

# **Submission to the Parliamentary Joint Committee on Corporations and Financial Services**

**Submitted by** : Gregory and Lyn Becke

My husband and I are former clients of Storm Financial. Through Storm Financial we were associated with Bank of Queensland with an investment loan and Macquarie for a margin loan. Our investment was with Challenger funds. We are both 50 years old and since marrying in the early 1980's have followed the advice of financial advisors with the ultimate aim to retire as self funded retirees and not to be a burden on society and also to leave our two children a healthy inheritance.

We joined Storm Financial in April 2006 with two houses, which we owned outright, a portfolio of personally acquired shares worth approximately \$100 000, as well as a parcel of Managed Funds, worth \$180 000 when cashed in by Storm Financial to invest with them.

Our current position is a \$617 000 mortgage over both our houses. As well as being over half a million Dollars in debt to the Bank of Queensland and having lost most of the cash we acquired, before we joined Storm Financial, we are both emotionally gutted.

We thought we did our own due diligence by reading the paperwork, going to the pre-investment seminars, we talked to other investors already involved with Storm and all were positive. We asked what we thought were the right questions. We repeatedly asked how safe our houses were and the response was always, 'the whole economy would have to crash and the world would have to stop turning before this would happen'. We were also repeatedly told that this would never happen because of the buffers that were in place. We were told by our Storm Financial advisors that our investment was safe and any risk would be managed.

In October 2007 the majority of our portfolio with Challenger was sold down without our knowledge. We were not, at any point, notified of a Margin Call. At a meeting in June 2007 my husband, being aware of the market trend at that time wanted to lock in some profit but we were told this was not the way to go and that is what the 'herd' would do. Instead, this meeting was called to inform us that it was time to 'take another step'.

After the initial shock of losing what we had worked so hard to achieve over the previous 25 years, we are left with many unanswered questions.

Questions regarding some of the terms of reference for the inquiry

**The role of financial advisers** – We put our trust in these people. We should be able to expect our financial advisers to deliver the advice that they say they will.

What exactly is the role of a financial adviser?

What qualifications does an adviser need to have before they can legally carry out this role?

**The general regulatory environment for these products and services** – Who is responsible for monitoring this?

**The adequacy of licensing arrangements for those who sold the products and services** – Who is responsible for checking adequate licensing of the financial firms?

**The adequacy of professional indemnity insurance arrangements for those who sold the products and services** – Storm Financial didn't deliver what they promised. Why wasn't it mandatory for them to have adequate insurance to cover what happened to the investors?

**The need for any legislative or regulatory change** – Obviously something went horribly wrong. Will changes be made so that this will never happen again?

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