect its position, however, even then they make every endeavour to ensure the result is that the bank and the customer work together.

I can cite several cases where the bank has at least two years to sell assets and rearrange their position and even after this not occurring the bank did not appoint receivers and managers. In the case of Victor Seeto, he was endeavouring to sell the Dog and Parrot, and as I'm led to believe, was prepared to meet the market and had negotiated a sale which did not proceed for one reason or another, but thought to be that information was leaked to the market that the bank was proposing to take recovery action. The negotiation of the sale would have been seen in a positive light by the bank and he would have been allowed further time to negotiate another sale or resurrect the lost sale.

However, in my opinion, the new owner of BankWest, Commonwealth Bank of Australia, saw this and other doubtful positions, as an opportunity to divest itself of some of the BankWest assets and any losses incurred would be taken from the purchase price. I believe this was well documented in the press.

## **IMPACT**

Obviously the bank's actions had little or no impact on my life except to leave me wondering why such actions they took were deemed necessary, responsible and in the spirit of good business ethics. I say not and I did see the impact it had on the Seeto family which I consider placed them under great personal stress. In conversations towards the end of the bank's actions I felt very sorry for them and the position they had been placed in.

## **CONCLUSION**

To summarise, in my forty year banking career, which involved approving borrowing arrangements up to \$60 million and supporting proposals to a credit department beyond that figure, along with being actively involved in debt recovery processes. I was first involved in large client debt recovery during the 1990s with Barclays Bank Australia Ltd (later purchased by SGB). These were extremely trying times for the banking system generally, and again in my opinion, not as bad as that brought about by the GFC.

In essence we always endeavoured to work with the clients so, if at all possible, they could walk away with something which may allow them to continue in business or at the very least start again, although I readily admit this is not always possible. However, in this instance, it appears no-one was prepared to allow this to occur. Yes the client had made mistakes, but they also appear to have endeavoured to rectify their position, including offering a substantial payment to bring arrears in order.

During my time with Victor Seeto, I endeavoured to have meetings with BankWest but ultimately they would not. I endeavoured to meet with the Receiver and Manager (Mr J Bournelis of PPB Advisory) but he also declined, although we did have telephone conversations. After some pressing, the receiver and manager did agree to a one week delay in the auction the Ancient Britain Hotel in order for us to seek alternate finance. However, they would not release any financial information to enable us to put proposals before lending institutions, and in any case one week was not long enough to refinance such a proposal.

Given this, I was at a loss to understand why in fact they agreed to the delay. They would not explain and stopped conversing and corresponding from that time.

As previously stated, in my opinion, and based on past experience, there was no need to auction the Ancient Briton Hotel after the Dog and Parrot had been sold. The greater Seeto family are people of means and had endeavoured to take out the position before the auction. This appears not to have even been considered by BankWest or the receivers and managers.

The ultimate auction was pure bloody-minded and only served to further sully the reputation of banks generally. This can only be detrimental to other institutions and the banking fraternity generally.

Yours faithfully,

Ronald William Cooper