

SUBMISSION TO SENATE INQUIRY

**“EFFECTS OF THE GFC ON THE
AUSTRALIAN BANKING SECTOR”**

DATE: MAY 2012

ECONOMICS REFERENCES COMMITTEE
P O BOX 6100
PARLIAMENT HOUSES
CANBERRA ACT 2600

IAN COLQUHOUN

Dear Senators

Please find attached my submission that relates to how I was treated by Bank West and subsequently by Suncorp Metway during and since the Global Financial Crisis of 2007-2008.

Bank West's behaviour over this period caused the collapse of my family's finances.

BACKGROUND

I am aged 75 years. Married with four children. My children have progressed from a country high school background to all achieving professional status with ten Senior University Degrees between them.

I had stopped building in around 2007 after forty five years because I felt that finally my wife and I could retire as self-funded retirees.

It was only in the last two years, that is around 2007-2008 we were persuaded to leave our traditional bankers and invest in a facility at Bank West.

So we became Bank West customers with Bank West funding a Property Investment with an income of \$114,000 per annum. The loan was for \$950,000.

CHATTERTON ROAD SUBDIVISION WEST ALBURY

The local manager of Bank West had offered to take over the funding of the above property.

This was to enable my wife and I to realise the financial equity that we had in this land we had owned for forty years.

The cost of achieving this would be costs of about \$120,000 achieving sales of about \$2,200,000 which in turn would clear the total debt on Chatterton and reduce the original loan with the Bank West to about \$300,000.

The bank insisted that we take its offer of funding this subdivision.

These negotiations took place in May and June 2007. The official offer is dated 31st July 2007. There was a commitment from the bank that the settlement should take place in about two weeks.

A second offer more or less the same as the original was made on 13th August this time saying money could be released immediately.

A third offer was made on 13th September.

A fourth offer was made on 4th November.

Finally a settlement was proposed on the 22nd January 2008.

The bank then withdrew from the settlement and proposed a new offer which took another two months to consider the proposal.

I now know Bank West itself was under great financial pressure at this time. It was having great difficulty to service funds for its Loan Book.

According to the statistics at the Australian Prudential Authority either the Reserve or other Financial Institution lent Bank West money amounting to \$3.75 billion by December 2008.

I also understand that Bank West's parent at the time H Bos was itself insolvent and had received Emergency Liquidity Funding from the Bank of England which at its highest point was Twenty Five Billion Pounds. This took place before H Bos was taken over by Lloyds Bank.

The Institution had committed itself to settle within a reasonable time in July 2007. Clearly Bank West had a Duty of Care to either continue to settlement or withdraw within "that reasonable time".

I believe the bank behaved in a misleading and deceptive manner and was not honest in declaring its true financial position to enable other finance to be taken up in July, 2007.

CHATTERTON PLACE SUBDIVISION AND SUNCORP

About the time it became apparent that Bank West was not going to proceed with the refinance of this property I struck a deal with Suncorp which still had the first mortgage.

The deal was that I should put my last two hundred thousand dollars into the Roads and Services so as the full value of the property may be realised.

This was completed.

In December 2010 I had a debt on the property of about \$700,000 and was waiting for the bank to sign off on the first four lots which would realise \$500,000.

The bank failed to sign off so those sales might be completed but instead appointed McGrath Nichol.

In forty five years in business I have never seen anything like McGrath Nichol's behaviour. I believe McGrath Nichol deliberately mucked around with the process. On over 50 occasions I tried to facilitate the sale of my property.

So we find ourselves today, eighteen months later, with the property since December 2007 accrued interest and fees of one million dollars.

Of this million about \$300,000 was charged by McGrath Nichol for work that was in fact completed before they took over the property.

The overall result of Bank West's behaviour is after forty seven years in business both my wife and I have been declared bankrupt.

K. IAN COLQUHOUN
30.5.2012