

SUBMISSION
TO
THE PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS
AND FINANCIAL SERVICES
INQUIRY INTO FINANCIAL PRODUCTS AND SERVICES IN AUSTRALIA

SUBMITTED BY: JUSTIN & JENNY CLARE

19.06.09

My wife and I were former clients of Storm Financial. In writing this submission we wish to draw attention to the actions of both Storm Financial and the Commonwealth Bank of Australia.

We had been retired for a couple of years and had been travelling Australia during that time. While travelling we did casual work on occasions to help with expenses. It was not my intention to re-enter the workforce on a full-time basis when we completed our travels: My wife was content to re-enter the workforce on a casual basis.

On returning from our travels, we received professional advice that recommended we look into Storm Financial as a means of funding our retirement.

FINANCIAL ADVICE GIVEN

We attended educational sessions given by Storm Financial and made our first investment in April 2008. This was in the form of a margin loan. We put forward shares we owned as security. Neither of us had ever before borrowed to invest. We drew this to Storm's attention and we were assured on every occasion that Storm's business was to manage the debt. They said it was like us buying a business and appointing them as managers.

We were told that the biggest asset we had was our home and it was not producing a return as an asset. We were encouraged to borrow against the home. We initially rejected this idea. However, with the assurance given on numerous occasions that we would never be in a position where we would be at risk of losing the home we agreed to borrow against the home. We were told that if the share market dropped we would be moved out of the market, our investment kept safe and re-invested when the market rose again. The mantra was that no Storm Financial client had ever received a margin call. Storm was in the business of managing debt. As a client, if we paid the fees, Storm would do the worrying.

On many occasions we pointed out to the Storm representative we didn't have the capacity to repay loans. We were told there was no need to repay such loans as they were to be used long term and only the interest was to be paid. With time, and the average yearly growth of the share market, there would be more than enough money to cover the outstanding debts.

These investments were to be long term and would provide us with an income stream for our retirement.

As they say: "the rest is history".

LOAN APPLICATIONS:

I submit to you the actions of Storm Financial and the Commonwealth Bank regarding the establishment of our Home Investment Loans.

The Storm representative asked us the value of our house. We said \$1,000,000. He went ahead to organize a Home Investment Loan for \$550,000.

We were then inquisitive as to the value of our home. We asked the Storm representative if he could recommend an independent person to value our home. We undertook this valuation of our own initiative and the value came in at \$1.350,000. Reluctantly, upon advice given by Storm, we borrowed an additional \$350,000 and established a second Home Investment Loan.

At the time of acquiring these loans, when asked by the Storm representative we provided a copy of our Notice of Assessment for the tax year ending 30th June 2007.

I believe it was from this documentation that our Loan Applications were prepared. Since the collapse of Storm Financial, we have obtained from the Commonwealth Bank copies of these Loan Applications. (I add as a note that the Commonwealth Bank was very slow in replying to such requests for these Applications.)

The relevant parts of the Loan Application are included in the Appendix.

The Loans Applications and the loans established from the Commonwealth Bank are described as:

The Home Loan / Investment Home Loan Application 481708040217262

Account No.	623404001	\$550,000
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The Home Loan / Investment Home Loan Application 481708050125653

Account No.	624086906	\$300,000
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Using our Income Tax Returns for the 2006-2007 Financial year, I am able to show that the Monthly Income figures attributed to us on "Page 5 of 7" of the Application Forms are simply not true.

Applicant 1. Justin Paul Clare

	As per Income Tax Return 2006-2007	As per Loan Application
Monthly Income:	Gross Monthly Pay \$	Gross Monthly Pay \$
Monthly Salary	\$604	\$4,017
or Wages		

Applicant 2. Jennifer Clare Clare

Monthly Salary	\$602	\$1,804
or Wages		

Joint Income Monthly:

Investment Income	\$3,335	\$0
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Other Income	\$862 (Capital Gains)	\$6,020
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TOTAL GROSS	\$5,403	\$11,842
MONTHLY INCOME		

As indicated above, the **Monthly Salary or Wages** that appear on the Loan Applications for both my wife and myself are false.

The **Investment Income** stated on the Loan Application is also false. We did have Investment Income from our share portfolio. Jointly this Investment Income was \$3,335 per month. The Loan Applications has this recorded as \$0.

It is recorded that we had **Other Income** of \$6,020 per month. We do not have any other Income. That figure is not of our making and is also false. In the Financial year 2006 – 2007, we did have Capital Gains through the sale of shares. That figure is \$862 per month. To my knowledge, Capital Gains is not considered as Income for such Applications.

With the figures presented on the Loan Applications, our combined annual income as seen on "Page 6 of 7", was \$142,111.00. We have never had a combined income of this magnitude. If we did, we certainly would not be borrowing money to make more.

“Page 4 of 7” in both Loan Applications gives “**Your Financial Position**”. The only liabilities mentioned there concerns our credit card. It says there are repayments of \$250 per month. We have never been over time on our credit card repayments. We pay our credit card by the due date each month and there was never an ongoing liability of \$250. But more to the point: on 18.03.08 we signed through Storm Financial, for a National Australia Bank Margin Loan. Our first investment into Storm Index Funds with this Margin Loan money was on 11.04.08. The monthly interest on this margin loan varied between approx. \$7,500 and \$11,000. In the Loan Applications there is no mention of this monthly liability.

You will note on “Page 6 of 7” in the Loan Application No 481708040217262 , Account Number 623404001 Investment Home Loan \$550,000, the dates associated with the Recommending Officer and Approving Officer have not been blackened out. Recommending Officer date is 12/05/2008. Approving Officer date is 01/05/2008. From this it appears Loan Application was approved before it was recommended. On the other Application, these dates are blacked out.

I draw to your attention that in obtaining these Loans, we never spoke to or had any contact with any officer from the Commonwealth Bank of Australia. No one connected with the Bank visited our home or inspected it or valued it. We never put a foot into any branch of the Commonwealth Bank of Australia.

AFTERMARTH:

Since the collapse of Storm Financial, we have been gutted. Our retirement plans are in tatters and the constant worry never leaves. I have received medication from my local GP to help with sleeping at night. Both of us are working on a casual basis at the local Coles Supermarket. Having experienced coronary problems in 2004, and now with three stents in coronary arteries, such work is far from ideal. Believe me, it is very difficult for a fifty nine (59) year old person to re-enter the workforce.

We joined the Storm Investors Consumer Action Group (SICAG) as a means of support from people who have suffer the same fate as us.

In early 2009, we contacted the Commonwealth Bank of Australia and asked for suspension of interest on the Loans so as to give us the opportunity to try to get our mess sorted out. They refused to help. We tried again and were again refused.

However, the CBA contacted us in April 2209 and said they had our interests at heart and we would be contacted by members of their Hardship Team. That happened and they made us an offer that if we accepted the offer we would have five (5) years to clear the debt. However, a condition of accepting the offer was that we waiver our legal rights.

The time frame given to accept the offer was only twenty-eight days (28). All of a sudden there was an urgency to clean up matters. When speaking with the Bank they said that what happened in the past was not of their making and they were only interested in our future. When I mentioned about the discrepancies in our Loan Applications they were not interested.

The Commonwealth Bank wanted to clean up the matter, but we were to carry a burden that had the Bank's interest at heart and not ours.

RECENT HAPPENINGS:

Since writing the above, Mr Ralph Norris, chief executive of the Commonwealth Bank, has on the 17th June 2009, announced "the bank had identified 'shortcomings in how we lent money to customers involved with Storm Financial'". There is also some relief for us as the bank will "immediately suspend repayment obligations until 31st August 2009 for all loans made in relation to Storm Financial".

Once again, we wait and see. At least for a couple of months, we should be able to have a good nights sleep.

By joining Storm Financial, we realise we made a bad financial decision. Even though, we only made that investing decision after receiving professional advice. We are now, personally and financially, paying a price for that bad investment decision.

Despite that mistake, we have in all dealings with both Storm Financial and the Commonwealth Bank of Australia, acted with honesty and integrity. It is starting to become clearer that others cannot boast the same. It is important that what eventuates in the future gets to the bottom of what has happened. If persons or institutions are found to have been dishonest in their dealings, they should be brought to account. In bringing these persons or institutions to account it should not be done at the expense of the likes of ourselves, who as I have said, have acted with honesty and integrity on all occasions.

We thank you for giving us the opportunity of raising our case in this enquiry.

Yours Faithfully

Justin & Jenny Clare