Inquiry into Financial Products and Services in Australia

Senate Inquiry

Storm Financial

Committee Secretary, Parliamentary Joint Committee on
Corporations and Financial Services
Department of the Senate
PO Box 6100 Parliament House
Canberra ACT 2600

Submission to Senate Committee Inquiry

The Role of Financial Adviser (Storm Financial)

- We commenced our investment portfolio with Storm Financial in April 1999. From conception we were always assured that our investment was designed to be fail safe with no possibility of total losses. We were constantly assured throughout our involvement with Storm Financial that safety mechanisms were in place to prevent total loss of investment assets.
- Margin calls were in place to exist in a declining market, converting our shares into cash allowing us to reenter the market when it stabilized. These stops were put in place with written agreements with Storm Financial and Colonial Margin Lending. We were assured that these stops were the responsibilities of Colonial Margin Lending (CML) to margin call us when it reached the indicators. This was never followed and we were forced by CML to exit the market at approximately 110%, placing us in a negative position in which we will never recover from.
- Storm Financial used their authorative position to constantly remind us that if we followed their steps explicitly returns on our investment would be greater than if we tried to initiate or resist any financial advice.
- Over the years of investing we sold our family home, farming and contracting business of 25 years to invest with Storm Financial. We are now left we nothing, except an enormous debt that we are unable to service and not enough money to cover our weekly family expenses. Every week we erode more of our small savings we have to continue to exist.

The Role of the Margin Lender (Colonial Margin Lenders)

- Our initial investment in April 1999 the **Maximum Margin Lending Ratio was 65%**. With no consultation with us, the Bank and Storm Financial negotiated together to gradually increased over time to an **elevated maximum lending ratio of 82.84%** which lead us to our demise. At no time did we sign any documentation regarding these increases. Yet with the collapse of the share market and being left in a negative position, CML placed blame on us for not responsibly monitoring the market and the degree of margin call we were in. How can a consumer be in a position to adequately monitor this when we were paying CML an extensive amount of money to manage our margin loan? Isn't this the responsibility of the margin lender to call margin loans when margin call is reached, not when we are 30% over margin call?
- The alliance between Colonial Margin Lending and Storm Financial was only to benefit and line their own pockets, by retaining us in a fast declining share market instead of converting our shares into cash securing our investment until market index improves.
- CML has benefited by our demise in:-
    1. We were charged $70,000 breaking fees on our loan
    2. Because CML forced sale at 110% we now incur a $300,000 loan, which we are unable to pay and are now charging us interest on a loan in which they are fully responsible for incurring.
- Colonial Margin Lenders are the only winners in this debacle. They have made enormous profits from interest from investors over many years when the share market was booming, and they continue to make money on pay outs and interest from loans that have solely resulted from their total mismanagement of margin calls. When are they going to take responsibility and accountability for the financial devastating position that Storm Investors have been forced and unknowingly be placed in?
- We were customers of CML; they had an obligation to manage our margin loan, not allow our LVR to exceed 30% over margin call. We at no time gave them authority to exceed margin call.

- How did so many CBA clients all misunderstand the margin call process and all believe it was the responsibility of CBA to manage? At no stage did we ever believe it was our responsibility to monitor on a day to day basis our margin calls, and how could have we with the lack of available up to date data and information supplied by CML on their web site.
- If CML had of acted appropriately following their guidelines, our portfolio would have been sold down at margin call and converted to cash and we would now be in a position to reconsider re-entering the share market. This was the basis of the service that CML offered. If CML was unable to comply with their service demands then they should not have offered that service. We should not be victimized financially for CML's ineffective management and out dated technologies. They made a commitment to provide that service and have made an extremely absurd amount of money providing it. Suddenly when they are unable to meet the demands of a plummeting market they throw their hands in the air and admit no responsibility. Then they have the mordacity to advise us that we owe $300,000 plus because the margin loan exceeded a 110% LVR when sold down by CML and now we are incurring interest on that loan. A loan which has occurred because CML were incompetent in managing and calling margin call at the negotiated 80%.
- We believe and know **CML** is responsible for our financial demise. We plead that a Parliamentary Committee investigate the inappropriate practices of CML, we believe they should be requested to reimburse their clients with:

1. **Dissolve loans incurred by late sell down of our investment portfolio.**
2. **Reimburse Loan Breaking Fees**
3. **Return pre-paid interest**
4. **Return any cash injections which were futile to the rescue of the investment due to late sell down.**
5. **Return to 20% equity of margin call level of 80%.**
6. **Cover Tax Implications which will incur.**

7. **Reimburse loss of income from investment.**
8. **Assurance no Bad Debt is recorded affecting our Credit Rating.**

Personal & Family Trauma

- We are hard working middle class parents in our mid and later 40's, who have been blessed with five wonderful children. Our decision to have five children was made solely with the knowledge and security that we were in a comfortable financial position at the time to afford to raise and provide our children with the very best opportunities. We spent many years limiting our spending so that when the children required additional funds to support their education we would be able to provide.

- We now find ourselves in a position where we are unable to afford everyday essentials, food, housing, schooling and medical expenses. We are both working long hours to meet financial commitments while our young children are left unattended.

- We feel physically and mentally sick that ours and our children's futures are now inhibited by the wrong doing by CML and their lack of commitment and respect to us as long standing clients and their lack of commitment to resolve and reimburse us due to **their complete incompetence in managing our margin loan.**

- It is emotional devastating to lose all our life savings, our plans and dreams for the future and our financial commitment to our five children. It is difficult to sleep at night knowing what we had worked so hard for, is no longer there. How can CML managers sleep at night knowing that they have destroyed lives and dreams; but it is easy when it does not impact on them?