

10. 06. 2009

Committee Secretary

Parliamentary Joint Committee on Corporations and Financial Services

We are retired school teachers. In 2006 we invested with Storm Financial through the North Sydney office. We have now lost everything we have taken a lifetime to accumulate; our superannuation, savings, shares and most distressing of all we now have to sell our home of 30 years as we cannot pay a mortgage of \$660 000. We are devastated.

We took months to decide to invest our superannuation and savings in the Storm Financial plan. During this time we were repeatedly told that our investment would be safe, that it would provide us with a comfortable retirement income and we would be insulated from any share market fall. After we decided to invest our savings and superannuation of approximately \$650,000, we were encouraged to mortgage our home and eventually Storm Financial convinced us to do this. The arguments were persuasive; capital was tied up which was not working for us and the home cost money in upkeep. Again we were assured that there was absolutely no risk as the money would be used to buy shares so we still had property.

It was never explained to us that our shares could be sold if their value fell below our gearing level. We were told that our plan was very conservative. We should have been better informed.

Storm Financial arranged a Margin loan of \$750,000 with Macquarie Bank and a loan of \$660,000 with ANZ Bank on our home. At no time did we have any contact with anyone from either bank. Neither bank advised us of the risks involved in taking this loan. All Applications and Contracts for these loans were signed at the Storm office with no representative from the bank present.

At no time did we believe that we were taking any risk. We thought that if both these major banks were willing to lend this money, arranged through Storm Financial without even seeing us, that they must approve of the Storm Financial plan and it must be safe, enabling us to repay the loan. We remembered the safeguards required when we wanted to borrow to buy our first home. We didn't think the banks would lend money if there was any risk involved.

We were naïve investors with no knowledge of gearing, margin calls or the share market. We trusted the advice given by Storm Financial just as many people trust the professional advice provided by Financial Advisors. We did not realise that our investments could be sold leaving us with a huge debt. We thought that while the interest on the loan was being repaid our investments could not be sold.

During the next two years we followed Storm Financial advice and continued to increase our margin loan when advised to do so. Again we trusted them to look after us.

When the share market fell in 2008 we were again assured that we were safe and we would be looked after until the markets recovered. It was only then that we began to understand that there could be a problem with gearing.

In October, 2008 we were advised that our investments in Challenger would be sold to cash. We believed that, as our gearing had always been about 80%, there would be a substantial amount of money to reinvest when the share market improved. We had no contact with Macquarie Bank during this time. Our Changer investments were sold.

On 3<sup>rd</sup> November someone from Macquarie Bank rang us at 4:55 pm to say that we needed \$62,000 by 2:00 pm the next day or our shares would be sold. We were advised by Storm to do nothing. Until this time we had no idea that Macquarie Bank could sell our personal share portfolio that we had built up over many years, long before our involvement with Storm. All of these shares, about \$50,000 worth were sold. We were shattered.

We were devastated when we discovered that Macquarie Bank had not sold when our gearing was at 80% but over 99.5%! As a result there was no money left to reinvest should we wish to do so. After repeated phone calls and letters to Macquarie Bank we still have not received a satisfactory explanation as to why this was so. We have been told that the bank can change the gearing at any



time and do not have to notify the customer but Macquarie Bank has not explained why our gearing was allowed to get so high before our investments were sold. The conditions of the loan which apparently allow the bank to do practically anything they wish with gearing, notification and selling of investments are set out in the brochure accompanying the loan documents. We never saw these documents, or had any of this explained to us when we took out the loan. Banks should make sure people understand the conditions of a loan before it is taken out and should be forced to consider the effect their actions will have on their customers. Had we realised the risks we were taking and the free hand the banks have to do as they wish we may not have taken the loan.

Macquarie Bank also told us that we were responsible to monitor our own gearing levels. We pointed out that this was difficult when their gear up website was always at least four days behind. In correspondence we were informed that, "The gear up website, at any point in time, has the most current market information that has been made available to the bank from the relevant fund managers. It is important to note that the website does stipulate that the values noted are estimates only." In a volatile market this seems a most unsatisfactory way to conduct their business. The bank was relying on information that was already out of date and only an estimate. Please refer to the copies of correspondence attached.

At a meeting on 18<sup>th</sup> November at the Storm office Emmanuel Cassimatis said our prospects were "good".

We were again told on 16<sup>th</sup> December at a meeting at the Storm office that we would be "looked after and would be fine". During this time an almost \$2,000,000 margin loan is accruing interest, over \$30 000, using up what little money we had left, money that was wasted.

Still very worried, and needing the support that Storm had assured us we would get until the markets recovered, we rang them on 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> January wanting to know what was happening. Finally we managed to get a meeting with Bernadine Frawley from Storm Financial on 9<sup>th</sup> January. At this meeting we were advised to sign away our margin loan and contact Centrelink for support. There was no further advice or explanation. We were not told that we had lost everything, our life savings and our home. We were dismissed as if this was nothing. We were in shock.

Since then we have been finding it very difficult to cope and have been sick and depressed, requiring medication and counselling.

During the following months we managed, with difficulty, to obtain a copy of our home loan contract from ANZ Bank. Refer to attached correspondence for details. We have no recollection of seeing this contract before and certainly did not get a copy of it. In this contract it has the following wrong information:

- Our income is show as being over \$10 000 a month when in reality it was just over \$2 000.
- ANZ valued our home for the loan at \$1.1 million. On the contract it is shown as \$1.3 million.
- Our signatures are witnessed by S Farrula and Jason Ernest, Manager of ANZ Nambour Branch. We have never seen either of these men. They could not possibly have witnessed our signatures.

We have tried to get an explanation regarding these anomalies from the ANZ Bank without success. I was told that it had nothing to do with the bank. Refer to attached letter to the ANZ Bank for details. Since January all efforts to get help or an explanation from ANZ Bank have lead to further stress when we are already in a very stressful situation.

We recommend that banks take into account that their customers are not necessarily financial experts and need guidance and help in dealing with loans.

We have read that Storm Financial only has \$20 million in insurance. This is extremely inadequate when collectively people have lost billions. Financial advisors should have insurance to match the levels they have invested.

We would be willing to give evidence at your enquiry.

Yours faithfully,

Geoffrey and Heather Stanfield