

Senate Inquiry

The Banking Sector – Post GST

25 May 2012

Dear Sir/Madam

I have included in this submission three documents which provide responses from St George Bank and from the Minister for Small Business after the company I am a director of had been stone walled at the Minister for Finance office.

I make this submission in my personal capacity. The company Vision Developments (WA) Pty Ltd has undertaken a process to put a liquidator appointed to owner of the development to which St George Bank was the funder. They wish to see the liquidator examine the director and bank officers in relation to the events leading up to the company failing to pay its debts.

IK would like to see this examination take place at your Inquiry as I believe this example is the tip of the iceberg on how Banks knowing gain a benefit from the trade creditors.

The basis of my submission is that.

- 1) St George Bank was the financier to a property development known as Olive Waters.
- 2) The amount of funding provided by the bank was in my view reckless when you consider the LVR and this aspect where trade creditors have no access to this information yet provide benefit to the lender through improvement to the property is an area where the law should be changed to recognize the value added to the project by the creditors and provide a proportional payment to trade creditors.
- 3) In this case contractors ceased work due to non payment.
- 4) At that point the underlying security for the bank was an en-globo title with half finished services.
- 5) The director represented to a number of creditors that St George Bank were willing to provide a new facility and pay out existing creditors for works done but the works must re-commence immediately.
- 6) The contractors in good faith returned and completed the required works.

- 7) The result of this work saw the security held by the bank improved through the creation of the underlying individual lots vastly improving the value.
- 8) The bank advanced no further funds, allowed the settlement of the existing contracts and then appointed a receiver.
- 9) Receiver appointed an agent whose track record was to undertake a clearance style sale at dramatically reduced prices.
- 10) It is our view that either the Director misrepresented the position to creditors or alternatively the Bank and its officers encouraged through representations the director to get the works completed knowing the company had no ability to meet these costs and yet the bank stood to gain a significant improvement benefit from the works done.
- 11) If the bank knowing did this then potentially the officers of the Bank were also taking on a de facto directorship of the developer.
- 12) By examining the Bank officers and the director of the Development Company at your Inquiry, I believe you will uncover a practice which saw a bank gain a benefit from third party creditors.

Yours Faithfully

Kimberley Burton