

Submission to Senate Inquiry

"Effects of the GFC on the Australian Banking Sector"

29th May 2012

Economics References Committee

PO Box 6100

Parliament House

Canberra, ACT, 2600

Dear Senators,

Please find attached my submission that relates to how my business was treated by Bankwest after it was acquired by the Commonwealth Bank of Australia during the GFC in late 2008.

The relationship with Bankwest commenced early 2006 and over the ensuing 3 years loans totalling approximately \$57M were advanced by the bank for various property transactions and hotel acquisitions. The total exposure was made up of a series of loans for a number of different entities operating the various parts of the overall business. A summary of the structure is as follows:

Company	Property Type	Loan Amount
Denjohn Pty Ltd	Commercial property	\$ 7.9M
Picaday Pty Ltd	Commercial property	\$18.6M
DARR Pty Ltd	Commercial land	\$ 8.7M
RGQ (No 1) Pty Ltd	Commercial property	\$.5M
RGQ (No 6) Pty Ltd	Commercial land	\$ 1.6M
RGQ (No 4) Pty Ltd	Service station	\$ 2.1M
WNFW Pty Ltd	Commercial property	\$ 1.8M
Scarborough Street Pty Ltd	Hotel	\$10.0M
Main Road Maroochydore P/L	Hotel	\$ 5.5M

The facilities for Denjohn Pty Ltd and Picaday were due to expire on 31st May 2008. So in early 2008 we took the opportunity to see what other options may be available in the market place. As a result of our search an alternate financier (ING Funds Management) offered a refinance package that included access to additional funds, reduced interest rates and 5 year loan terms.

Furthermore, the majority of the hotel portfolio had been funded by financier (Suncorp). They offered a funding package to refinance the debts of Scarborough Street Pty Ltd and Main Road Maroochydore Pty Ltd which totalled \$15.M and this would have allowed us to put the whole hotel portfolio with the one institution. From our perspective this made good business sense as it provided for better control and reporting.

During our search for alternate funding options other banks namely NAB, Westpac and St George who we also had relationships with also expressed interest in refinancing other Bankwest debts. This meant that the majority, if not all of the exposure to Bankwest could have been refinanced.

We approached our Bankwest relationship manager to advise that we had been made other finance offers with more favourable terms. In particular we advised that all the hotels would be with one financier and that the ING offer to refinance Picaday Pty Ltd and Denjohn Pty Ltd was too good an offer to refuse. He implored us not to leave the bank as he could match or better the offers that had been tabled.

However, the decision has been made to proceed with the refinances because the outcomes would be better for the group's business. As we tried to secure the funding packages our attempts to have the securities released were frustrated by actions of the Bankwest manager.

In the instance of the refinance of Scarborough Street Pty Ltd and Main Road Maroochydore Pty Ltd the incoming financier sent an email to Bankwest on 24th April 2008 at 3.43pm advising them of the refinance. The Bankwest manager replied at 4.00pm and advised the facilities of Picaday Pty Ltd, Denjohn Pty Ltd and unrelated entity of Caloundra Pharmacy Pty Ltd must also

be refinanced. A copy of this email is attached . The response from the relationship manager took just 17 minutes and it is difficult to comprehend how a decision could be made in such a short period of time and whether the response was within the discretion of the relationship manger.

We protested to the relationship manager that Caloundra Pharmacy Pty Ltd was not part of the group. I was not a director of the company nor had anything to do with the day to day business operations. There was no reason that this facility had to go too for the refinance to proceed.

Numerous representations were made to the relationship manager at Bankwest from ourselves requesting securities be released to facilitate the refinance to no avail. The manager continually asked us not to leave as they could match the offer.

The intermediary handling the refinance also contacted Bankwest regarding the matter to no avail. ING Funds Management also provided extensions to their finance approval.

During June and July 2008, contact with Bankwest relationship manager increased considerably until ING Funds Management ultimately advised that the refinance transaction must be completed by 31st July 2008 because they could not hold the funds any longer. In late July the Bankwest relationship manager finally advised our request had been recommended and sent to the 'Credit Department' for approval. However, no approval was provided by the manager in time to meet the 31st July 2008 deadline and the finance approval was withdrawn by ING Funds Management and the opportunity lost.

No formal response to the request for refinance was ever provided.

The impact of the banks action meant we were denied the opportunity to secure funding at more favourable terms. Given the Global Financial Crises (GFC) was having dramatic effects, the funding package would have provided better terms, interest rates and additional funds which were crucial to future plans of the business.

Subsequent to the passing of 31st July 2008, it came to our attention that Bankwest managers received substantial bonuses in the hundreds of thousands of dollars that were linked to book levels held as at the end of June. Had our refinance requests been processed the value of the Bankwest manager's book would have reduced by some \$52M and his bonus most likely jeopardised.

As the fall out of the GFC took its toll funding opportunities became practically non-existent as financiers virtually closed for business. As a result we had no choice but to stay with Bankwest and accept whatever conditions they deemed necessary. In September 2008 Bankwest extended the group's facilities.

In October 2008 it was reported that the CBA had successfully made a takeover bid for Bankwest. In September on two occasions funds were withdrawn without authority from our bank accounts to clear loan interest. We believe this was done deliberately with the intention to give the CBA the false impression that our loans were 'in order'. Had the CBA done a proper due diligence they would have discovered this was not the case.

In early 2009 meetings were held with Bankwest hierarchy to discuss a resolution to our predicament. However, as a condition of our meeting we were not allowed to discuss the behaviour of the Bankwest manager and how his actions in handling our refinance requests affected our business.

The actions of Bankwest along with the effects of the GFC culminated in the business experiencing severe financial difficulties. This led to a number of entities being placed in the hands of Receiver/Managers in July 2009. Eventually properties were sold well below valuation.

The refusal by Bankwest to allow the refinance denied our opportunity to obtain funding on more favourable business terms. No reason was ever provided for not permitting our request. The refinance would have provided additional funds which were crucial to our business as it was in a growth

phase. This along with the fallout of the GFC started to impact severely as we began to experience financial problems.

Attempts to reach a resolution with Bankwest were unsuccessful and this led to the collapse of the companies in the group. The actions of Bankwest were instrumental in leading to the downfall of the business and companies being placed in the hands of Receiver/Managers.

Yours Faithfully,

Denis Ryan

From: @bankwest.com.au
Sent: Thursday, 24 April 2008 4:00 PM
To: Denis Ryan
Subject: Fw: Ryan Hotel Group
Attachments: tfrmtge1.rtf; tfrmtge2.rtf; refinance

Gentleman,

In light of loss of group income and current breaches, we would seek conjunctional refinance of all Picaday P/L, Denjohn P/L and Caloundra Pharmacy P/L facilities as part of this transaction

Please have replacement bankers contact us to arrange asap.

Refinance is due on Picaday P/L by 30th April

Thanks

----- Original Message -----

From: @suncorp.com.au]
Sent: 24/04/2008 03:43 PM ZE10
To: @bankwest.com.au>
Subject: Ryan Hotel Group

Please find enclosed refinance authorities for the Del Plaza Hotel & Grinning Dog Tavern facilities held with yourselves.

Also enclosed is transfers of mortgage as we will be looking at preserving the stamp duty already paid.

We are seeking to settle this matter on 30th April 2008 and would appreciate your assistance in this regard to assist our mutual clients..

Please do not hesitate to contact me to discuss

Yours sincerely,

<<tfrmtge1.rtf>> <<tfrmtge2.rtf>> <<refinance authorities.pdf>>

Business Banking Manager

Commercial Banking - Sunshine Coast

Suncorp Metway Limited ABN 66 010 831 722

24/05/2012

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