

The Committee Secretary  
Parliamentary Joint Committee on Corporate & Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600

28<sup>th</sup> July 2009

Committee of Inquiry into Storm Financial Services.

I am writing this submission to the Inquiry into the issues regarding the recent financial product and services provider collapses. I was a client of Storm Financial and my life has been severely turned upside down due to the collapse of the company.

Prior to my investment with Storm Financial, I owned my own house outright with a small amount of monies in bank investment accounts, a private super scheme and a small super payment.

I met my Storm Financial Adviser through my partner and he suggested we have a talk. I had increasingly understood the need to ensure that I was financially secure for my later life, so I readily agreed to the meeting.

In short, I, like all the other Storm clients was encouraged to borrow against the equity in my home, which would then allow me to take out a margin loan to further enable me to put more monies into Storm-badged index funds. I did understand that there were risks associated with borrowing to invest and questioned these risks. I was assured that I could never lose my home or investment as there were build in safety measures in the Storm modelling to ensure that this didn't happen. The SOA suggested my portfolio be reviewed when there was a 10% movement in either direction in the investment, where if it falls by this percentage a recovery process would be implement and if it increased by said percentage more assets would be purchased by further increasing the margin loan. I invested believing that while there were risks, measures were in place to ensure I didn't lose my home. At one meeting I was asked to invest my private super into the fund, which I refused to do.

At no stage did I have any contact with any representatives of any banks those loans were sort from. It was explained that due to the business that Storm passed onto the banks there was a special arrangement that all loan would be approved with marginally reduced interest rates.

When the market kept falling I was reassured by Storm that there was nothing to worry about, however in early October 2008 I received a letter in which I was asked to 'sign over' control of my portfolio, as it would allow them to put in place strategies to manage the portfolio (inoculate part of my portfolio from further fall in the market) and prevent a margin call by converting to cash. There were withdrawals made to cover margin calls I received, however on the whole it was too late and I had to borrow more against my home to cover the final margin loan call. I am now in the position of paying interest on a loan that I have nothing to show for. If it weren't for my fortnightly super payment, which goes to pay the interest on the loan against my home, I would have had to sell the house. Rather than looking forward to an

enhanced retirement, I am now facing prospect of working well into what I consider my retirement years.

Some have said that you deserve what you got, as you were being greedy. This was never the motivation for any part of my investment strategy and my one simple goal was simply a comfortable life in retirement without relying on handouts from the government. Storm and the banks have let us all down and I sincerely hope that the Government, ASIC and this committee get to the bottom of what went wrong for the betterment of future investors.

Yours Sincerely

Barrie Smout