

SUBMISSION TO THE JOINT COMMITTEE ON CORPORATIONS AND  
FINANCIAL SERVICES.

RE: STORM FINANCIAL

Dear Sir

My wife and I became involved with Storm in 2004 under the Ozdaq company name prior to its amalgamation with Storm Financial. Our financial adviser, Mrs Nancy Seymour, arranged loans through the CBA using our home and investment property as equity. These loans were roughly to the value of 60% of these properties. At no time did we meet with a CBA representative but did receive a very brief phone call from a female verifying our individual incomes. At the time we paid substantial entry fees to engage this advice for involvement in the stock market.

We attended a public information session conducted by Storm which had taken over Ozdaq to our knowledge and sat through a presentation that attempted to allay our fears of living with substantial debt in order to derive an income from the stock market. Unbeknown to us this was the introduction to Margin Lending.

Shortly after this our adviser retired, presumably from the proceeds of selling her business to Storm. Prior to this we were introduced to Stephen Halsell who was to take over our portfolio. At all times the atmosphere was set of one of friendliness and almost family. We attended a number of update sessions with our adviser over the following years where our equity position was monitored and recommendations given to increase our level of debt.

The CBA valued our properties on one occasion by having a valuer visit the locations for the initial loan but to our recollection no further inspections were made to value the properties for further loans being granted. Both our residence and investment property were used as equity in excess of 80% of their value. On one occasion our financial adviser stated that the bank (CBA) had revalued our property so we could take out another loan just as we were about to retire. We were advised to tell the bank should they enquire that we were still employed. The bank contacted my wife and she stated that she was retired and the loan was refused. No enquiry was made of myself and the loan went through. At no time did we have personal interviews from either the CBA or Macquarie Bank who were responsible for our Margin Loans organised through Storm.

Throughout our association with Storm we were assured that the market would never fall more than 40% and if this should happen then Storm and the banks had mechanisms in place to protect its clients. The subsequent fall in the market, though unprecedented, saw Storm floundering to implement these so-called protection mechanisms. We felt that we were so far into this mess that we had to trust someone and the Storm people kept reassuring us that everything would be okay.

It wasn't until we started to get Margin calls from Macquarie that I panicked and confronted Storm to sell down my Macquarie financed shares and just managed to cover that part of our debt. We have had to use our total superannuation payouts, an inheritance and what little cash we had to pay down the CBA loans in part in order to keep our home. Where we had intended retiring through self funding in late 2008, I have had to return to work to service the remaining loan on our investment property which has now doubled and to live.

Whilst we accept that we were gullible to some extent, surely there should be some protection for individuals paying for advice in such a vital area as financial planning for your retirement. Contrary to the media circus stating that we were greedy and deserved the consequences, we are just ordinary people wanting to have a comfortable retirement and had spent a lifetime's savings to be self funded in retirement and not a burden on the public purse. It is our conjecture that although Storm acted inappropriately and contrary to the charter of the Financial Planners Association, the banks were complicit and negligent in carrying out their due diligence in their lending practices. From the outset we advised that our risk profile was one of low to moderate but we have been lumped into a one size fits all profile of high risk.

I thank you for your consideration in this matter and even if nothing comes of it for us as individuals we hope that our experiences help to modify controls for future protection of ordinary everyday investors.