

Collapse of Storm Financial and Involvement of CBA & CGI & FPA & ASIC

We, like many others have suffered severe financial losses and hardship as a result of actions and also lack of timely actions by all of the above during our investment journey, which commenced in 1997 with Storm Financial.

Our sole purpose for this investment strategy was to provide an independent source of adequate income for our retirement, and so as not to become reliant on Government Pensions etc.

We believed that we required professional guidance to achieve this aim, and therefore choose a Financial Planner that had been recommended to us by various parties, and who conducted seminars explaining their strategy, as well as individual advisors meeting with us to guide us through this minefield.

Following the Global Financial Crisis, we find that we are in a position of severe financial hardship, are in grave danger of losing our home of 28 years, and both have had to return to the workforce at age 63 & 62 to survive, and meet ongoing Interest Only Repayments. There is now no financial security or future to provide for us in our latter years.

We believe that Storm / CBA / CGI / FPA / ASIC have all had involvement in our reaching this situation. We have paid Storm handsomely for the advice we were given (as we would expect) but feel all parties have failed us and that Government Regulations relating to this area need to be reviewed to provide greater protection for future investors.

- (1) WE had an Investment Home Loan with CBA at 80% of property valuation – with fixed interest prepaid until June 2009. The balance owing is approx \$480,100 which now comprises of a generous family loan to help reduce the repayments to a level we can almost handle to allow us to stay in our home for the time being. This family loan can (and will) be recalled at any time, which will then force the sale of our home and our future destroyed.
- (2) We had a Margin Loan with Colonial Geared Investments supposedly with an 80% LVR (+ 10% Buffer which I feel sure was only ever advised verbally by Storm).
We have cleared this loan using available funds and by cashing out our remaining Superannuation.
- (3) Once before In October 2002 we were advised in **writing of a Margin Call by CGI** which we understood to be the correct procedure.
- (4) **We did not receive a margin call** from CGI during late 2008 during which time we believe our LVR exceeded approx 110%.
CGI advised us after they sold down our portfolio. We believe that CGI were to advise us of a Margin Call within 5 days of reaching the agreed LVR.
- (5) **We had sufficient funds available** to meet a margin call at the time that our portfolio was sold down had one been made.
- (6) **CBA / CGI contacted us by telephone on 08/12/2008** to advise that they had made the decision to redeem our entire remaining portfolio on 21/11/08 and that we were in a margin call situation. This was the first contact that we had from them. In response to my request for details

CBA further advised by email on 10/12/2008 *"in addition to this the fixed loan was broken and refunded on 28/11/2008"*.

They refunded approx 7 months of prepaid interest of \$97858.72 and charged us an "Early Termination Interest Adjustment of \$41339.66.

- (7) Storm would not return our calls and EC in fact cancelled a meeting that had been arranged to discuss our failing position – possibly this was a result of the Prohibition by ASIC – refer (11) below
- (8) FPA – Membership and P.I. Insurance. – Storm had advised that they were members of FPA and carried P.I. Insurance. We now understand that this was for \$20m – obviously insufficient considering the size of Storm's trading. We also believe that there is no regulatory requirement that governs the amount of cover required. This needs to be addressed by the relevant authority. Customers paying for professional advice should have the right to expect such protection.
- (9) ASIC – Storm advised that they were monitored by ASIC and that they passed Audit. This added to our confidence in Storm's model.
- (10) Storm advised that their Model was audited regularly by CBA and accepted by them. This further added to our confidence.
- (11) Gagging of Storm by ASIC – No advice by either Storm or ASIC. At the time that we were in most need of guidance & assistance we were totally kept in the dark. Surely all parties (particularly Storm clients) should have been made aware of this order. This enforced silence only added to our already confused and distressed state of mind.
- (12) In all of our dealings with Storm we were assured that our home would never be at risk because of the built-in trigger points in their system. Supposedly in a severely falling Market, early actions would be taken to protect our position, such as converting to cash when our agreed LVR was reached. When we questioned EC why this step was not taken at the agreed trigger points, he advised that CBA / CGI assured him that "they would ride it out With Storm Clients." There were never any discussions between CBA and us at any time. The loan was totally arranged by Storm.
- (13) Apart from the written Margin Call we received in 2002, we have not been contacted by CGI directly other than mail receipt of statements etc and confirmation of movements arranged by Storm. We also make the point that the CGI website was totally unreliable and not showing accurate information during this crucial period. We tried to monitor our current position at this time only to find the information on our accounts to be days out of date.

Why did CGI not contact us at the time that our portfolio reached Margin Call LVR Level as they had done previously ?

AS STATED ABOVE WE HAD FUNDS AVAILABLE TO COVER THIS SITUATION.

Had this occurred we would have been able to retain portion of our Portfolio to continue our Investment future rather than become a cost to the Community in Retirement. Now there is no possibility for our future without Government Assistance.

Surely CGI had a responsibility to contact us direct before they sold us out and then had the audacity to charge the **Early Termination Fee** of \$41339.66 – this appears to be simply a money grabbing exercise at our expense.

- (13) The action by CBA to place Storm in Receivership the day before the continuation of the Court Action before Judge Greenwood seems an obvious attempt to silence Storm and cover any shortcomings by CBA / CGI.

(15) During a meeting with CBA Hardship Team in May, we queried what appeared to us to be an underpayment of interest owing to us for the delay of funds from the sell down of our Portfolio being deposited into our CBA Cash Accelerator Account.

CBA then advised that they in fact owed us \$1978 approx interest for this time delay. This error may also apply to other Storm clients who are unaware of the time delay in depositing these funds, and should be investigated.

It would appear that these funds were “held in limbo” for a period of time. This further indicates that CBA were not acting effectively during this period. I had previously requested interest calculations from CBA by email in Dec 2008, but was only advised of a now obviously incorrect amount without any calculation details being provided for us to verify.

We trust the Senate Inquiry will make use of all the documentation provided by affected investors such as ourselves to ensure that this travesty does not repeat itself in the future. All regulations pertaining to the Finance and Investment Arena (including margin lending) needs to be revisited and urgently updated to provide stronger protection for all concerned.

We have attached a copy of a document that we previously forwarded to the CBA ‘Hardship Team’ which expresses our thoughts and feelings at this stage of our life – a life which has been stolen from us.

Queries:

- 1) Why are we in this situation, when a duty of care to clients would have us in a different position today.
- 2) Why were we not notified by Colonial when we were in margin call (as has happened in the past) and given the chance to make better choices than the 'lack of care' choice the bankers made for us without our knowledge.
- 3) If the Bank was in any doubt to our ability to make good a margin call and pay a mortgage why had we not been asked to supply our financial credentials at the time of agreeing to loan us this money against the value of our home. Why are we only asked now to supply such details so as the Bank can ascertain if we are in financial hardship.

Define Hardship:

The fact that overnight our entire future and financial future has been taken away from us.

We have absolutely no way forward and no possibility of providing for ourselves a level of survival above the poverty line in these latter years of our life.

A retirement of not relying on Government handouts was wiped out with the stroke of a pen.

The security and comfort of being able to make choices on where and how we can live when we definitely cannot provide for ourselves, the necessary care of old age, is not a possibility.

The life we have worked for all our lives up to very recently is shattered – that life as we knew it is finished. After 16 plus years of working with Rotary for and in a community of my birth and of which I love is over – no longer can I afford weekly meetings let alone yearly dues.

No longer can we eat for nutritional and taste value – only the very basic cheapest foods can adorn our table now.

No longer can we attend our family doctor of our choice – but will have to rely on any practice who accepts bulk billing.

No longer can we afford to attend our regular dentist.

Private Health cover is a luxury and will have to go in the near future.

No longer can we engage in most social activities.

No longer can we visit family who all live in the south or take a holiday.

No longer can XXXXX take up a volunteering position as he had to return to the workforce after a short 4 month retirement – in this economic downturn his usual work is not available and has had to settle for a 'new' career for a menial salary and not entirely suited to his age.

No longer can I complete my final year of a Diploma of Visual Arts this year or any year in the future as I too will have to work till I drop and would never be able to afford the fees and equipment needed. In fact practicing my art as a hobby will be out of reach for the same financial reason.

We built our family home in 1981 – much done by ourselves. Last year we added a deck and now find we cannot complete this project which leaves our home with 2 different colour schemes (roof and all) – this year was earmarked

to complete painting outside and inside along with replacing worn out floor coverings, kitchen cupboard bases along with other 'things'.

This is not the time to maximise the resale of the property and of course will not realise true price in it's present state.

We do not have plasma TV sets or any other fancy possessions, nor do we wish to own such things – basically our furniture is over 20 years old and our refrigerator is a 1971 model- what happens when this dies – we can no longer afford to replace it.

The list of 'no longer' and 'unable' is insurmountable.

What of emotional and psychological hardship:

Being ashamed and embarrassed to move about in a community of your birth as now find ourselves judged as greedy, naïve, stupid and worse.

Not being able to conduct our lives in the way we have always been able to.

The constant fear of the bleak future ahead with absolutely no financial security.

No peace of mind or quality of life.

Constant feeling of dread, unhappiness, worry, sadness and betrayal completely overwhelms us.

Spending more hours awake than asleep and our health is suffering.

Feeling of unworthiness, exhaustion both from all the above and our jobs which are physically difficult at our ages.

The fear of 'how long can we continue to work and work effectively to hold down a job'?

Neither of us are afraid of hard work – that is what we have always done, but believed we did the hard yards then to provide for a secure future.

We have no future to look forward to – the thought of what lays ahead fills us with despair and we are very frightened constantly – we can only hope that we have not been born with too many heart beats and we are taken before we reach an age when we cannot continue to care for ourselves in some way albeit in the most basic of basic, because where would we end up?

This is a wretched situation which should never have occurred.

The CBA has failed in it's Duty of Care, a basic element and right of ourselves, your clients.

Signed XXXX