

SENATE INQUIRY SUBMISSION

To whom it should concern,

I was a former Storm client going back to 1998, I was part of a family farm partnership that was sold in November 2008. The sale proceeds were deposited in a newly opened Commonwealth account, we also had a separate Commonwealth account that held redemptions from the portfolios, and the two accounts were not linked. We were constantly informed by Storm as to the LVR (Loan Valuation Ratio), as market conditions continued to deteriorate in October of 2008 (30% decline in October alone) our LVR was sitting on 89% and we were told they would instruct Colonial margin lending investments to sell down the portfolio's to protect the remaining 10% of equity. Under those market conditions we were relieved and understood totally that this was the proper action to take and Colonial would automatically always take this action once the buffer of 90% is reached. As history shows many portfolios were neglected and left to go into negative equity. Our first knowledge of this was when we tried to access our farm sale proceeds account the two accounts had been linked without any authority from us, they seized both accounts and would not release any of our money unless the negative equity that had accumulated because of their incompetence was paid back to Colonial. There were many terse phone calls made to senior and junior colonial executives. First phone call I made was to a gutless senior executive by the name of Edward Tait who refused to discuss or answer questions from a customer, instead he chose to pass the buck to his junior John Clothier. It was easy to see this was turning into an arse covering exercise. My phone conversations with John were on his part obviously scripted and very patronising, blame everything on Storm they are totally responsible. I kept pressing him on the facts, how can the owner of the product (margin loan) who along with the adviser who have agreed upon the buffer limit (90%) fails to take responsibility for the execution of the redemptions and then expect the clients to pay for the negative equity debacle that ensued? If that process had been executed I would not be writing this submission and thousands of other Storm investors would have been happy to sit on the sidelines battered and bruised but still able to invest again when the opportunity invariably arose. All Colonial has done is turn them into a burden on the taxpayer. John Clothier's response to my comments was, "we have approximately 80,000 margin loans Australia wide and we were simply overwhelmed by the amount of redemptions." I told him that Colonial should take responsibility for that, it's their product. My opinion the fear that gripped the market at that time translated into poor decisions made by Edward Tait and anyone else at that level who contributed to that decision. The Storm CEO's have been subject to a very public trial by media which has only caused the truth to be hidden, I have yet to see one Colonial or Commsec executive come out of the shadows and explain their undoubted implication in this. I understand that Australia depends on having a strong banking sector, I understand why the government guaranteed all deposits, it is essential they are given this privilege under the current global credit crisis, however we should stand up as Australians whenever we observe that privilege being abused. I trust that you as a group (senate committee) allow the truth to surface.

Mario Romeo