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**SUBMISSION RE: [REDACTED] FRANCHISING PTY LTD**

I wish to lodge a submission to the committee relating to my experience with [REDACTED] Franchising PTY LTD.

After spending my entire working life in secretarial and administration work, I thought doing something completely different to what I had ever done would be a change of pace, and something different to try, and I chose retail. My husband stumbled across an advertisement for [REDACTED] in our local newspaper, so I sent off an email to make some enquiries into it.

The first contact I had was with as I now know, a very good salesman in [REDACTED] [REDACTED] the Operations Manager with [REDACTED]. He outlined the company history and how it had operated for over twenty years successfully. I was also told by [REDACTED] that I was taking a very minimal risk, as they guaranteed my income, subsidized the rent within [REDACTED] Warramong shopping centre, had buyers that sourced all the stock that I would need, and they were only a phonecall away should I need any help.

After a lot of consideration on our part, we thought it would be something I would like, and something I could do and thought we would take it on. We consulted an accountant who went over everything that we were given, and couldn't see anything wrong with the proposal from [REDACTED] and so we thought we would give it a go.

The next step into our enquiry was with a visit from the director [REDACTED] to our home. He also highlighted the minimum risk that we were taking, and even said because I had no retail experience, just give it a go for a year or so, if you find you don't like it you can just sell it. Little did I know then, that was easier said than done.

Nevertheless, we did go ahead with the purchase of the business which I took over on 28<sup>th</sup> September, 2004. We paid \$165,000.00 to set up our business, borrowing against our home which my husband and I owned, so I guess we were perfect candidates for

Looking back they want to know everything about you, including how much you earn, if you have a mortgage or not, and various other questions regarding your personal wealth. Unfortunately, we didn't think to ask the same questions of them which has proved to be very costly for my husband and I.

After making the purchase, I was flown down to Dandenong for a weeks training which included three days in a store, and two days at head office. One of the first things I noticed when arriving at head office, was how different was. Over the phone he seemed very pleasant, but looking back that was only a front until they had our money, then it seems he didn't have to be overly nice to me any more, his job was done.

During my first year, it was a learning experience for me as I mentioned I had never worked in retail so I was getting used to face to face customers, the set up of how everything worked and so on. Initially sales weren't too bad, but as increased competition came into my centre, I felt the pinch with sales falling because these other retailers were more up to date as to what customers wanted. We were not keeping up with the trends, that the other stores were. At a meeting in 2006 that all franchisees across NSW could attend, it was brought up by one of the franchisees that we were not keeping stock that our customers wanted, and we were told that we were not aiming at that market.

Shortly after that time, we decided that we would sell our store. We informed of our decision, and shortly afterwards I was visited by the then General Manager, He asked that I postponed my sale until I had reached my second anniversary of taking over the store. In return they would guaranteed the new owners income which was not usually done, and also offered me a cash back amount of \$40,000.00. Furthe down the track as it got closer to my second anniversary, I asked for these promises to be put into writing, but I could not get that out of them. We went ahead with trying to sell the business, but it wasn't quite as easy as and had led me to believe it was going to be.

The store was up for sale for over a year with not one person inquiring about purchasing it. Late last year we had a buyer that was interested. We agreed on a price of \$50,000.00, plus stock at value. They flew to Melbourne and went to Dandenong to head office, where they were approved to buy the franchise. They returned home, resigned from their respective jobs, had contracts drawn up which they signed, but hadn't forwarded them to our solicitor before going to Dandenong again for a weeks training. Three days in a store, and two days at head office. When they returned, they called into the store on the next Monday morning and informed me they had changed their mind. When I asked them why, they said from accounts had pretty much talked them out of it, for reasons I still don't understand. That left me without a buyer. We decided that I would just walk away from the business as I could see there was no future in it, and the longer I stayed the more in debt we thought I would get. The contract that was drawn up by solicitor, and which signed, agreed that I would be getting money for the stock only after a stocktake had been completed. We completed a stocktake on my last day, I handed over the keys, but when it came down to paying me for that stock, they didn't have the money to pay me. The way I see it is, why did sign that contract

when he knew there was no money to pay, and how is it there doesn't seem to be any penalty against him for doing so.

Last year I had a visit from [REDACTED] from [REDACTED]. She took me along with another [REDACTED] staff member, Julie our Regional Sales Manager, and accused me of trying to start trouble simply because the ladies from Figtree, Corrimal and I, had called a meeting with Julie the Regional Sales Manager, to get some ideas from her to increase our stores sales, as they were falling. It was frowned upon if we had contact with other franchise owners which we couldn't understand at the time, but looking back from their point of view the less contact we had with each other better, because we could then exchange common stories of what was happening to us and what was being told to each of us from head office.

Over the past couple of months I have sent an email to the Franchise Council of Australia, asking them why [REDACTED] is still listed on their website as a franchise to buy. To this day [REDACTED] are still on it, and I have had no reply from the Franchise Council of Australia to my emails. I would have thought they would be there to protect franchisees from unscrupulous dealings from franchisors, but it seems that is not the case.

I have sent my story to the ACCC who then sent me on to ASIC, both of whom said that they could do nothing for me in this situation.

We all look forward to something constructive being done to help all the people involved to get some sort of compensation, but perhaps more importantly, put processes in place to see that it never happens again to anyone.

Please do not hesitate to contact me if I can provide the Committee with any additional information.

Yours faithfully

Mrs Kay Staples