

Submission to:

Inquiry into Financial Products and Services in Australia.

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This is our story

In 2001 as we had paid off our family home some years earlier my wife and I decided to look to providing for our future retirement so as not to be reliant entirely on the aged pension. After visiting several different financial planners we started investments with an independent financial planner from Redcliffe, QLD. We started with a small loan from ANZ bank at Redcliffe and a small margin loan which was invested in a variety of managed funds

In 2004 we were invited by our advisor to attend an information session which as it turned out was run by Storm Financial. It was soon after that we were informed that our advisor had joined with Storm Financial and we were encouraged to adopt the new Storm model which involved paying out our existing investment loan with ANZ and refinancing through the Commonwealth bank in Townsville and larger margin loans from Colonial Margin Lending which all increased as time passed with each new investment called a step.

At each investment step that required more money to be borrowed against our home a valuation was carried out by the bank and subsequently our LVR on our home mortgage was pushed up to 80% again and margin loans increased. The last one was a desktop valuation where no valuer actually visited our property and this was done in March 2008 just 2 months after the previous valuation which was early 2008. At this point we had loans totalling almost \$1.5 million dollars on a combined gross income of approximately \$110K between us. When we questioned if this was safe as we were not able to contribute anymore towards the loans we were told not to worry as the investments would take care of it.

At no time during the entire period we were with Storm did we meet with anyone from the Commonwealth bank. All documentation and loan applications were prepared by Storm and signed in a Storm office.

During the initial sessions and seminars we were continually reassured that we would never lose our homes or our capital as Storm had stress tested its investment model and had processes in place which involved failsafe escape mechanisms and special deals with margin lenders to handle anything the market would throw at us and this was reinforced at client investor updates that were held twice a year, even towards the end of 2008. We were also told that should Storm give us bad advice that caused losses they had plenty of insurance as they paid hundreds of thousands of dollars a year in premiums, but to be covered by this we had to follow their advice completely.

As the markets continued to fall in late 2008 we were given documents to sign that would enable Storm to liquidate our investments if need be and place the cash in special accounts that would be set up and this would enable us to re-enter the market when the time was right. At this point we had a margin loan of \$976,000 and home mortgage of \$470,000. We were never given access to the Colonial website to enable

us to monitor our margin loan LVR's. The end result of this was a margin call from the lender as our shares were sold down at an LVR of approximately 102% and we had to provide cash to rectify this position, this was the only contact we received from Colonial and it was after we had been sold down. During this time our advisor was telling us that they were in constant contact with margin lenders and were working on solutions to protect clients. These solutions never eventuated and our position now is we have had to break the prepaid interest agreement on our margin loan at a cost of \$16,000 and return margin loan funds. After using the remainder of our cash reserves, we now have a \$400,000 mortgage on our family home, my wife is 56 years old with failing health and is currently being medicated for depression and I am 55 and although we are still working we have no chance of repaying this debt before we have to retire.

We went into these investments simply to provide a more comfortable retirement and we trusted Storm and the banks and margin lenders to provide us with the right advice and to guide our decisions in providing for our future and the future of our family. These people and institutions were licensed and qualified to do this but collectively they have failed and in the process have ruined us financially and emotionally. The feelings of complete and utter despair from losing most of our assets accumulated over our working life are with us every waking moment and trying to pick up the pieces and continue on seems to be harder each day when you can see no light at the end of the tunnel.

Where do we go now and who do we trust in the future.

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