

June 14, 2009

SUBMISSION TO THE PARLIMENTARY JOINT COMMITTEE ON
CORPORATIONS AND FINANCIAL SERVICES

From the very first Storm meeting (as a group) we were told it was all about “debt management” – having “good debt”, making “debt work for you”.....showing us graphs and statistics to prove how well the share market had done over the last 50years compared to the property market and the cash investments (we’ve since learnt you can find any amount of graphs and statistics to prove whatever you want – its all about what period of time you zoom in on). One on the first things on the first Storm meeting (group) we were told of “Storm’s Indemnity Insurance”. (we know now - that Storms’s Indemnity Insurance was not sufficient).

When we started having the private meetings (Apr 07)– we mentioned on several occasions we were concerned with the markets being so high – asking whether it was the right time to go into the market, should we not wait for a while.... We were told “ there is never a right time – because its time in the markets not timing of the markets”. Storm was aware we were planning to retire in the following 12months. We were reassured at every opportunity that was put to Storm – (Emmanuel and his son George) “the market would have to fall 48% before we would be in trouble – and that was impossible” we were told several times by both of them –“ it had never happened in history” “it won’t happen” “ there would have to be a complete meltdown – the whole financial world would stop – it will never happen”.

We were told on numerous occasions that Storm would give us Statements of advise at different times when the market was falling to reinvest into the market at these times would be the difference between their model working or not working – and we could blame ourselves if we did not listen and not make money they spoke about (13% per year on average) we were advised to do what and when, Storm suggested (we went to them knowing they had a Australian Financial Services Licence No, obviously had been checked by the FPA).

At the time we started having the private meetings with Storm they told us they were been investigated by ASIC – which made us a bit uneasy – but then we realized it was a good thing - as we felt ASIC would do their job and if the Storm model was not safe ASIC would close them down - so we held back to see what came of the investigation. The following meeting we had with Storm – we were told ASIC had carried out their investigation and Storm came out fine – they even told us they were told by ASIC that “the Storm model was innovative in its field”, and that “other financial planners could learn something from Storm”.....(how is that - for a Government Regulatory Body - supposedly looking after the hard working people of this country). We can not be sure that ASIC actually said the above–(as we know now, Storm was all about sales) but the point is that the Storm model was investigated by ASIC !!!!!!! and no action was taken (so we assumed Storm Financial was a sound investment vehicle).

Now there is an inquiry by ASIC into why the Storm model failed..... how about the fact – ***there was no exit plan at any point*** ?????? and ***what about the lack of Indemnity Insurance ASIC failed to pick up in their investigation as well*** ???????

We even had the first statement of advise reviewed by our then accountant – who first said we were not going to make very much money out of the investment after 25years. We gave him the Storm advisor’s name and contact details and asked him to ring and discuss the plan with her. Our accountant rang us back and said he understood how the plan worked and he was fine with it. (another good sales pitch)

As Storm asked for our super as well, we told Storm we were happy with the financial planner we had invested our super with. We told Storm who the advisor was and how conservative he was – to which Storm answered “our model is way more conservative – as we do not try to pick certain stocks that are going to rise – we go across the whole market” which to us at the time sounded pretty good – this is the reason we went to a financial planner, we did not know much about the share market. (Storm were such great sales people). Still - lucky we decided to keep our super where it was - not all the eggs in one basket, we thought, one of the reasons we did not use the same Financial planner our super was invested with, in the first place.

All the paper work was taken care of with the banks without either of us going to the bank or seeing anyone from the bank (Commonwealth Bank). This was for a loan against our home initially, then a second loan after our property was apparently revalued – we never paid for the first valuation nor the revaluation. (in all pass valuations we’ve had to pay). All the loan applications were posted to us from Storm in express envelopes – it was marked where to sign – and instructions where to send it all back to.

The Storm advisors new we were selling our property before going ahead with the statement of advise (the statement of advise did not show the cash **and** property, and we had told them we were selling the property first, at the private meetings).

The Commonwealth bank new we sold our property, firstly they went to the settlement and secondly, as soon as settlement went through on that very day , the bank took the money to pay out 2 loans we had owing to them – no questions asked – thank you very much. Having recently perused the loan documents mentioned above we found the information contained in our balance sheet was incorrect. Our assets were ***over stated*** by approx ***\$700000.00*** in one entry and it showed we had ***\$20000.00 with bank we have never dealt with, ever***.....

Our margin loan application with Colonial Margin Lending was sent out with the Commonwealth loan application to be signed and sent back. We later got a letter confirming our margin loan.

We have recently received the loan documents from Colonial Margin Lending we have asked for, even though the covering letter said “we have blacked out evaluative information regarding the bank’s commercially sensitive decision making processes in accordance with National Privacy Principle 6.2” We believe they used the same incorrect information the Commonwealth bank used for our housing loan.

We were not contacted by the bank or the margin lenders at any stage – during the markets falling – at no point were we contacted. We contacted our Storm advisor who assured us everything that could be done was being done??? We had no idea what was going on. Eventually the Storm advisor sent us the paper work to open the accelerator account – where the sold down funds were placed. Still no contact from the bank or the margin lenders. We know if we had been contacted we would have been able to stay in the market – and not be in the situation we are in today.

On the advise of our new accountant we paid down our margin loan and what we could of the home loan.

What we don't understand is in all the years we have been in business we have had to jump through so many hoops, every time we borrowed money for units, houses, the business – everything had to be mortgaged to the hilt – the bank made sure that we could pay back our loans – we had to prove ourselves every time.

Yet, for the excessive amount of money we borrowed from the Commonwealth and Colonial through Storm Financial - for any stage of our life would have been bad, but at a time we were looking to retire, is just ludicrous, that the banks did not want to interview us, their customers, or question any of it.

Points of interest to the Enquiry are:

1. Storm Financial had an Australian Financial Services Licence Number – what security does that give the Australian public, what does it actually mean to us.
2. Storm was a member on the FPA – again what security does that give the Australian public, what does it actually mean to us.
3. ASIC investigated Storm Financial and did not shut it down, or state any reasons for the Australian public not to trust it.
4. Lack of Indemnity Insurance.
5. Commonwealth bank and Colonial Margin Lending, lack of duty of care.