

Submission to the Parliamentary Joint
Committee on Corporations and Financial
Services.

Enquiry into Financial Products and Services
in Australia

From:

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Submission to the Parliamentary Joint Committee on Corporations and Financial Services into Financial Products and Services in Australia

Background Information:

I am a widow of 24 years now aged 59 years who through hard work, frugal living and careful saving owned my home outright and brought up four children in that home on my own.

Kate Thompson of Mortgage Miracles approached me and two other single women in May 2005 and as she knew us fairly well from church she was aware that none of us had sufficient superannuation for our looming retirement and lured us into investing in property.

On her advice we were given a financial strategy to achieve retirement funds by taking out an equity loan on my home which Ms Thompson arranged.... and now face financial hardship that is almost impossible to bear.

My wish was to try and boost my superannuation so that I would have sufficient funds to support me should the pension be phased out in the future. This really concerned me as I am one of the baby boomers.

In 2007 when my loan had been increased against an investment property I was horrified to realize that my loan was now at \$555,000.00 and I, as a library officer earning approximately \$30,000.00 a year could never re pay such a massive loan. I had supplied all the necessary pay slips, identification and bank statements that was required of me by the bank and yet it was still accepted when there was absolutely no way I could afford the repayments.

Finally after much effort in March 2009, I received a copy of my Loan Application Form from the bank and only then did I understand that the document was false and the Borrower's Statement that I "supposedly signed" was not even my signature. I had never seen that document at all. If I had, I would not have signed it because I knew I could never re-pay the loan. Investment properties are in the process of being sold but in today's climate at a big loss which leaves me with a large debt impossible to manage and at huge risk of losing my own home to the bank. The future does not bear thinking about then as on my salary I cannot afford to rent a house at today's prices.

I will be forced to live in a tent. After many years of hard work and at my age it's a devastating feeling, particularly in winter. Had it not been for a consumer advocate telling me to demand the Loan Application Form, I would never have known the fraud was so obvious and the banks were lending money without even making a phone call to me and ignoring the statements I had supplied.

Mrs Thompson had a state based broker licence BUT she also was a certified authorised representative which I now understand she was paid commissions by the lender (or aggregator) as the AFS licence holder and therefore was a Commonwealth responsibility. We call her a Broker/Planner. She presented us with a Financial Risk Management strategy, purely to help us become retirees, rather than Government dependent.

My submission supports the inquiry into issues associated with the collapse of Mortgage Miracles, and other failed finance companies. I hope that the Parliamentary Joint Committee's investigation might lead to legislation being put into place that would prevent others suffering this same dreadful fate.

Terms of Reference

1. The role of financial advisers

I always assumed that Ms Thompson was recommending the most appropriate product for me, that she was an expert in this field and so I trusted her with all my personal information. She was then able to compile a plan that was safe and tailored to suit me but I now realize she never had the best interest of me or any of her clients at heart. She was only interested in increasing her client's loans by re-valuing our homes so her commissions would be increased.

Recommendation:

More regulation of the finance industry. Investment savings have to be safe and protected from Finance Brokers who are only there to line their own pockets. Most Mortgage Miracles investors were successful in their working lives, and are upright decent citizens who trusted that proper watchdog facilities were in place by the government so that dishonest practices that we unknowingly were

succumbed to, would not prevail. Something is quite wrong in this industry and needs thorough investigation.

2. The role played by commission arrangements relating to product sales and advice, including the potential for conflicts of interest, the need for appropriate disclosure, and remuneration models for financial advisers

At the time I invested with Mortgage Miracles I thought I understood the product. Unfortunately what I thought would happen did not happen as I was deceived by Ms Thompson. I believed I would be safe. I was never informed of remuneration for Mortgage Miracles.

Recommendation:

That the enquiry investigate the reasons why the “buffers” we assumed were in place did not prevent the fiasco that followed the share market fall. People will never want to save for their retirement unless there are guarantees that their funds are secure.

8. The adequacy of professional indemnity insurance arrangements for those who sold the products and services and the impact on consumers.

I have made a claim against Mortgage Miracles insurance company through Solomon Brothers but to date there has been no compensation. In fact from what I have heard the insurance company of Mortgage Miracles is endeavouring to force Ms Thompson into bankruptcy and would that be so we would not receive compensation? I believe so.

Recommendation:

That the enquiry investigates ways in which customer's investments can be protected. From my experience the Insurance was totally inadequate.

9. The need for any legislative or regulatory change to prevent misappropriation of investors funds.

The pain this disaster has caused me is immeasurable. It is not just about the money but about my future and the incredible toll this has taken on my health.

Recommendation:

There is a need for legislative or regulatory change that prevents this from ever happening again.

The involvement of banks in providing finance to Mortgage Miracles.

My financial plan from Mortgage Miracles included loan approvals from various banks based on information supplied by Ms Thompson and Mortgage Miracles, not by myself. The banks failed to once check anything supplied to them by Ms Thompson with me. One phone call would have clarified everything and prevented such significant damage.

I am of the era that believed that the bank would not be willing to lend money unless it was safe.

Recommendation:

I welcome the committee's decision to investigate the role of the bank in lending finance to Mortgage Miracles and other Finance company's customers. I would also like them to investigate the reasons why my home was to be re-financed through Mortgage Miracles by the bank without their contacting myself in this regard. My loan was increased from \$180,000.00 to \$555,000.00

Conclusion:

I realize that Ms Thompson was also in league with developers who she agreed to sell properties to her clients at exorbitant prices obviously for a cut from these developers. The market dropped drastically and from what I understand this was hugely due to mismanagement in the banking sector and their suspect agents such as Ms Thompson who showed a total lack of any duty of care to the client and to the risk to the client's homes.

I would like a full inquiry into the Banks who created the LOW DOC LOAN and NO DOC FINANCIAL PRODUCTS and then paid Broker/Planners under the AFS Licence to sell such a monstrous product to people such as myself, who were pensioners or on low incomes. I would like the Parliament to force all Banks and Lenders to forgive these loans as soon as possible. The Banks should not be trying to profit from a fraud such as this.

I hope you will consider my and others recommendations so this will protect investment funds in the future. Hopefully the enquiry can provide us with some answers.

Thank you for the opportunity to participate.