

22nd June 2009.

The Senate Committee of
Financial Products and services in Australia
POBox 6100,
Parliament House,
Canberra, ACT 2600.



re:- Storm Financial

When I was looking at how to best invest my money I was told "To pay 'Good Money' to a 'Good Advisor' to get 'Good Advice'."

This is my story of my involvement with Storm Financial.

My name is Glenys Roberts. I am 55 years old, a midwife, presently employed part time at a private Hospital. Prior to joining Storm financial I owned my own Home (debt free) plus shares in Colonial First State worth \$33,000.

March 2006 I attended an overview session by Stuart Drummond on the Gold Coast. Following dicussions with Andrew Lythgo from the gold coast branch and further discussions with Stuart Drummond in Brisbane I decided to invest with Storm Financial.

26th May 2006 a plan was drawn up which I signed. At that stage my house was valued for \$390,000 . The financial plan that Storm proposed was to increase the size of my capital by purchasing additional assests, (Storm Indexed trusts.) To do this I had to take out a bank loan (Mortgage) for \$316,000 plus a margin loan for \$269,000. (Storms fee for this were \$40,189.)

However I got 'cold feet' and decided not to go with this proposal.

My main concerns were:-

- (1) the upfront fees of \$40,000
- (2) I found it difficult to understand the way they set up their financial projections.
- (3) I did not to want to risk losing my house, or of "losing everything"

Over the next few months I had further discussions with Andrew Lythgo, I was assured that there upfront fees were actually cheaper in the long run than many of their competitors. I was told that I could do zero upfront fees but it was not recommended because of the large negative effect on the overall plan. These upfront fees were for financial advice for the next fifteen years. I was aware that further investments would also incur further fees.

In a revised Statement of advice addressing my fears of losing the house, Storm have stated "the cash flow I (Storm) have attached guarantees a minimum performance based

on extremely adverse events that guarantees that the plan will not place your house in jeopardy and we sign our name to this effect and are legally liable to compensate you if this is not the case."

31st Aug 2006 I signed a revised plan to do approx. ½ the original proposal I had a bank housing loan of \$180,000 and a margin loan of \$120,000. The upfront fees for this lesser plan was \$19,922

Jan 2007 the share market was doing well. Andrew Lythgo contacted me about doing another "step". It was recommended that I borrow \$116,000 from bank of Queensland and an additional \$52,437 onto my existing margin loan. As I was still not wanting to place my house at risk by adding to my mortgage, I decided to do a lesser step where they borrowed a further \$107,437. on my margin loan. (\$100,000 worth of Storm Indexed trusts were purchased and \$7,437 went to Storm for fees.)

April 2007 share prices had gone up further so I was again contacted to buy more indexed trusts. My margin Loan was again increased by \$16,116. and I purchased \$15,000 worth of indexed trusts. \$1,116 went to Storm for fees.

August 2008, I was wanting to buy a new car but as the share market was down at the time I thought I had better check with my advisor, to see if this was alright, or should I be putting the money towards my mortgage. At this stage I had a new advisor, Wally Fullerton-Smith, he arranged for a further meeting with Stephen Halsall.(As I didn't know Wally very well at this stage, I was pleased to be able to discuss options with Stephen as I had previously met with him via a computer link up, he had installed in me great confidence, and I trusted his advice.)

When I spoke with Stephen he asked me why I wanted a new car, I told him that mine was 5 years old and I usually updated at this stage. He asked me if the car drove alright or if I had any problems with it, I answered that the car was going well. He then said to me, if I went without a new car, by using the money for the car, plus the added equity of my home, I could buy more shares and I would be setting myself up well for the future.

When I expressed my concerns about the market being down, and weather it wouldn't be better to be paying money off the mortgage. He said that because the share market was down it was exactly the time to be buying, and expressed some urgency in buying now before the market went up. He assured me that my portfolio was doing well, and that by buying now, next year when the market went up I would probably be able to retire. So I agreed to do another 'step'.

20th August 2008 When I went in to sign the papers, I was under the impression that the further step was going to be in the vicinity of \$30,000 {the extra \$20,000 equity in the home evaluation, plus \$10,000 towards a new car.} I panicked a bit when I realized that it was another \$148,000 plus another \$30,000 on my margin loan, I was thinking to myself that this was nearly half of my first step. However, I thought back to my discussion with

Stephen Halsall and reassured myself that this was what he advised me to do so, I signed the papers. (Storm Fees \$10,830)

I was on holiday in New Zealand when I heard about the Stock market crashing, I can remember thinking that this wasn't good, but they always say 'if the market falls you just sit tight and wait for it to come up' so I wasn't overly worried. However, when I returned home there was a letter from Storm Financial, asking for permission to switch part of my portfolio (up to 100%) out of equities into cash. Then I got really worried. I contacted Fiona at the Storm office and she said not to worry that it was just a precaution in case the market fell any further, and that it probably wouldn't effect me because I wasn't anywhere near a margin call. I signed the necessary papers and sent them in.

I was not informed that it was going to happen, but, on the 28 th Oct, 2008, part of my investments were sold down into cash (\$132,000)

12th Nov, 2008 I attended the investor update with Storm Financial in Brisbane. Emanuel Cassimatis apologised to everyone saying that he realized a lot of people had lost a lot of money, he explained that the depth and speed of the market fall was unprecedented. He said that if anyone had told him Nov, 2007 that the market would be in the low 3,000's this year he would have laughed in there face. He did state however, that although it would probably take a few years we would be able to recover, and he would be there to guide us. Although I was still very worried, I came away from the meeting with hope for the future.

Around the 13- 14th Dec a number of friends contacted me telling me about the bad press coverage that Storm had been receiving, Storm clients were losing there homes, Storm financial in trouble with the banks, Storm was going to be closed down, etc. etc. So on the 15th Dec I made an appointment to go and see Wally Fullerton- Smith.

I spoke with both Fiona and Wally and they assured me that everything was alright that "they weren't going anywhere" that it was "business as usual". I queried the fact that if the market didn't come up by the end of the following year that my cash management fund would run out of money, and that I would not be able to pay the mortgage. They assured me this wasn't going to happen and that I wasn't going to lose my house.

When Storm was closed down and put into receivership the most difficult part was not knowing what was going on and trying to get information as to what was happening. I attended the "SICAG" meeting in Redcliffe on the 20th Jan. and thus begun the long process of trying to sort out exactly what position I was in Financially, and if there is any likely hood of recovering any of that which was lost to me, through this "unprecedented financial downturn" or, (what has turned out to be) very bad advice.

I then found myself with 2 mortgages worth \$328,000 {which I am currently paying 9.5% interest on} and as investment margin loan of \$223,000. I have now had to seek further finacial advice for which I pay, again!!

After a lifetime of saving, from a position of owning my own home, plus \$33,000 worth of shares, I find it appalling, galling, unbelievable, to find myself in this position, I now have a massive debt that I have to pay massive interest on, and have been advised that once I can no longer pay the interest I will have to sell the house.

I was advised to sell my shares to pay out my margin loan and have been left with \$80,000 worth of shares. I tried to pay some money off my mortgage but owing to the fact that I am locked in paying 9.5% fixed interest, I was advised to do this would incur 'break fees' and it would not be worth it.

In the course of investigations I was asked to obtain my Loan applications from the bank of Queensland. I was shocked to find that my initial loan applications stated that I worked full time, that I owned investment shares worth \$310,000 and that I had other assests worth \$78,000, these were unidentified. {I was working part time, 64 hrs a fortnight, my shares were worth \$33,000. I made no reference to owning any other assets. (I had given my payslips and relevant information to Storm but I had signed a blank application form and Storm said they would fill in the details.) It concerns me that this appears to be a blantant deception.

I have always had great faith in Storm and their confidence in the "Storm way of doing things." However, in light of what has happened it appears that Storm was in financial difficulty in the latter part of 2008 and that is why so many investors were encouraged, coersed, to take out further mortgages and margin loans. The market was down and one would have expected that it would go up. The stock market crash was unprecedented. I know that all Storms's advisors used the same investment strategy and many are probably in the same or worse position as myself. But I had stated that "I never wanted to put my house at risk" and it obviously was.

When I chose to invest my money it was to make money for my retirement, not to lose it all and to be far worse off then before I started. It just doesn't seem fair after a life time of working and saving, to have this all annihilated in 3 short years, when I was seeking to do the 'right thing', the 'smart thing,' and invest for my future.

I would be pleased if the committee could see some way off seeking some avenue of making right this incredible wrong that has affected so many people.

Yours sincerely,

Glenys Roberts