

Committee Secretary Parliamentary Joint Committee on Corporate & Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600

We were customers of Storm Financial from 1997 to its demise currently aged 63 and 59. At the beginning of our association, we were both working full time as an engineer and a teacher. We mortgaged our home, which was paid for, with the NAB and used the money to obtain a margin loan with CGI. As we live in a small town and valuations are not high we were happy with our situation. From this time until 2002, we continued to follow the Storm recommendations- reinvesting our profits and also paying in money from our wages to increase our exposure to the market.

At this time Darryl was forced to retire with ill health while I continued to work part-time. His superannuation was re-invested with Storm after keeping some to buy a 4WD and caravan to travel whilst in retirement. In 2005 Cheryl retired and her Superannuation was also reinvested in Storm. We were able to live comfortably on the payment we received fortnightly from our investments.

In January 2008, at our own instigation, we applied to the NAB to have our house re-valued and consequently increased our mortgage by \$160 000 which we invested with Storm.

During all this time with Storm we were very pleased with the service we received. We were always told that if a Margin Call was necessary, we would be contacted by the Margin Lender to be informed but would only have a small window of opportunity to try to alter the situation before we were sold out. We were assured that it would be done at 90% and that we would be able to get back in the market when things improved. At no time would our home be in any danger of having to be sold. We were never contacted by CGI to advise us that a margin call was imminent nor to update any loan information. The liquidation of Storm was well underway before we received any communication from CGI and then when we were contacted, the information was incorrect.

Concerning the events that occurred between the beginning of October and the end of December, the time line of events that followed is similar, if not exactly the same, as many of the submissions that I have read on your website. We were advised to allow 50% to be sold and then 100%. We could not get accurate information from the CGI website as it was inaccurate and this was confirmed by our advisor when contacted. We had prepaid our interest on the loan until 30<sup>th</sup> June 2009 and the money that accrued because of the sell down

was in a Townsville account at the CBA. This account was set up expressly for this purpose. We were under the impression that if the market improved before the end of the financial year, we may have been able to re-enter the market. This was not so and we paid out our loan and associated severance fees in March 2009 ending up with \$39 000 and a home loan for \$224 000, after starting the 2008/2009 financial year with an investment valued at \$2.8million.

We are with NAB for our home loan and they have in no way appeared to behave in any way that is reprehensible. As we were both in professional positions, we have been able to get part time employment in our professions which is helping us to reduce our mortgage and try to plan for our future.

At no time was it our intention to become millionaires, as much of the media has stated, but just to be self-funded retirees and to avoid being in the position of having to apply for the pension.

We are thankful for our investment with Storm as it allowed us the freedom to retire when the situation dictated and live at a standard that we were happy with.

The situation of late 2008 with CGI and their inability to function clearly and concisely, with a professional duty of care to their clients is extremely worrying and not acceptable to us.

Yours sincerely

### **Questions We Have**

1. With computer systems being so highly advanced, why was it necessary for the CGI to close their system at such an important time?

If all other financial groups were expected to be prepared for such an eventuality as the current crisis and to trade according to a code of practice, why not the CGI?

2. Where have the shares from the Storm Index fund gone?

Have they been resold or are still being held by someone?

3. Why are other financial institutions who had clients with margin calls still trading and these clients being handled in the correct manner?
4. Where is their Duty of Care to their customers? Aren't their customers the reason that they have a business?