

Bernie Ripoli
Federal Member for Oxley
Parliament House
Canberra
ACT 2600

Dear Bernie Ripoli

I trust your inquiry into the collapse of Storm Financial also examines investor responsibility.

To date a fundamental question that has received little or no attention is investor responsibility. Investors may need to undertake their own due diligence before accepting any statement of advice.

Just as Storm has to accept responsibility and probably lending institutions, so do investors. On the information so far available, many of these investors were comfortable with substantial savings and in some cases no debt.

We need to know why they were willing participants to undertake high risk when it was unnecessary. The unpalatable truth may be they were greedy and believed there was an opportunity to make a lot of money quickly. Unfortunately many undertake risk without accepting the responsibility this entails.

When an individual buys real estate usually it's a home, the purchaser undertakes due diligence before making an offer either at private sale or auction. If that offer is successful then the purchaser has their lawyer carry out the necessary searches to ensure the representations in the contract are correct. When that process is completed to the satisfaction of lawyer and client then settlement occurs. The purchaser receives the title in exchange for paying the balance of the purchase price.

May be investors of financial products should be compelled to do the same and get legal advice before deciding on whether to accept the statement of advice. Financial risks also involve legal risks. A lawyer would point out that if certain events occur the legal liabilities the investor would face including the possible loss of the home.

No doubt financial service providers will have to improve the advice and disclosures on margin lending. There also needs to be more education on investor responsibility. The person who is best placed to protect their interests is the investor.

Financial advice and disclosures can continually be upgraded. At the end of the day however, a fundamental question is how do we protect people from themselves.

Regards

Vincent Mahon