

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

We would like to make a submission regarding our investments with Storm Financial and the relationship with the Banks.

We have never made a submission before so this may appear not professional but it portrays our thoughts and feelings.

Our investments were with Challenger and our Margin Loan with Macquarie Margin Lending.

We are off the land and as we are nearing retirement age and with not having Superannuation we started to look at various ways to fund our retirement. We attended seminars put on by many Financial Institutions. We also attended Centrelink Retirement and Investment seminars. We started doing our research in early 2006 and made our first investment with Storm Financial in February 2007. We felt we had done our research and most of the other Institutions were saying the same thing only they didn't invest in indexed funds like Storm did.

Storm had always said that the indexes were better as they were the top 300 companies in Australia and if they went so would the country. If the CBA had not stopped Storm from trading the indexes have rallied and most investors would have very profitable portfolios once again and getting the benefits of the fees we have paid into Storm.

We had always made it very clear to Storm that we were not risk takers and as we had a little money that had been hard earned we started our investment. We took out our first ever Margin Loan then as well. At no time did we have any dealings with the Margin Lender except we they sent through to say we had the loan.

We made several more deposits and they advised to borrow more to match our cash amounts.

We were never really comfortable with the idea of having a margin loan and it was our intention to pay it out when we sold our farm and retired, as we did not want any debt in our retirement.

Thankfully we did not mortgage any of our property.

We assumed that as Storm Financial had an Australian Services Licence No 228905 and our advisers belonged to the Financial Planning Association we were dealing with reputable people. It is now that we wonder just what the relationship Storm and CBA had, as it appears that Macquarie sold up their investors before the LVR's went into dangerous territory.

When the market started falling we kept an eye on our portfolio via the Internet. We saw that it was in margin call (**and we had had no contact from either Storm or Macquarie**) we contacted our Advisers and made an appointment.

At the appointment on the 10<sup>th</sup> October 2008 we were asked to sign paperwork regarding actions Storm Financial would take. Action one was to sell our indexes and transfer the money to our Macquarie Cash Dam and then go back into the market at a later date at no cost to us as we had already paid the fees on this amount.

We also transferred further funds on the 10<sup>th</sup> October 2008 to our Macquarie Cash Dam to be used as security against our Margin Loan. If we had had a phone call from Macquarie giving us the opportunity to pay a margin call we could still have all our indexes at Challenger instead of a much smaller amount. Our advisers then said that they would not put any more money at risk and so we were sold down to cover the loan.

Our Advisers had put the wrong account number on our paperwork that this resulted in our portfolio being held up another 13 days before being sold up. At a time when the markets were going down we lost more money.

To compound problems Macquarie sold their Lending Section and the new financial institution would not accept any of their Storm clients so all Macquarie's Storm clients had no options but to pay out their loans. We approached another bank and they would not carry on our margin loan, as we had been Storm clients.

#### **OUR MAJOR CONCERNS ARE**

1. Why the Commonwealth Bank took the stand they did against Storm Financial. If Storm Financial was still be trading we have indexes left into which we now may be able to go back into the market therefore having a chance to recoup some of our money. **(There must be more investors with indexes that they can no longer invest in)**
2. Storm Financial had an Australian Financial Services Licence Number – what security or confidence does that give the Australian public.
3. Storm was a member on the FPA –what security does that give the investors. How many other financial planning organisations operated with high LVR's?? What happened to their clients???
4. Lack of Indemnity Insurance held by Storm Financial.
5. The reasons why ASIC investigated Storm Financial and the answers that showed there was no impropriety.
6. Who purchased all the shares that flowed onto the Market following the sell down of the CGI and Challenger indexes
7. Our private details being given to other Financial Institutions when we had it confirmed we were had been taken of the Storm Financial list that was for sale.

8. Why the banks did not contact the borrowers;  
The CBA until it was far to late and Macquarie not at all.
  
9. Why when we needed our advisers most we could not contact them as they  
had been gagged or shut down and unable to speak to us.

As we are nearing retirement and we wanted to self fund our retirement we engaged a financial planner to advise us and felt we did not have the expertise to handle the process ourselves. We made sure they were members of FPA. so assumed all protocols and procedures would be followed.

We now find ourselves having to stay on the farm a few more years hoping for reasonable prices and weather to recoup some of our money to start our plan again.

Hopefully the inquiry will give all investors answers and confidence to trust financial planners again.

Salvatore P & Audrey M Perna