

SENATOR SCARR

ANSWERS TO QUESTIONS ON NOTICE

STERLING FIRST SENATE INQUIRY

19 Nov 2021

Your Question: I'm very interested to know what interactions occurred between the customers and the lawyers who were recommended by the promoters.

Answer:

Of the six persons who were given the suggestion to get legal advice re Sterling by one Sterling Promoter named : Ryan Jones did not permit any PDS to be handed out. Only Ryan had the few copies printed under lock and key. The reasoning the Product Disclosure Statement could not be handed out according to Ryan was as follows: *"The PDS was too expensive to print and simply hand out. All customers will receive a copy after sign up as a tenant."* The process according to many witnesses I interviewed was identical. Other excuses used were: "We have to reprint as ASIC has told us to correct a few things."

I have six versions all dated from 18 May 2015. Ray Jones suggested to a colleague (wte): *"There are breaches and ASIC lawyers are assisting us to comply with Corporations Act. We will be reprinting."*

Tenants did not know what a PDS was. Confirmed when I asked for show of hands. They had never invested. The first time the victims of Sterling heard the word Product Disclosure Statement ("PDS") was at the first Rally held by me on 21st June 2019, one month after the collapse.

First the Promoter/sellers would take people out to view new Mini Homes on Mini blocks of land. There was no pressure. Their existing home needed to be sold to release the money from the asset.

One week after the money transfer, an appointment was made (usually after hours) at the South Perth Offices (one or two from Bunbury office) to sign up with Director Ryan Jones.

Ryan was the only one who executed signed up's and there were no witnesses. A week later the Landlord would sign. A quality folder did in some cases contain

PDS at the bottom of the **three-ring folder** named Sterling First covered with promotional advertising.

The order of placement was as follows: one would find a number of similar size advertisements and brochures, next, came the eight Leases, the Deed at the end of the Contract, all signed by the tenants. The customers would be told they would receive a folder containing your documents and to “put in a safe place.” They were given the keys to their new home and had started packing boxes preparing for the move. The folder was sent out by mail. There are a couple of exceptions. Not every folder contained the PDS.

THE PDS

Please Note: I had spoken to _____ last year. His answers are consistent with every other seller. No-one was permitted access to the PDS and did not have a copy of their own. _____ seemed to be the only one who knew you should get legal advice. He wanted to cover his own interests and tell people to seek legal advice. He knew the Fremantle lawyer

These are the examples I have been made aware of:

1) _____ (aged 86) and _____, went to the Fremantle lawyer seeking his opinion of Sterling First. They also asked the lawyer to arrange a Will. The consultation occurred prior to SIGN UP. Since the couple did not know what a PDS was, they had no documents. The lawyer reportedly said he was familiar with Sterling First. _____ was told it would be a REIWA lease. The lawyer told the couple he knew of Sterling and there were no adverse issues. It's a good product. _____ paid \$500 for the Will and \$500 being the amount charged for the advice.

2) Another lady and **two friends** decided to seek advice from a lawyer friend, but once again they had no documents to show the lawyer.

Apart from Ms Crowther's evidence, and above, I know of no others. Ms Crowther was in _____' Team.

3) Another couple claim they rang the same lawyer in Fremantle and did receive a favourable response re the Sterling product, over the phone and was not charged. Once again, the vital documents were not given out until a week or so AFTER the SIGN UP. Customers of Sterling had no idea what document they would receive or be presented with when they went to the sign-up meeting.

They expected a contract, a REIWA 40-year lease, ie 5 x 8 leases. That is the way the product was sold by the promoters at Seminars.

The promoters /sellers promoted the product to family members and had no idea of the chaos that would ruin the lives of their own families.

Your Question: Why do you think the consumers in this case didn't think, 'Well, I need to go and see my local solicitor to get advice, because this is such a long-term lease:

The answer is the simplicity of the 8 leases story. Each of the eight leases were identical Leases of five years duration. People were paying rent in advance that would remain in a Trust.” No-one hires a lawyer to ask for assistance with a REIWA Lease. They were told it was Standard REIWA 5-year Lease. The Homeowners hired a real estate agent to sell their own home. In WA they use settlement agents to settle those transactions.

Promoters and sellers did not understand this was a cleverly thought-out scam. No-one realised those funds would disappear from the Trust within three years, except the experienced Directors. Historical collapses went back to two or more decades. The characters were well known to ASIC, Executive Bankers and journalists.

The only persons that knew future development was dependent on easy cash flow, were the Directors. Each had taken funds and spent other people’s money like water in the predecessor firm of Heritage. Those victims were investors, yet many were very ordinary inexperienced people, spruiked ins seminars with words like “safe and secure.” Those with small amounts of savings to invest were preyed upon with further misinformation. Two of the directors can be traced back 40 years with a trail of debris of wrecked lives from the identical target market: older Australians who have filled their lives with hard work and frugal living and have a few dollars saved or from super at retirement.

These Australians are the target market for villains in this industry. Collapses and the regular players are well known to ASIC. Older Australians trapped inside the Heritage scandal 2010 – 2014 received the return of their life savings. Those trapped came from all States in Australia. I collected registers of Landlords, Investors and Tenants.

May I also note that I am the person who broke open the WA and SA Finance Broker Scandal and the Eastern States Solicitor Mortgage Scandal involving 127 law firms, and then the Banking Royal Commission. With the greatest of respect, I am familiar with the fact that every good scam has a swathe of lawyers. I do not believe people have the same trust for lawyers as may have been the case many decades ago.

Denise Brailey.