

PARLIAMENTARY SUBMISSION

We were introduced to Ozdaq / Storm Financial by our daughter in 1997. We had discussed our retirement and decided we would attend the seminars held by Storm to see if it would suit us. We were happy with the out come and agreed to sign up. We thought ASIC monitored these Financial Advisers, so it would be safe to invest.

The Volatility and Risk section of our Recommendation and Report prepared for us in September 1997 states as follows – Index funds eliminate selection risk. The index cannot go broke, which is why investing in as index fund is a way of guaranteeing you cannot lose your money in the long term. You can see the value of your investment drop but if you do not sell, the investment will recover to a greater height eventually. It is not a question of if, but when. With this written into our Recommendation and Report, we were not concerned about losing our money.

Our advisor at Storm was Stuart Drummond. We were advised to keep working for another 5-7 years before retirement, this was ok with us. We owned our house, so it was mortgaged for the investment, also we liked the plan to become self funded retirees and not have to rely on a pension. Jeff was working as a public servant and I was a permanent casual in retail. I retired from work in 2000 due to a few health problems. Jeff retired in Feb 2002. Over the 5 years we had attended reviews and advised to margin up when possible, this we did. During this time Stuart moved to Brisbane and Bernadine Frawley became our advisor.

Upon retirement we sold the house and the money from this was placed into the investment along with Jeff's superannuation. We had bought a caravan and went travelling around Australia. I also had a 5 week overseas holiday. Jeff also worked for 7 months in Mt Isa, and in Western Australia for about 3 months.

In 2005 Stuart Drummond became our advisor again, as Bernadine had moved to Sydney.

In December 2007 we came back to Townsville and decided to look for a block of land. We had drawn \$170,000 from the investment for the land. We had plans

drawn for the house, so we could begin to build as soon as the land was developed. We got title to the land in Oct 2008, and contacted Stuart re building. We suggested we draw the money from the investment as we did not wish to have a mortgage on the house now that we had retired. He said no to this, that he would organise a bank loan, and we would pay it back within 3 years. Storms were holding up the commencement of the house because of the bank loan. We again said we would be better off drawing down the money and paying cash. We were told no that we would pay too much capital gains tax. As a last resort, because of the delay, we phoned Mathew at Bank of Qld to find out why the hold up, he said it was Storm. We then went into the Storm office in Townsville and we refused to leave until all the paper work was finalised, which was done by 4.30pm that day.

We moved into the house on 26th July 2008. We had an appointment to see Stuart when he came to Townsville beginning of August and drew money for furniture etc. We became uneasy about the market near end of August and had an interview with Stuart through a video link up. We were worried about house repayments if the market kept dropping. He asked us to trust him, things should be ok. As the market seemed to be getting worse, Jeff decided to look for work, as we hoped the investment would be able to handle the repayments for the house. We had to go to Brisbane the end of October, so organised another appointment with Stuart, by now we were really worried as to what would happen. We asked about the house once again and he said Storm would look after us regarding the house repayments and to trust them once again. He also said Colonial was sticking by them and as long as this was the case, things would be ok. He also said we were in a better position than most as he had got us to sign papers to take out a further \$100,000 mortgage on the house as security for the margin loan.

Jeff started work on the 19th November as a yardman, not much going when you are 63 years old, but it was a job. I had part time retail organised to start in December, so we thought we had covered our bases to see the worst through, but the WORST was a statement from Colonial on Dec 8th showing our investment was NIL. We phoned Stuart in panic, eventually got him, and he said yes we would loose the house. We put our caravan on the market, as that was the only money we had to pay repayments on the house.

About a week later we got a phone call from Colonial asking were we aware of the situation and how were we going to pay the \$180,000 we owed. In another phone call they asked if we had any relatives who would pay this for us, or did we have an inheritance at all. This was very distressing and I went into anxiety attacks. Colonial phoned again and asked about Jeff's and my health, I told them I was diabetic and suffered from anxiety, he proceeded to tell me not to worry and he would contact me later to discuss how to pay. We should not be responsible for this debt as we were sold up over 90%.

We now have a hardship application approved with the Bank of Qld for 6months. We cannot afford the repayments for the house. So what comes next, we are awaiting the outcome of the enquiries. To sum things up, we feel we have been deceived by Storm and the Banks, and we should receive compensation for our losses and the extra burden of health problems we have to deal with.

Jeff and Shirley Dunn

TERMS OF REFERENCE

1. **Role of Financial Advisers** – they should be registered and have to demonstrate they have appropriate qualifications.
2. Should be required to act in clients' interests.
3. General regulatory environment
4. **Role played by commissions** - Stormed sold a product – they did not give us low risk, reasonable advice.
5. **Licensing** – Banks should be required to check details with clients and not just through an adviser.
6. **Appropriateness of information** – Statement of advice should be short and understandable not like Storm one which was too long and confusing and probable meant to be so.
7. **Consumer Education** – Storm seminars and investor updates were more brainwashing than education.
8. **Professional Indemnity Insurance** – needs to be adequate to cover the volume of business they are handling
9. **Need for Legislative or regulatory change** – better regulation needs to be present for advisers and the banks who lent without checking investors details and ability to repay.