

COMMITTEE SECRETARY
PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS & FINANCIAL
SERVICES

DEPARTMENT OF THE SENATE
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SUBMISSION TO SENATE INQUIRY BY
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Submission to the Parliamentary Joint Committee on Corporations and Financial Services

Bernie Ripoll (Chairman)

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We attended a seminar in 1999 at Redcliffe Leagues Club run by Jellich & Jones Financial Planning Co. Following the seminar we had at least three consultations with Ron Jellich and Bob Jones before becoming clients.

We stated our plans going forward from our first meeting with Ron Jellich and Bob Jones that my husband and I wanted choice as to when we could retire and NOT have to rely on the pension. We wanted to be self sufficient in our retired years.

Shortly after following their advice we invested into Australian All Ordinaries Share Index Fund with MLC. Within two years we were able to pay out our house mortgage with Commonwealth Bank. We were elated.

As advised our house was revalued (Commonwealth Bank) and borrow money to reinvest into the same fund. During the next 7-8 years we revisited our financial position on many occasions with Bob Jones and made adjustments as advised.

In 2006 we were introduced to Storm Financial (We were told nothing would change, Jellich / Jones was now under the umbrella of Storm Financial and Bob Jones would still be our advisor.

In addition to our MLC investment fund and following advice from Bob Jones our house was revalued with CBA and as a result we borrowed to purchase Challenger products which increased our investment loan. The necessary paperwork was filled in by a Broker (Kim Bloomfield) who I believe was working in conjunction with many Storm clients.

Following advice the next step was to take out a margin loan with Colonial Geared Investments in order to purchase Storm/Challenger products. Storm Financial took care of necessary paperwork. We signed as we had total confidence in our advisor as we had built up a strong relationship over the years.

In a short time with Storm Financial we now had an increased house mortgage of \$332,000.00 and a margin loan of \$538,000.00. My husband especially was very concerned about the Margin Loan and LVR increase from 45% to 70%. We were ALWAYS assured we were in a SAFE position. We heard the words on numerous occasions "You will NEVER Loose your house, there is absolutely nothing to worry about.

As the Market went into free fall from October 2008, we met with Bob Jones at the Redcliffe office to sign a form giving authority to sell part of our Storm badged index

Portfolio if necessary and the cash money was to be put aside into our account with the view that we would tough out the bad market times and then when the time was right we would enter back into the market again. We also transferred \$30,000.00 from our Cash Management account into a new account (Accelerator). This was set up as Collateral for the Commonwealth Bank.

The market kept falling , then Daniel Jones (from Jellich/ Jones) came to our house and we signed an updated form to give authority to sell ALL of our Storm badged index funds if necessary and place the money into cash in our account.

From that point things went very quite, we could not get in contact with our advisor or get information about what was happening. We heard that Cassimatis was having meeting with the banks.

The next thing we know is the Bank has sold down our total investment portfolio including our MLC investments (We realized this when we received redemption transaction in the mail) on a sliding market WITHOUT advising us.

We NEVER received a margin call, WHY were we sold down????

Why didn't we get a chance to save our portfolio????

Why were we sold down at the weakest time of the market?????

Why did the Bank sell our MLC investment as well as our Storm badged funds????

Why didn't the Bank phone us????

Where is the Duty of care of the clients of the Bank????

What code of practice did the banks follow with their lending practices????

Under what regulation/ authority/ term of condition did GGI have to close down the Storm Index fund????

We paid out our margin loan in FULL in December June 09.

I retired from work on 21August 08 (I received my superannuation money which was transferred into our Cash Management account. This is the only reason why we are still hanging onto our home. I retired because I have had bad health (Cancer) in past years and now I find my super money is being used up and my husband's choice has been taken away as he cannot retire now. My husband has a heart problem and all the stress and stain from this ordeal has taken its toll on our health.

We are not sure how long we will keep our house and the possibility of living in a caravan park is certainly not appealing and lining up in the queue at Centerlink for Government handouts is a depressing thought. We entered into the share market and did the right thing by going to an accredited advisor so we could put ourselves in a position where we would NEVER have to rely on pensions or handout and have a choice in life.

We are proud people and this has devastated us.

Response to terms of Reference

1. Role of financial advisers should be fully transparent with full disclosure of every aspect of financial advice I.E. Commissions, fees, banks, securities, taxation, margin lending product disclosure in layman's terms.
2. The regulators of these products and services should be monitored closely and be kept updated.
3. The role needs to be made transparent and detailed.
4. Marketing needs to be realistic for the economic climate
5. The banking/ finance industry should be trained and licensed to give advice and sell products and services.
6. All information and advice should be provided to consumers who are considering investing. This information should be relevant to their current situation going forward.
7. A detailed explanation in layman's terms showing highs and lows and how this could be managed in a realistic situation
8. Professional indemnity should be legally more than adequate to cover the advisors requirements. This should be updated regularly as required with the growth of the advisors and related business.
9. Immediate legislative change needs to be put in place so this devastation to people never happens again

Questions for Storm Financial

- 1 Why were people all placed into the same category I.E Retirees/ clients with years of working life ahead of them /clients with a view to retire in 1-3 years ????
- 2 Risk analysis should have been carried out at each new step taken by clients.
- 3 It was not made clear that there were two LVRs.
One for the home loan and one for the margin loan
- 4 What happened to the money from the 20million dollar "War Chest" to be used for backup for Storm Clients.????
- 5 Why didn't Storm keep in contact with clients during the worst time in our life?
We were left floundering about in a numb state and still trying to function as our world was in ruins.