

**Parliament of Australia**

**Senate Joint Committee**

**Inquiry into Financial Products and Services in Australia**

Committee Secretary

Parliamentary Joint Committee on Corporations and Financial Services

PO Box 6100

Parliament House

Canberra ACT 2600

Australia

30<sup>th</sup> July 2009

Dear Sir/Madam

After reading many of the submissions into the above inquiry we would like to make our own submission but from a different perspective – from the effects of despair, anguish, depression and feelings of worthlessness we suffer every day, since the day our world crumbled around us Dec 12<sup>th</sup> 2008.

We believe that there have been sufficient declarations made to the committee outlining very carefully, clearly, succinctly and with excellent research into the inadequate behaviour and business practises of both the financial planning institution – Storm Financial and one of the largest dominant banks in the land – The Commonwealth Bank of Australia and Colonial Margin Lending. If we had the knowledge that has now come to light after the collapse of Storm and the role the Commonwealth Bank has played in this fiasco we would never have entrusted both entities with our entire asset portfolio. To that end we are certain that the submissions made to date adequately cover the issues that we believe reiterate our story.....we are not qualified to scrutinise our demise from a legal or financial perspective other than to say we are in insurmountable debt and have no assets only liabilities, we will detail this in the following pages.

What we can tell you with clarity and with over 35 years of working experience, is what we had as a family before the Storm/CBA experience in March 2005 and what we have now in July 2009. As for the months and years ahead, well we are looking into a deep dark abyss with no prospect of enjoying life as we had until Dec 08. We will express our concerns from an ethical and moral standing as we feel these virtues are the fabric from which the laws and financial practises in this country are founded on, and if they are not, they should be – hopefully it will be the role of this inquiry to fix this flaw in the Banking and Financial Services of Australia, we implore your honourable intentions to ensure the ‘unsophisticated’ everyday hardworking citizen, is the beneficiary from this enquiry.

We are a married couple with two daughters - 17yrs and 14yrs. We have worked and paid taxes since the mid 1970's and at varying times within these past 35 years owned and operated our own businesses employing at times up to 24 staff- in others words we have ‘had a go’! Our basic beliefs are the core of our success that a fair and honest approach to any business dealing is always the best policy. We have never been in default on any loan; always met and paid every contractual obligation that we have entered into, we carefully and diligently built an asset base – a base that primarily was the security in our family home. We have only wanted the best for our children ensuring that their educational and medical needs are taken care of. The early days were hard and we worked 7 days per week for over ten years to survive the mid to late eighties and protect our assets. We realised when our children were born that it was more important for us to spend time in raising our children and therefore decided to become the employee and not the employer. This was a lifestyle change for the benefit of our family as it afforded us the opportunity to spend weekends together. This change however made our financial situation less fluid but we were very committed to ensure that we always managed to put a bit away for that rainy day.....little did we know it was going to be one hell of a Storm and a ruthless Bank that were to wash away our dreams and our lives to leave us with what we have today....nothing!

## **Before March 2004**

Our assets were modest BUT we had no debt- you can do the sums from the figures below.

We owned our home in the Gold Coast Hinterland valued at approx \$620K.

Our savings were approx \$120K.

We had adequate Insurance Policies (but not Life Insurance)

We had approx \$150K in combined Superannuation

We had Top Cover Medical Insurance

We paid for our children to attend Private School – an expensive option to education but nevertheless our choice

We managed to enjoy one holiday per year as a family

We owned our own Holden Statesman – 8 years old!

No Health Issues

### **BOTTOM LINE – NO DEBT, HEALTHY AND HAPPY**

Both of us are from large families and we have always enjoyed a very happy and fulfilling life with our children and extended family. Often we would attend family functions enjoying the benefits of being able to contribute and feel a worthy participant in their lives as much as they were in ours. Friends are also another important asset in our lives and I will let you into a secret about just how generous some friends can be in the “After Dec 2008”. In summary our lives were fulfilled and most importantly for us our children were happy, healthy and enjoyed the love of two very committed parents, who are everyday people doing everyday things – pretty much mainstream, with no grand aspirations other than to be content with their lot. We are not stupid people and knew there were qualified, certified professionals that could help us to protect our assets whilst seeking to improve our retirement portfolio. We approached Storm Financial to look at a long term retirement plan for us.

## *After December 2008*

Our assets have gone – we no longer own our home, the Commonwealth Bank holds the Deeds and *will* foreclose if we do not meet the interest only payments....you can do the sums from the figures below.

Storm has gone – you will have to ask the CBA about that, only they know the truth – but something tells me they won't tell you it!

Our mortgage is now \$768K – monthly INTEREST ONLY payments are in excess of \$3600 per month- provided interest rates don't move up

Our Margin Loan Debt is \$85K – we cannot pay this

Loan Break Fee \$38K – gone!

Our savings have gone! – vanished along with our Colonial Geared Investment portfolio of approx \$2M

We still have Top Health Cover – for how long we are not sure.

We borrow money from family and friends to keep our daughters at the school they have both attended since Prep – approx \$16K borrowed to date.

We do not go on family holidays!

We swapped our car for a more economical model – Holden Station wagon 6 years old

Wife's health is poor – last year suffered a Fractured Vertebrae and 2 crushed Discs, plus diagnosed with severe Osteoporosis, suffers with Depression and is currently seeking medical advice and counselling for all conditions – cost of constant visits to doctors is huge, out of pocket expenses crippling!

**BOTTOM LINE – TOTAL DEBT \$ 900,000, UNHEALTHY AND EMOTIONALLY DISTRAUGHT**

## Today

Since Xmas 2008 our life has changed immeasurably – the over whelming impact of the reality of our financial situation has nearly destroyed our marriage, has placed unfair pressure on family and friends to assist with preserving the status of our children's education and health. The hardest thing as parents was to disclose our demise to our young daughters, having to tell them of the loss of not only our home and plans for the future but how the opportunities we had planned and hoped for them must change and be completely rethought. How do you tell your child that they may have to change schools due to the fact that we have no way to pay the tuition? Why should they have to suffer! We have been absolutely at the depths of despair, shame and humiliation when having to share our financial status with family and friends. We have endured the degrading and desperate measures of pleading with professionals and service providers to waiver or reduce fees for products just to afford the continuing specialist health care for wife's condition and family needs. It is almost shameful to face people in the community that know our situation – the feeling of inadequacy and failure is deep and overwhelming.

Public opinion has been cruel, implying that the Storm investors were greedy. The effect of these comments has been utterly debilitating, to the point where we feel that nobody gives a damn about how this situation imploded, leaving trusting, hard-working people in the depths of financial ruin – through no fault of their own. Comments such as: - We should have known better; We were greedy and deserve everything we get; How could we be so stupid and reckless!

These comments have left us dumbfounded and bewildered – we were assured that we were entering into a trusted and respected financial model, why else would reputable and long standing banks such as CBA, Macquarie, ANZ and Bank of Qld all be lining up to do business with Storm? Therein lies the real question – the question of partnerships and deals! Then the question of risk versus gain – all the risk was on the client (the investors) and NO RISK at all to the Banks. Yet we were reassured repeatedly by Storm that we were at a very low level of risk (as requested on our initial Customer Profile document).

Storm had to go, they were getting too big for the Bank, had too much power, so the easy option for CBA was to not play the dating game any longer and they dumped Storm – the partnership was deliberately and abruptly ended in January 2009! Unfortunately though (and the CBA knew this) there was going to be collateral damage and VIOLA! – 2500 Storm /CBA /CGI customers were

mercilessly dumped into the abyss of destruction and have been suffering for seven months with only the wry 'promise' of rectifying the wrongs that *may have* occurred.

How is that powerful, influential and professional CEO's & Managing Directors feel they have the right to play 'God' with our affairs – the rules and codes of practise are set down for very good reasons, so that everyone has an understanding of a fair playing field for all to play and to protect the consumer. In the case of CBA/CGI and Storm it seems that the big boys at the top thought they were better than the institutions they represented – they played with the rules – the LVR's, the Home Valuations, and as for the contracts that were signed, well they were just a waste of paper – they took liberties that should never have been taken. They took the livelihoods, the superannuation, the retirement funds and the very soul of the people who entrusted them with their prized possessions and destroyed them all!

SHAME SHAME SHAME!!!

As we explained earlier, it will be Slater and Gordon that will help us get to the bottom of the sordid acts of the CBA/CGI and their partner Storm Financial – we just don't have the smarts to work it all out. It is sickening though to know that whilst the CBA have publicly declared some 'short comings' in their affairs with their clients and Storm, that they are still at the wheel – dictating terms, and still playing 'God' when will the client receive a open and transparent opportunity to take these robbers to task – any other criminal would be taken to court! The introduction of the CBA Storm Financial Resolution Scheme announced this week is encouraging, but again the CBA have been allowed to dictate the terms – when will this style of 'behind closed door' arrangements every end?!

## Conclusion

We are tired, we are broken and we are financially desperate – please help the people who were only doing what we had all been encouraged to do by our Government..... to self fund our retirement for a better lifestyle, better than the poor pensioner of today ..... was that so wrong?

There are many other affected people who we are certain share our experience but they are not capable of conveying their plight to the enquiry, it is in their interest also that we have decide to contribute to this inquiry.

This Honourable Committee has been entrusted to delve deeply into the unconscionable actions of the Banking and the Financial Planning Institutions in this country, included in this enquiry must be the inept and defunct operations of the Financial Planning Associations, APRA, ASIC and the Insurers so that their incompetency will never again, render useless, the protection and representation that consumers pay enormous fees for and deserve so urgently.

Thank you for taking the time to read our submission. All documentation to substantiate our case is available upon request.

Sincerely

NAME WITHHELD