

Senate Standing Committees on Economics
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Parliament House
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08/11/2021

Dear Senators,

RE: INQUIRY INTO THE STERLING INCOME TRUST

Thank you for the opportunity to make a submission regarding the Senate Inquiry into the Sterling Income Trust.

I am writing this submission on behalf of my father, Tony Crowther a Sterling New Life Lease (SNLL) tenant and has been financial affected by collapse of Sterling Income Trust (SIT) and Sterling First Group (SFG) which he lost \$171,000.00.

Dad entered the SNLL housing scheme in May 2016 after selling the family home and left the SNL property in Oct 2020 due to pressure from the court case to evict him from his SNLL property and from the mortgagee.

Dad now resides in an over 55 retirement village, in a one-bedroom unit. He is paying approximately \$400 week in rent and is not happy.

As part of this submission, I would also like note that I joined the SFG in June 2016 as a Sales Rep working for the Sterling First Metro (SFM) division and left in April 2017.

I am also actively involved in Sterling First Action Group.

In this submission I will be addressing the following terms of reference:

a) the Australian Securities and Investments Commission's oversight of the Sterling Income Trust

Dad received a home visit from ASIC – and one other on or around the 23rd June 2018 where they asked dad about his understanding of how the SNLL and SIT worked. The meeting lasted approximately 1 hour. ASIC did not allude to any issues with SIT or with the SFG.

I phone the following day and we had a lengthy conversation about Sterling First and the SNLL. believed that dad didn't understand the investment side of the SNLL and the fact his investment at the time was less than \$30k. Our conversation lasted about 30 mins and we discussed how SNLL worked, he did mention the stop order on SIT but did not allude to any issues or concerns at the time. I exchange emails with on the 25^h June 2018 asking about lease and dad's accommodation as this was a greatest concern to him. couldn't answer as the investigation was in the early stages and said he maybe in contact in the future regarding the SIT.

To this date, we have not heard or received any further communication from ASIC.

We did receive communication from Ray Jones, explaining that ASIC were making general enquires and had assured us that dad's money was safe and that he would receive in full what he paid to enter SNLL less the initial fees back should he leave.

b) the need for legislative and regulatory reform to prevent such losses in the future

Stronger regulatory body that has the power and resources to investigate quicker and be able to monitor business practices more closely.

As an example - a person/s are able to register over 100 business with different variants of their name and date of birth is utterly disgraceful. To allow a person/s who has had prior history of a retirement fund collapse and able set up again without a strong regulatory body is asking for trouble and that's exactly what has happened here with the Sterling First Group collapse. Ray Jones did say once in a sales meeting that ripping off and stealing from seniors was a crime that was worse than murder and would get 25yrs to life in prison...

ASIC failed, they failed to ensure the registration of people and business was correct, they failed to ensure that people who have a history of business collapses were sufficiently watched, and they failed to protect one of our most vulnerable groups in the community – our seniors! This needs to be strengthened.

One thing that has been made clear during this while process is that we desperately need an Independent Advocacy Agency that can actually advise and assist victims. Please note we have followed the government agencies recommendations and still there is no compensation or answers and it's been two long years of going backwards and forwards – which is extremely frustrating.

c) access to justice and redress for victims of the Sterling Income Trust Collapse

We have spoken with and have attempted to seek redress through several govt and agencies. When dad received notification regarding the eviction application we dealt with Tenancy WA , the issue here for us was that I was not allowed obtain the information as they would only deal with him and on many occasion he would be confused or not sure about the information given.

JPC where ASIC were being question about SFG group, it was mentioned that there were an insurance policy and people need to contact Theta Asset Management – I did but then they passed me onto AFCA.

Clayton Utz was the firm allocated to dad to assist in the eviction case against Commco, this work was carried out pro-bono. Dad decided to take up Commco offer to vacate the property – decision was taken based on stress of the cases.

We have submitted dad's AFCA complaint, ; we have only reached the submitting mark we have not been allocated a manager. Our complaint has been placed on paused due to the Responsible Entity -Theta Asset management going into liquidation and then was advised to lodge a Proof of Debt (POD) to Worrells the Insolvent Financial firm. We are now waiting on the outcome of CSLR to be established and to know whether dad will be eligible for compensation.

Worrells the Insolvent Financial Firm – Submitted a Proof of Debt claim. Still waiting for to hear from Worrells regarding the Insurance Policy. Sent emails to asking for an update. Spoke with and made the suggestion to have 5-6 victims to obtain their POD through a lawyer with the evidence so that they could test the insurance company. who was acting pro-bono for dad had submitted a POD. To this day, we still have had no word from Worrells regarding dads POD.

d) the novelty of the products of the Sterling Income Trust

Dad received a marketing material in the mailbox regarding SNLL retirement. I contacted SNL and spoke with [redacted] who gave us some information over the phone. Later we met up with him to view several dual key properties around Meadow Springs, Dudley Park and Greenfields, we went back to the originally dual key property at Meadow Springs. The SNLL scheme was outlined as a payment up front less 8% fees, lease was 20years plus a further 20 years. Should dad need to leave, he had to give 6 months or 180 days' notice and his SNLL money less the initial fee would be returned. We were told that we only had one fee which was the 8%, there was no other costs involved and no one could come to the door and ask for money. To secure the property he needed a \$1000 deposit which was refundable if dad changed his mind. We asked if there were any catches, we were told no. The money would go into an ASIC approved trust fund which would be managed by the Responsible Entity who would only release funds if SFG met approved terms. We asked about how safe the trust fund, asked about how the rental income would be generated and the worst-case scenario if the company went bust – we were assured that ASIC approved Responsible Entity would take over the management of the business until they could find a buyer. We also asked if dad could be evicted, and we were told that should the landlord decide they no longer wanted the property – SFG would purchase the property ensuring the lease agreement.

During our meeting, I said this sounds like a good opportunity for retirees who didn't want to live in retirement villages or park homes and still had their independence. I asked if there were any jobs going?

[redacted] gave us a copy of the PDS dated 18/05/2015 and other documents relating to the SIT and SNLL, we took those documents to Frichot and Frichot lawyers based in Fremantle to peruse and let us know if this was a safe scheme. After a week we met with the lawyer, and he informed us that it was a good scheme and he said he would consider even getting his own mother into the program. Based on the information received, dad proceeded. Dad had a buyer for the family house, we notified [redacted]. About a week before dad was due to finalize the settlement of the house, we received an email from Ryan Jones wanting to confirm which property we had agreed on as there was an issue with the numbering of the property. We were then offered to view both units again and dad could choose which property he wanted for the agreed lower SNLL price as gesture of goodwill. Dad chose the unit he wanted, and he moved into his SNLL property in May 2016.

Dad and I went RMA Port Kennedy for him to sign the lease agreement and SIT documents. Ryan Jones was the person who went through the lease agreement with dad and explaining how the property inspections were every 6months, gave dad contact numbers should he require any repairs and signed the SIT fund documents, Ryan took copies and the signed documents and gave them to us as a record.

Just after dad moved into his property, I received a call from [redacted] asking if I was still interested in a position as a sales rep within SFM, we met and discussed the position. I joined the company as a Sales rep in June 2016 and the position was commission based.

My first appointment was viewing properties in Hamilton Hill with [redacted] where we met with a sales rep in Hamilton Hill from a real estate company to discuss the possibility of obtaining one of the properties to be made available for SNLL client. After about 30mins we left and headed to the RMA office in Victoria Park where I met the property managers and other staff.

I can recall my first sales meet at the Port Kennedy office where I met Ray and Ryan Jones and other members of the SFG I was then asked to tell my story by [redacted], how I joined the company and why, my thoughts on the SNLL scheme. Afterwards I learnt that the tenancy terms had been changed from 20

years plus 20 years to 5 years with 7 additional extensions to equal a 40-year tenancy term. I was informed that the change was to meet with WA tenancy laws. I asked if this affected my father's tenancy agreement, they said no, it was all ok.

Our office change from Victoria Park to West Perth, the reason for it was that [redacted] has teamed up with [redacted] who had his own IT company and would be working on the SFM Facebook page and marketing. Another reason for the move is that [redacted] no longer had access to RMA Victoria Park as the plan was to develop the rental business further and use as way to sell the SNLL. From what I was told it was due to some complaints from other directors.

I started to receive training both from [redacted] and then by the company. The SNLL scheme that dad and I first saw, mentioned the prospect of SFG purchasing your property and then leasing it back to you, I had a client who was interested in this proposal as they had built the property and liked the option to be able to stay in the property by leasing. I got the costings and gave [redacted] the valuation of the property and SNLL value which was approx. 60% of the value of the property. When I asked about this at a sales meeting, I was told by Ray Jones that this was it lazy way to sell a SNLL and that they no longer had this as an option.

Later they introduced EZI-move which allowed clients who did not have the full amount of the SNLL fees to pay an % of SNLL amount and then do a weekly top up.

The company started implement policies and procedures – in house training began by ensuring all sales staff followed the same procedures in obtaining potential properties, how to take deposit and process of selling SNLL. I organized the home opens for SFM by submitting days and time to head office who would then organize the advertisements to go in the local community papers.

In my first few months I spoke with a landlord who was interested in the SNLL, we met on several occasions to discuss how it work. [redacted] attended these meetings as well. The landlords decided to put their property into the SNLL and with about 2 months a SNLL client was found for the property.

I left in April 2019 for a number of reasons, there was a lot of discontentment and mistrust amongst the directors, changes made to the SNLL scheme, I didn't sell any SNLL and my health and family began to suffer. In June 2019, I received a call from the Landlord explain that they were made redundant and wanted to sell the property to SFG. They were not getting any response from RMA and I said to them that I had left the company and they should call [redacted]. Since the collapse of SFG and SIT fund, I have spoken to them and they said that no one at SFG or [redacted] had returned their calls and no rent had been paid since May 2019. In June 2019 we here that the SFG had collapse.

Please contact me if you would like more information.

Yours sincerely,

Annabelle Crowther
