

Inquiry into Financial Products and Services in Australia

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PARLIAMENT of AUSTRALIA - JOINT COMMITTEE
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With reference to Storm Financial

We started as small conservative investors with Ozdaq, later Storm Financial, instructing them we never wanted our LVR to rise above 50%. We would have easily been able to meet any margin calls to keep us in the market during the economic meltdown to eventually trade out of the downturn. **Why were we sold out?** We were given no options despite being told that our portfolio would be monitored regularly by Storm's team of experts and we would be advised long before we could possibly be in margin call. All Storm correspondence states Julie Cassimatis was our adviser but we never even met her. Initially we dealt with Bernadine Frawley then Carey Frazer.

When we asked for clarification on certain aspects of our investment we were made to feel stupid, Carey Frazer frequently stated "What can I say to make you understand" "I don't know how else to put it to make you understand" "What don't you understand about this lovey" I found this extremely patronizing and had to ask her to stop calling me lovey. She said all storm employees followed the same investment strategy and so it had to be safe or they wouldn't be doing so, we were made to feel our portfolio was being given individual assessment and management and advantage would be taken to capitalize when the market was high withdrawing investments to build up the "dam" to provide more funds to reinvest when the market was lower. We were told the model was full proof and the idea was to NEVER pay off the debt. We were shown historical data showing the worst case scenarios over the past 100 years and advised it could never happen again BUT if it did our money was quite safe as portfolio management would act before things got out of control. We were paying high fees believing our finances were being managed.

We were both unemployed when we first invested with Ozdaq. We were never given any financial advice at all, we were only every offered the Model of margin lending for investment. We were told we could not lose our investment, we were

told our money was safe; we were told our money was in the "All Ordinaries"; we were told the whole banking system would have to collapse and people would be fighting for food in the streets before we would lose our money and then money would be worthless.

In 2008 we started to get impersonal documentation through the post with stick on tabs "sign here" to borrow more money. Thankfully, we ignored all these invitations.

When we showed concern about the state of the financial world in November 2008, we were encouraged to pledge more money to enable us to get back into the Stock Market as soon as there was an upturn. We were told we could not withdraw our investments as things were moving too fast.

On 3 November 2008 I received a call from Josh at Macquarie stating we were in margin call and he required \$2802.22 by close of business today. I queried why we had received no notice. He advised Macquarie had advised Storm Financial 15 day ago and had been advising them daily so I should take it up with Julie Cassimatis, our financial adviser, I phoned Storm and left a message for Carey to call me back. On 4 November 2008 Carey returned my call, I have a record of conversations with Carey over the next 2 weeks which I have passed onto ASIC. Basically she advised Macquarie had sold all but \$20000 of our portfolio despite Storms instruction to "turn it to cash". She wanted us to pledge another \$25000 from the "dam" to enable \$80000 to be put back into the market. Contradictions, denials and lies followed and it became very clear Carey Fraser did not know what was going on. We were constantly being told things were happening so quickly, the situation was unprecedented and the banks were being hard to get along with. She said legal action will be pursued but it was important to get us back into the market.

The concern, panic and stress we felt during this time was debilitating, however, we are fortunate we have only lost money; I suspect this is because we were too small an investor to be pursued relentlessly, however, to us, the money we have lost is considerable and those that have been complicit in allowing this to happen need to be held accountable.