

Summary Submission for Parliamentary Inquiry

Evelyn King

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir or Madam,

RE: Inquiry into Financial Products and Services in Australia

Please accept this correspondence as my submission to the Inquiry into Financial Products and Services in Australia.

My name is Evelyn King and I am a 66 year old widowed pensioner.

My husband Roland King (deceased 2006) and I joined Ozdaq Securities in 2002. Ozdaq changed its name sometime after this date to Storm Financial. We had initially \$16,093 of our own money and we owned our own home outright. We had no other ongoing substantial debts of any kind. Our adviser, Nancy Seymour, recommended we borrow \$128,000.00 against our home to put into the stock market. We went ahead under this recommendation and applied through the Commonwealth Bank of Australia. Upon application the Commonwealth Bank qualified our loan amount down to \$124,800.00 presumably based on their internal credit scoring system and our income situation at the time which was limited to my husband's full time work and the income it produced and the small income I derived working part-time as a School Crossing supervisor.

The loan was used to buy shares. It appears the shares grew in value in the next couple of years and a margin loan was approved by Macquarie Bank in 2003 for \$50,000.00 to increase the shares held and presumably the ongoing dividends earned. In 2005 another mortgage of \$99,000.00 was approved by the Commonwealth Bank as the market value of our house had increased (however not our income or capacity to service the debt should a margin call be made). The margin loan increased. Around that time our initial Financial Planner, Nancy Seymour had retired and her junior F.P. Stephen Halsall was absorbed into the head office of Storm Financial (previously Ozdaq Securities). We continued on with Storm Financial and Stephen Halsall on Nancy's advice. The portfolio was valued at \$437,731.00 with a margin loan of \$190,000.00, gearing level 43.41%. We also had the house mortgage which my husband was maintaining with his full-time work.

My husband died in 2006 after a short illness and Stephen Halsall took over full control of our portfolio with my approval. I note that I was not involved directly with financial matters prior to my husband's passing as my husband handled these affairs. I never queried any decision Stephen gave me as we had been with him for a substantial amount of time and I trusted him. He knew of my husband's passing and was well aware of my limited understanding of our portfolio. My husband had three superannuation fund accounts which were cashed in and used in our portfolio to buy more shares, this was a request from Stephen Halsall. As I presumed that Stephen Halsall and Storm Financial had my best interests at heart I did not question what they were doing. The available funds from the super accounts totalled \$118,270.00, all of which was presumably used to buy deeper into the stock market. I also handed over a tax cheque for \$31,000 which also went into the portfolio. This also was at the request of Stephen Halsall and Storm Financial. In the period of 2 years since my husband died my margin loan grew from \$190,000.00 to \$568,059.00 and the LVR (Loan to Value Ratio) increased from 43.41% to 78.88% including cash injection of over \$200,000.00. This all was instigated by the aggressive advice of Storm Financial and my advisor. It appears now that I was not treated on an individual circumstance and was just a part of the greed of Storm and there associated advisors and lenders. It is at best unconscionable of Storm Financial and Stephen Halsall to have consistently pressed me into debt that I could never repay simply to earn their commissions on share purchases. All parties involved including Commonwealth Bank of Australia, Storm Financial and Stephen Halsall were aware that I had no income other than what Stephen Halsall allocated me through the portfolio as I had ceased my part time work after my husband passed away. They were aware that should even a slight adjustment in the market occur, given my current exposure, I would never be able to satisfy a margin call by any other means than a fire sale, sell down.

I had retired and my only income was coming from my portfolio, I have never accessed or applied for the pension my whole life. Since the collapse of Storm Financial the margin loan was paid but this still left me with two mortgages to the value of \$220,000. It appears the Commonwealth Bank fixed the interest on these loans for a year dated from 22/12/2008. They have a form with my signature which has not been dated for this approval. I was actually at my Daughters place in the country at the time this was finalised. I was never approached by the bank to ask for approval, they took the authority of Storm Financial, which by this stage was going under. As my only source of income was from the allowance generated by my share portfolio I now have no means to pay these loans which means I will lose my home. Fortunately for me my daughter and son-in-law have applied for a loan to pay out my loans so as the family home can be saved. The Commonwealth Bank are trying to charge an early repayment adjustment of approximately \$4,000.00 as they fixed the rate, as mentioned above, on 22/12/2008 for a 12 month period. A complaint was made and after a long delay the matter was resolved and the early termination fee waived. In our view it appears that the Commonwealth Bank automatically accepted anything that came through from Storm Financial without reviewing any aspect of the loan.

This has been an incredibly demoralising and embarrassing situation. A few years ago I owned our family home outright and had no debt, now, due to the unwavering, insensate, greed of Storm Financial and Stephen Halsall, I have been forced to seek financial assistance from my children simply to keep my home, I have had to ask for a loan to be taken out by my daughter to keep a roof over my head, a loan I will never be able to repay, to keep our family home in the family.

I note that the loans remain in my husband's name and were not transferred into my name. Stephen Halsall told me not to worry about this as he would deal with the bank and change names on my behalf. The loans remain in the name of 'Estate of Mr R H KING, CO Evelyn King'. I have paperwork that was sent to Commonwealth Bank notifying them of my husband's death.

It seems that the Commonwealth Bank will not force the issue as they are well aware that I would never satisfy the lending criteria to transfer the loan (regulated as it is) into my own name.

I regularly signed some paper work that had not been dated. I unfortunately did not think about it at the time and trusted the people presenting these documents who touted that it was in my interest and for my well being that I sign. And now, one of those undated forms has popped up months later to fix my loan with the Commonwealth Bank which is amazingly convenient for them given that had the form been put before me at the time I would never have agreed to.

Stephen Halsall created a relationship where he was treated and trusted like family, he knew I was on my own and that I had a very limited knowledge about my portfolio. He would always assure me on our visits that everything would be ok and I would never lose my house. I now understand that Stephen Halsall along with Storm Financial, Commonwealth Bank and Macquarie Margin Lending were simply in it for themselves and not above taking advantage of anyone they could. This will continue to happen as long as margin lending remains unregulated. The banks and financial advisors have proved beyond any doubt that they are incapable of being conscientious let alone accountable unless they are forced to be accountable by government regulators.

I have lost my husband of 50 years and now I have lost my home of 39 years and my independence. I am now on the pension surviving from day to day.

Yours Faithfully,

Evelyn King