

Submission to the Parliamentary Enquiry.

21 July, 2009

Storm Financial Group had everyday Mum & Dads convinced that the Storm Model explained to us at Seminars and face to face meetings, was the only way to go for us to use the dormant equity in our homes to create an income none of us would ever dream of. If we stuck to this model, we would be able to get off Centrelink Benefits very soon and look forward to enjoying a better lifestyle..

The graphs put forward to us all seemed logical with their explanations, with any queries answered without any fuss.

Looking back, we can now see we were overgeared, therefore unable to cope with any downturn in the Sharemarket. Like most Storm Investors, we went along with their Plan and although we questioned the downturn at any meeting after April, 2008, their Advisor assured us very convincingly that all was OK, be patient and leave all the worry to them, as that is what they had been paid large fees for.

Storm convinced us that they had expert analysts employed to keep ahead of the market and with this Storm owned Company called Ignite, we were being looked after by the best available.

When the market kept going down in September, we had serious discussions about our Home and were assured we could never lose our Home. Storm would look after us!

With the Housing Investment Loan discussed in the Original Statement of Advice dated 11/9/07, and signed by us 25/10/07, there is a letter from ANZ Bank, Nambour Qld dated 8/9/07 in answer from Storm, Townsville, stating terms of a \$ 270,000.00 loan with a note saying, I quote " Under ANZ ASSESSMENT CRITERIA, combined with the information provided with this quote, it is highly unlikely ANZ will proceed with this lending. To discuss further, please contact me on the No. below.

In the statement of Advice, Storm had a second proposal from Westpac Bank at Willows Shoppingtown, for \$ 180,000.00. subject to the application meeting the Banks serviceability and other standard lending criteria. This Westpac proposal was then included as their preferred lender.

BUT, we were presented with papers to be signed for an ANZ Loan through an Agency for \$ 255,000.00. supported by documents from Storm. An ANZ Mortgage Broker Distribution – Online supporting Document Kit was signed by us on 6/12/07, 4 days before I went to Hospital for a Quad Bypass operation.

This loan was a LowDoc Investment Housing Loan, fixed Interest for 2 years. In the Financial Profile document supplied by Storm, which we had not seen until 2 weeks ago, the Income included \$ 22,000.00 Storm Plan Income with a note below, the plan assumes sharemarket has returned growth and divs of 10%, however traditionally returns 13%.

The only time we had contact with ANZ Staff was on instructions from Storm to present ourselves to our local branch and sign documents to open the Loan Account.

As we were both Pensioners at that time, Pension of \$ 21,100.00 and dividends of \$ 362.00 were listed as income as well. On the Income/Expenses sheet, the uncommitted Monthly Income figure shows at \$ 85.00

Now that does not leave much of a margin for incidentals.

The Loan was set up as was the CGI Loan and all proceeded from there after we were presented with the Amended Statement of Advice from Storm. We entered the Stock Market through Storm Branded Index Trusts on 13/2/08. with an LVR on the ANZ Housing Loan of 57.95% and a Margin Loan from CGI of 49.04%.

In the Original Statement of Advice, Storms optimal liability to assets ratio is between 40% and 60%. Quoted in this amended advice the LVR was within reason but not much room for error. They also stated in the first Advice that any liabilities that exceed 70% of the value of the assets are very difficult to manage.

This amended Statement of Advice, borrowing much more than was originally proposed, resulted in our overgearing as well as extra fees to Storm of \$ 7,179.00.

How could they allow us and many other clients accounts to climb well above their recommended 70% and convince us all to leave things in their hands.

With the downturn becoming more alarming during September and October that year, Storms Advisers still insisted we leave the worry to them. All will be OK. You cannot loose your Home. That comment was repeated very very often. Storm will look after you.

The start up Investment was \$ 590,000.00 plus \$ 82,000.00 in a Cash Management Account, but the borrowings totalled \$ 592,900.00. Dividends from Investments were going into the Cash Management A/c and that would pay Interest on the 2 loans, plus give us a monthly allowance to live. Fees to date totalled \$ 47,051.00

A step was made in May of \$ 30,000.00 with fees of \$ 2,231.00. Then in June, a proposal from Storm and CGI to prepay Interest to CGI for 12 months in advance was arranged. This prepayment of Interest would cost \$ 34,150.56 All of this was borrowed from ,guess who ?. CGI. Including the Prepaid Interest, another \$ 66,381.00 which increased the LVR by 8%. This increase in the LVR did not mean much to us at that time.

An appointment was made to see our Adviser on 13/10/08. He presented us with a letter from Storm Head Office dated 8/10/08 recommending action be taken to increase our buffer by SWITCHING PART OF OUR PORTFOLIO(UP TO 100%) OUT OF Equities into CASH. All documents were signed to open an Accelerator Cash Account with CBA so action can be taken to effect this recommendation. Storm stressed the URGENCY of this action.

Emmanuel Cassimatis held an Investors meeting late November because of the Global Crisis and assure Storm Clients that we were all safe.

12 th December,2008, we received 2 CGI letters, one stating the meeting with Storm on 4th Dec gave them clear instructions to sell up all clients who had gearing above 90%. The other letter stated our current LSR was 91.47% and they required \$ 66,799.00.by 16th Dec.

This alarmed us as at the previous meeting the LVR was 81.83%. and told not to worry. On phoning the Advisors Office for advice, they were waiting on that from Townsville. Several phone calls over the next week produced the same answer, Waiting on Townsville.

No one from Storm was able to offer any advice at all from then on. We had to work it out for ourselves. Challenger statements show all was sold on 5 Dec and funds directed into an Account in Sydney earning no Interest until that amount was credited to the CGI Loan Account with very heavy Loan Breaking Fees. CGI kept charging Interest on the Loan Account – all prepaid – and did not transfer the sale proceeds to the Accelerater Account which would have attracted Interest.

We were absolutely devastated when we found out about this and our life has been turned upside down forever as I am nearly 69 and on a pension with my wife having to work to keep us going, after being retired for the past 11 years.

Before we commenced with Storm, we had no Debt, not much money, but enjoyed life and were happy. From here on, the money paying the Housing Loan Interest runs out in July this year,but the Interest Only period of 2 years-goes till Feb 2010.

Our only option at present, is to sell the house to pay the debt to ANZ, and with little funds left over, will be forced to live in our Caravan.

It is unacceptable that CBA/CGI sold up Clients Portfolios when a little compassion could have saved us and kept an Income Stream available.

We are hoping ANZ will meet with us to discuss the possibility of hardship relief and go even much further than the 6 weeks offered by CBA.

Hopefully, ASIC will be successful in retrieving investors funds through the Courts.

Signed. Ian Meade
Marion Meade