

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

7 June 2012

Economics References Committee  
PO Box 6100  
Parliament House  
Canberra, ACT, 2600

Dear Senators,

I wish to make a submission that relates to how my property development business was treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC in late 2008.

I am being sued by Bankwest for over \$3m and may end up bankrupt as a result of their action. Their action is causing considerable stress to me and my family.

I was in a property development at Pymble for the development of 13 Torrens title houses. Bankwest was the first mortgagee. This development started in 2002 and gained approval to build from the Land and Environment Court in late 2004. 12 of the 13 houses were about 90% complete by 2007.

Bankwest funding was arranged through a broker who told me Bankwest were aggressively marketing to property developers. The loan was an interest only facility that rolled over.

In 2007 the second mortgagee, with what I understand to be the knowledge and support of Bankwest, removed my builder from the site and appointed a project manager to finish the project. That project manager delayed the completion of the project for around 2 years and managed to spend what I understand is millions of dollars.

Whilst under my control I sold 6 houses for prices that varied from \$1.3m to just over \$2m, depending on the size and location on the estate.

At some point Bankwest stopped sending bank loan statements to me and it was very difficult to determine what I owed to the bank and what they were charging to the loan account for interest and other charges.

In March 2009 Bankwest sold one of the houses in the development. That house was the same design as another house that was previously sold for \$1.65m. Bankwest sold it for \$950,000, some \$700,000 less than I managed to get for the same house design. Bankwest did not tell me they were selling the house which they apparently did under some power of attorney or rights as a mortgagee.

**This single sale by Bankwest virtually sealed my fate – once the market heard about the massive drop in this sales price the values of all the other houses came tumbling down.**

The second mortgagee paid Bankwest's interest but the second mortgagee decided to stop making those payments around November 2009. Bankwest then gave me very limited time to find around \$8m, which could not happen in such a short time period and so they then appointed a receiver in December 2009.

The receiver sold the 6 unsold houses in a little over a month around August 2010, some for up to half the price compared to the price levels I achieved. The receiver dropped around \$6.4m in sales value.

I lost all my money invested in the project which was around \$1m. I want Bankwest to refund all the money I have lost and compensate me for the lawyer's fees I have had to incur in fighting their recovery action. I have no assets and they are spending their own legal fees to bankrupt me to get no return.

The marital home that I was living in was sold in 2007 because of debt that had built up as a result of money I put into the Pymble project. My family had to back trade to smaller down market premises in order to reduce the debt level that had built up and which was secured by a mortgage over the home.

Attached is a spreadsheet that shows how much the receiver lost compared to the sort of prices I was achieving when I had control over the sales process. If Bankwest had acquiesced to the appointment of a project manager, not sold the house they sold for \$950,000, not appointed a receiver and if the receiver had not dropped the prices so much I would probably have not lost my money.

Yours sincerely

**PYMBLE PROPERTY DEVELOPMENT**

*Comparison of sales prices achieved prior to appointment of receiver in December 2009, actual prices achieved by the receiver appointed by Bankwest and the drop in expected sales revenue as a result of the appointment of a receiver*

Lot no.	Bedrooms	Date of sale	Sale price achieved by Developer	Sale price achieved by Bankwest	Sale price achieved by receiver	Price that should have been achieved	Drop in expected sales prices
71	4	02-February-2007	\$ 2,046,145			\$ 2,046,145	
72	4	01-June-2007	\$ 2,000,000			\$ 2,000,000	
82	3	27-April-2007	\$ 1,450,000			\$ 1,450,000	
421	4	18-April-2008	\$ 1,650,000			\$ 1,650,000	
91	3	26-June-2007	\$ 1,300,000			\$ 1,300,000	
41	4	24-February-2010		\$ 950,000		\$ 1,875,000	\$ 925,000
422	4	30-July-2010			\$ 1,250,000	\$ 2,075,000	\$ 825,000
51	5	05-August-2010			\$ 1,271,000	\$ 2,230,000	\$ 959,000
52	5	06-August-2010			\$ 1,150,000	\$ 2,285,000	\$ 1,135,000
61	3	16-November-2010			\$ 908,000	\$ 1,675,000	\$ 767,000
62	3	31-August-2010			\$ 962,500	\$ 1,450,000	\$ 487,500
81	3	19-August-2010			\$ 1,020,000	\$ 1,695,000	\$ 675,000
92	3	06-September-2010			\$ 935,000	\$ 1,575,000	\$ 640,000
			<b>\$ 8,446,145</b>	<b>\$ 950,000</b>	<b>\$ 7,496,500</b>	<b>\$ 23,306,145</b>	<b>\$ 6,413,500</b>