

Submission to the Senate Inquiry into Financial Products

In early 2008 we were becoming concerned that the money we had in superannuation may not be enough for our lifetime, so began to look at options. At this stage my husband was aged 67 years and was on an aged pension and I, at age 62, was receiving a partner allowance. We also had an allocated pension in my husband's name and the balance of our funds in superannuation in my name. The total amount of these was \$297,527. We also owned our own home – this was valued at between \$500,000 and \$550,000.

We had been told about Storm Financial by several friends and family members who were happy with the program. We had always felt that we would not be regarded as suitable candidates as we were no longer in the workforce. After being told it could work for us we finally went to our first meeting in February, 2008. Several other meetings followed as we worked our way through all the information we were given. We felt the people we dealt with were very professional and we trusted their assurances that there were plenty of safety nets to ensure the success of the plan. We felt that as Storm were licensed members of Australian Financial Services and were approved by ASIC that they were trustworthy. We were presented with a plan that included two options - one which included mortgaging our home and one which did not. We were concerned about mortgaging our home, so finally decided on the more moderate plan, which did not involve mortgaging the house. At the meeting we were told this was definitely not the best option for us so we finally agreed to the other option.

We were ultimately approved for a \$330,000 mortgage with NAB which was arranged after only a drive past inspection of our home. We were then approved for a margin loan with Colonial Margin Lending of \$455,000 with a total drawdown amount of \$1,000,000. We were never interviewed in relation to this loan – it was arranged totally through Storm Financial. Our total investment at this time, after our dam account was opened and fees to Storm paid, was \$878,152.00. These investments were in place by June 30th 2008.

We felt confident at this time that we had enough cash reserves to cover costs for 18mths to 2 years even if there was continued downturn in the market. In fact we were constantly told that we were lucky to be entering into the plan at a time when the market was low. As the market continued to drop we received repeated assurances from our advisor that we would be all right. In fact, in September, we were told we could draw down more money on the margin loan. Fortunately this step never took place. In October we received word from Storm advising it may become necessary to sell down shares if the market continued to drop. The plan would be to keep the money safeguarded and then buy back into the market when the situation improved. We received no further communication from Storm about this matter.

Our first indication of trouble was the article in “The Sunday Mail” on 14th December. We immediately began checking our accounts and discovered that the majority of our portfolio had been sold: the Margin loan had been paid out and a balance of \$63,289 was

paid into our CBA account on the 15th December. We have not been able to find out when the shares were sold or on whose authority. Neither do we know who decided to pay out the margin loan. After a dreadful week of total stress we finally managed to contact Storm and insisted on being seen by our advisor. Neither he nor anyone else at Storm was able to provide us with satisfactory information. We were never at any stage informed of these proceedings – we did not receive a single phone call from either Storm or the CBA or Colonial. Apparently the relationship between Storm and CBA had completely broken down and the ruthless actions of the bank and complete disregard by the bank for Storm clients successfully destroyed many lives.

We feel that we would have weathered the financial downturn with the provisions provided in our plan but that opportunity was taken from us. As far as we know we were never in margin call. We had enough cash reserves to service our loans for a considerable time and I also have a brother who had offered help if we needed it. The most horrifying part of all this was the fact that we were never given the courtesy of a phone call to discuss our options.

The stress that we, along with all other Storm clients, have suffered over the last 7 months has been unbelievable. Since February we have been trying to sell our house to pay off the \$330,000 mortgage with NAB. We intend to live in our caravan to try to conserve the small amount of money we have. The house is currently listed at \$499,000 but we have not been able to sell as yet. We will be continuing to use up our limited resources to service our mortgage loan. We are both trying to find work to help defray our expenses. My husband, a hard working man whose only real desire has been to provide for his family and to live out his life in modest comfort, is suffering deep depression and I hold grave concerns for both his physical and mental health. I don't think there is any way he could hold down a job at the moment.

In summation we feel that we were badly advised to enter into the plan in the first place. We also feel that, as pensioners, our loans should never have been approved. We also feel that the bank's actions have caused unbelievable stress and turmoil to countless ordinary Australians.

We are putting this submission before the Senate inquiry in the hope that banking practices will be amended. It would be nice to think that large institutions could remember that the names on the documents belong to real people and start showing some duty of care to the people they deal with. Thank you for your attention to this matter.

Brian Francis & Carolyn Ann Butler