

SENATE INQUIRY INTO FINANCIAL PRODUCTS AND SERVICES IN AUSTRALIA

We wish to submit the following to the Senate Inquiry.
I 63 yrs old and B 56 yrs old – former clients of Storm Financial.

After searching for some time for a safe financial strategy, we decided on Storm Financial in December 2004. This choice was based on word of mouth from close friends who were in Storm and who knew people who had been clients for over 10 years. Also we were comfortable with the Australian shares investment, the conservative 50% LVR of the margin loan and the high profile people associated with the company (e.g. John Buchanan). We became self funded retirees.

Initially we invested \$750,000 into the Storm Challenger index fund which simulated a spread of shares across Australian companies which represent the All Ords. This was set up using funds from our Superannuation Entitlements, private shares and a \$250,000 mortgage on our previously unencumbered house as well as a \$400,000 margin loan from Colonial Geared Investments. Because we were dealing with such large **trusted** companies as the Commonwealth Bank and the ANZ bank, we assumed that what we were entering was all above board and safe. We just assumed that bodies such as ASIC and the FPA would be our watchdogs and did not think for a minute that the nightmare that began for us in December last year could ever happen in a country like Australia.

However, as we now know, that was far from the truth and we feel totally let down – not only by Storm Financial but by the Banks and also the regulatory bodies who we thought existed so that this soul destroying catastrophe could never happen.

Our hope is that action from this enquiry will prevent it from happening again.

We have found it difficult to fit our submission into the categories listed on your website, so we've tried to keep our submission as concise and clear as possible and have divided it into the various companies and how they have helped bring us to this point of destitution.

STORM FINANCIAL

As said previously, we relied heavily on “word of mouth” recommendations and then with their “cautious” attitude with relation to the fact that we were retirees and also that they had trigger points in place to keep us safe from downturns in the market. Also we found, after meeting various clients at functions, that we were amongst “normal mum and dad” investors some who had been with the company for decades. All this, added to the congenial atmosphere when visiting the various offices, gave us confidence and therefore the trust between us and the company just kept growing.

All was fine until November 2008, when the market started to free fall. After several assurances that all was under control and that we were not to worry, we put our faith in Storm once again. Storm would “look after us” and “plans were in place” to get us through this period – even offers to help with our mortgage payments should the need arise.

What happened after that is still a mystery to us.

We were advised by letter from Storm (8/10/08) to urgently sign a document to allow our indexed funds to be converted to cash, which we did, but despite another letter from Storm (17/10/08) which said that all applications received before 3pm 16/10/08 had been processed, in reality nothing had been done.

COLONIAL GEARED INVESTMENTS (CBA BANK)

Unknown to us, CGI redeemed all our indexed funds on 27/11/08 (\$1,006,594). The next day they cashed in our prepaid interest of \$64,293 and callously charged us a fee of \$26,690 for breaking the contract which they themselves cancelled, all without our knowledge.

It was not until 8/12/08 that we received a phone call from CGI saying we were in negative equity and we had 48 hours to pay the bank \$164,000 by direct deposit or cheque! Our LVR at that time was 116%. This was three weeks before Christmas and we were in utter despair trying to come to terms with the fact that our only option was to sell our family home of 19 years and that our plans for our self funded retirement had vanished. The next week they sold down our remaining private shares for \$37,000. The CBA, through John Clothier, couldn't/wouldn't offer any other solution and their only input after that was to follow up with phone calls to find out what the situation was with the sale of our house and the repayment of our "debt".

John Clothier also mentioned in a covering letter that the CBA was not responsible for the position we found ourselves in – all this after all the fees we had been paying them for four years – We were left wondering why they hadn't made a phone call to advise what was happening to our money – shouldn't a large company like the CBA at least have a computer system which would advise clients of certain trigger points? At the very least couldn't they "push the button" to redeem our funds as the LVR approached margin call at the agreed trigger point. Whatever happened to a Bank having some form of duty of care to clients? We were virtually told – it doesn't matter what we said in the PDS – we've changed the rules and because we're the bank we can do what we like. Their PDS stated that we would be contacted if we were in danger of receiving a margin call. Now the latest PDS has been changed to "we will contact your financial representative" – again they changed the rules to suit themselves. In recent months CBA have been making "hardship offers" to Storm clients, which, when followed up with correspondence, bear no resemblance to the verbal offer on the phone. It is as if CBA have been trying to add more mental distress to those who have already lost any material possessions – why would a large bank resort to these types of tactics? Is it an effort to wear down former Storm clients in an effort to make us go away?

ANZ BANK

We were advised by Storm to take out a mortgage on our house – initially \$250 000 and then increased by another \$75 000 in November 2007. It didn't even occur to us that we should not have been given a mortgage, but because it was ANZ, we were confident in dealing with a large established bank. Our mortgage was processed by Storm through the Nambour office. We have never stepped inside the Nambour branch and our signatures were never properly witnessed by ANZ personnel. Also our income was calculated using dividends from our index fund which as we can now see is not a reliable income source.

In February 2009, we rang ANZ hardship area in Melbourne and wanted to ask for some type of assistance because we were struggling to pay our mortgage. We were finally contacted in May (3 months later) by the Commonwealth representative who advised that as our case had since been moved to a Mortgage Debt collection area, she could not offer any assistance. Once again – we were left dangling by the bank. We were very distressed by the fact that we were selling our home and made several phone calls to seek assistance in paying our mortgage repayments– all of which were ignored until it was too late.

During that period, the Mortgage Debt collections section began making phone calls to us and writing letters asking us to address our mortgage payments. No amount of reasoning

could get through to them that we were (at that stage) trying to get through to the hardship area for assistance and that until we sold our house we could not possibly make any repayments. – Again more stress put on us by another large Australian bank.

As advised by our solicitors, we were also endeavouring to obtain copies of our original loan applications from ANZ Mortgage Problem Resolutions section in Melbourne. Over **four** months we wrote three different letters asking for this paperwork and to date have not received any of the correct paperwork, even after specifying the title of every document we required. We have been continually fobbed off with incorrect paperwork.

The ANZ bank seems to have been conspiring with its different sections to prevent us from seeking a resolution to our enquiries. This is the only explanation we can think of, as surely a large organization like the ANZ could not be so inefficient as to have three different sections all being so obstructive. Again after four years of paying fees and interest to the bank, we were treated as just another number and not as clients. The mental anguish this has caused us can not be calculated – once again another large Australian financial institution has let us down and has shown us that they can make the rules up as they go.

ASIC

Where were ASIC at the beginning of all this disaster? – Over the Christmas period of 07/08 they were prepared to leave former Storm clients in the wilderness until some unknown pressure forced them into action. They prevented Storm staff from providing any information to their clients in the time of the clients' greatest need to know what was happening. They are the regulators. They gave Storm Financial a licence to offer financial advice. They gave Storm Financial the Australian Government stamp of approval. We were in fact let down by the Australian Government in this case.

FPA

Storm Financial may as well have been a member of the local RSL club for all the FPA endorsement means. Financial Institutions should not be able to claim to be members of the FPA as if it means there is some protection afforded to clients. Their endorsement is misleading.

In December Joanne Bloch from the FPA appeared on the Sunrise TV program stating that potential investors should look for financial planners who have a good track record, who are members of FPA and have ASIC endorsement. Well we ticked all those boxes and still ended up losing everything.

SUMMARY

Storm Financial

- Were paid large amounts of fees by us for advice which led to us being wiped out financially.
- Recent evidence has showed they were acting as “agents” for the Banks.
- What happened to the “war chest of money” that Storm was going to use to help clients out.
- Not financial advisors but **sellers** of financial products

Banks

- Fraudulent signatures as witnesses.
- Statements of income incorrect.
- Used Storm as a branch for their banks.
- Criminal/ suspicious behaviour in certain branches ie Bank of Qld Nth Ward, ANZ Nambour, CBA Townsville.
- No duty of care/callous treatment to long standing clients.

Storm and Banks

- What was the relationship between them?
- Why were all the normal practices of Financial/Banking procedures altered to suit Storm Financial clients?

This whole debacle has been a nightmare for us for the last 8 months. It has affected our extended family and friends, some of whom were also in Storm. We need answers and we need action to be taken against those who have done this to us. We need action to ensure that nobody ever has to go through this again.

We are left with a large question mark over our future. After a lifetime of hard work and struggling to keep debt free and own our own home, now we are forced to join the Centrelink queues. Our whole intention was to have a modest but secure future, but now through the mismanagement of two large Australian Banks and an ASIC endorsed company such as Storm Financial, we will probably end up living in a caravan on government support.

We can't understand where it all went wrong.