

The Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Parliament House
CANBERRA. ACT 2600

30 July, 2009

I wish to make a submission to the Parliament.

My wife and I have been with storm for 12 years; we slowly built an investment to enable us to retire early . This was achieved by forgoing large expensive holidays and borrowing money slowly as the equity in our 30 year old house grew. We lived a simple life with a small amount of extravagance in our eyes to gain our ultimate goal of a retirement on \$50,000.00 a year.

We hit the jackpot on January 15, 2008 when I received a redundancy payment of \$60,000 . So I retired. Our indulgences included a 5 day camping holiday which was marred slightly by the fact that some tourists were having to return home because their Super was dropping and they could not afford to travel any longer.

We considered ourselves lucky that we had invested wisely in passive funds with reputable companies MLC and Colonial and did not have to rely on Super alone. At this time our Current LVR was 70%. And our margin call LVR was 82%, quite a substantial Buffer. We contacted our adviser who said yes the market is dropping but everything is under control and as everyone knows you never sell on a falling market you buy more, which we had in May 2008.

We were about to go on another weekend away in early October when we were called in to Storm to sign papers to allow Storm to sell up to 100% of our portfolio. We were devastated. Nothing happened! I watched our bank accounts for entries and nothing happened. I rang Storm and they said they did not know if our portfolio had been sold down or not because Colonial were unable to give current figures or positions. Then we received a letter from Colonial stating that all Storm branded products had been suspended from trade while they sorted themselves out.

In the ensuing weeks we found out we had been sold down at the lowest point in the stock market for years and eventually our prepaid interest margin loan had been broken which cost us \$24,000 of the \$46,000 left for the 6 months from December 2008 to June 30, 2009, because we were in negative equity of \$46,000 . We paid \$30,000 plus another \$5,000 and we still owe \$12,000. Even that does not add up. I calculated we were 115% current LVR at the time of sell down.

The questions I would like answered are:

Why were we not contacted by Colonial informing us we were in Margin call and by how much so we could try and raise the funds? They had a vicarious responsibility to look after our interests as we were their clients, not Storm.

Ask Colonial to provide all Margin call amounts and documentation to substantiate their requests to Storm.

We have requested the documentation regarding our margin call details and have had no response. We have never received any request from Storm or Colonial regarding a margin call.

Why were colonial and storm able to keep on extending our margin LVR to higher and higher percentages without our signed authority. We found out we had been increased to 92% when we received our June, September statement from Colonial Geared Investments in early October. So you see why we believed Storm when they told us the Bank was backing us, and why we rode the sinking ship to the bottom

We relied on the Margin call as our stop loss for our housing loan and Colonial were fully aware that our extra funds were supplied from a Commonwealth housing loan.

Who stood to benefit by these extensions? I suggest the Colonial and Storm because they did not want the Colonial Storm product to fail, it certainly was not us who would benefit.

When there was no Storm branded Colonial products we had a margin call and were sold down immediately because we were with MLC.

Storm always stressed if we did not follow their recommendations we would void their indemnity cover.

What is the required indemnity for 1.5billion dollars and what was Storm's indemnity cover?

Who is responsible for setting and policing the amounts of indemnity companies are required to carry?

I suggest it be the same as workers compensation or, better still, Compulsory Third Party Insurance and all clients of financial companies should at least have a chance of recouping a reasonable amount of their loss .

Colonial stated it was Storm's and our responsibility to know when we were in margin call but when the margin call LVR was increased regularly, how would we know?

Especially when our advisor was apparently collaborating with Colonial regularly and telling us they will be backing us.

Please ask Colonial why they didn't sell us down before we got to negative equity position.

Please ask Colonial why the money from sold down equities didn't show up in the appropriate account for a week or more.

Thank you for the chance to be heard,

Graeme and Kay Rasmussen