

**Submission to the Parliamentary Joint Committee on Corporations
and Financial Services into Financial Products and Services in
Australia**

To whom it may concern,

After reading some of the submissions on the Internet my heart cries for the predicament that people are in after the collapse of Storm Financial. We too are on this list and have never felt so let down, used, condemned by the media and public, shocked, traumatised, and now exhausted after loosing all of our financial security which had taken three generations to build. Now at age 65 my husband who needs two knee replacements is working in the cane paddock at a job that should be allocated to some young family man who is on unemployment. I imagine we will soon be on the pension. Shame! As we now have many older Australians confronting the fear of homelessness because they were brave enough to want to take responsibility for their future. The Bank knew our general ages but the fund belonged to the Bank and their final decision was to create this fallout.

We had joined Storm Financial 10 years ago, attended a workshop and after many consultations, decided that we would take this path for our future. Our focus was to become self-funded retirees. This seems to be a common theme for all Storm clients. I now say maybe it is better to spend your money and plan to receive the pension.

In the last 8 months I have learnt much about this industry, mainly because you sometimes have to experience a problem before you can find reasons or answers.

In hindsight, I now think that any education or disclosure, which needs to be done within this kind of loan, is really the responsibility of the bank, as never at any time did we realise that we could be sold down into negative equity, without being contacted or informed of our position. The margin loan was a business loan between the bank and us, so why would they trust someone else such as Storm to deliver the understanding of their disclosure on a margin loan or margin call. Surely this is their responsibility to themselves and their shareholders.

As far as a business deal was concerned we had never spoken to any person or representative from the bank. They invented the product, sold it to us through Storm, provided the money, and, as much as we requested within ratios, and this in turn boosted their bonuses and interest payments.

I now feel that we were the pawns they used to take the risk in the market, and when the worst happened there was no reliable exit action put into place with responsibility or consideration for Storm clients.

With power comes responsibility, otherwise the power becomes untrustworthy.

Surely the Commonwealth Bank, the largest, strongest bank in our country, backed by the taxpayer, could have done better than this. This is not Australian and has to be lacking in integrity. We could not touch this money without informing them first, how could they sell us down into negative equity without informing us first of their actions.

Mr Sean McArdle (Submission No.30), I am sure, has addressed every question that needs to be asked and I fully support his curiosity. Some of the gearing may have been high, but at the end of the day, life and death was decided by the sell down and this product was never equipped to protect either a light or heavily geared customer, only the bank.

The banking industry needs to reinstate bank managers as they had 20 years ago, so people have hands on help when making these important decisions. Their main concern is their bottom line, not their customer's needs. Their disclosure booklets need to be written in English and any negative disclosure written in red capital letters, then explained by their bank manager or suitably trained person under their banner. Communication between bank and client is very difficult as transactions can take a lot of explaining and there is no continuity between phone calls. People are confused, the accountant cannot advise on financial matters, the bank managers are gone, and how do we make important decisions without appropriate help.

In February 2003 we had received a margin call letter from Colonial Margin Lending, sent to our postal address when the market fell in that year. I have a copy of this letter dated 28th February 2003, which states,

“The above mentioned loan account is now subject to a margin call. Details of your loan are set out below.....
In accordance with the terms and conditions of your loan, you are now required to meet this margin call. Details of the options available are set out below.....
This margin call must be met within the next five business days.”

A process was put into place by Storm to rectify the situation. We responded by selling units and depositing the money into an offset account until the ratios were acceptable again. There was also a letter sent to Storm from Colonial to inform them of our margin call.

In October/November of 2008. What happened? NO margin call letter. NO telephone call. NO contact. Only a letter informing us that the Storm indexes would be suspended from 17th of October and could be closed for up to 30 days.

We had signed forms dated 8th October 2008 giving Storm permission to sell down 100% of our portfolio. When I contacted them to find out our situation, after half an hour of them trying to access our portfolios were told they could not get any of our information up on the computer. This happened twice and the girls, almost in tears, could only apologise and say that their portfolios were inaccessible also. Apparently the data was only back in place at the end of November and this was too late.

From reading newspapers, this problem happened again within the Commonwealth Bank at the end of financial year 30th June 08-09. NOT GOOD!

Only 18 months earlier the bank had cancelled the telephone access to my accounts and when I inquired, I was told that it had been done by the first nominees [Colonial Margin Lending]. This had been my way of monitoring our investments.

Even though we are still shell-shocked at the age of 65 we still consider margin lending to be a good investment tool for people to use in retirement. With regulations, age limits, stop losses, and backing from the bank in bad times, the Storm model of investing in Australian indexes could be examined and prove to be a way forward, helping to create the independence that people desire. We may all benefit from a considered formula going forward.

Margin lending kept in check has a positive effect on the growth of our country and the market.

The government did not consider the effect that guaranteeing the banks would have on the market. This succeeded in people taking their money out of the market and depositing it into the bank. This in turn drove the

market down and with it went billions of dollars of older people's savings, while we were guaranteeing the banks. IRONIC!

There are many ripples in this pond and now the younger generation is left with the bill of supporting their parents in old age. Maybe there is a lesson here.

In closing, I would like to ask these questions.

- Why were we not sent any margin call letter in 2008, as was the format in 2003?
- Who purchased our many units in MLC and Storm from the stock exchange?
- Did the bank responsibly upgrade their computers and train staff to carry out the many extra transactions that were needed to take care of the many thousands of new customers they had received from Storm Financial within the last three years?
- Who was responsible for the closure of the fund and was it done within the requirements of the fund?
- Why is the bank doing deals with clients?

These questions need to be answered.

I applaud the Government for holding this inquiry. It will bring forward people's concerns and hopefully find solutions that will help to restore hope of finding a way to a better future. Our life has been destroyed along with many others. This lesson has been a very hard one and there has to be accountability. The true reason for this failure needs to be uncovered so it does not happen again.

It is our duty to speak assertively and learn from every lesson.

Thank You.

Yours sincerely

Lorraine Kovacich