

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

31 November 2021

RE: INQUIRY INTO THE STERLING INCOME TRUST

Dear Senators,

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

My name is Michael Hellen and myself and my wife are the sole victims of the Sterling fiasco that reside in Queensland. In early 2017 we attended a seminar promoting the Sterling New Life scheme conducted by [redacted]. The essence of the scheme was an alternative to either a retirement village or an over 55s' complex. Essentially, this involved an up front amount of money that was supposed to be deposited into the Sterling Income Trust and the interest from this would pay a landlord rent and in turn the landlord would agree to a 5 year rental lease with 7 options of 5 years. As the scheme targeted aged people, this guaranteed rent for life. After the seminar questions were called for at which point I directly asked [redacted] what would happen if Sterling New Life went into liquidation. The answer given was that the money would be in a **trust** and therefore safe. In fact, it was emphasised at all times that our money was safe and we could take it out at any time or leave it to our children. After due diligence, we decided to deposit \$210,000 of our money into The Sterling Income Trust. In May 2019 Sterling collapsed and we then found that the so called **trust** was never set up as a trust, rather an investment portfolio. I was told this by the head of Theta Trust Management, Robert Marie. To this day we have no idea as to where our money actually went. After the deposit a property was found with a landlord and we then receive the rent for life lease. We are thus, Sterling New Life tenants.

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

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

After the Collapse of Sterling New Life (SNL) and the Sterling Income Trust (SIT) my wife and I both wrote the James Shipton, who was then head of ASIC but all we received was a standard reply that offered no help at all. At no time have we ever been contacted by any individual from ASIC even after we wrote follow up letters to the template letter sent to us. On Gareth Parker's morning show in WA, the head of Consumer Protection in WA contacted ASIC in 2015 with worrying aspects of SNL and the SIT. ASIC did nothing. At the very least they should have known that the SIT was not a trust and acted accordingly. They were still allowing people to deposit their hard earned money into the scheme up to February 2019. In my opinion, this is the epitome of incompetence and negligence.

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

In my opinion, I must say the consumer protection in Australia is totally inadequate. ASIC need to be vastly more diligent and more thorough in the investigations into companies. If ASIC had done their

job in the first place all the misery and heartache experience by all the elderly people affected by this scheme could have been averted. I see no point in having a regulatory committee such as SSIC, if they do not or have not the power to regulate. ASIC should have easily seen with minimal investigation that the SIT was not a trust even though it was being promoted as such. Even as an advertisement by Mitchell Johnson the cricketer, emphasised the people's money was 'safe' as it was in a 'trust'. The federal government needs to pay more attention to consumer protection. If they invest somewhere in the vicinity of \$400,000,000 of taxpayers' money into ASIC they should oversee this money and make sure ASIC is doing its job. The government needs to regulate to stop these people from taking innocent people's money. At present, it is far too easy to do this. If it were up to me, I would bring back debtor's prison where the people responsible stay in prison until they pay what they owe. Realistically, I know this will never happen but as it stands these unscrupulous individuals that set up the schemes in the first place, are able to go bankrupt and then do the entire thing again after 2 years. This is totally inadequate and they should be barred for life. The companies must be made to put up some kind of surety to cover monies lost through bankruptcy. As far as the government's 'buyer beware' policy, this is a feeble and disgraceful attempt to put the onus back on to the consumer. The average consumer is not a business person and does not understand the intricacies of the rules and regulations regulating business. On the other hand, the people devising these schemes do understand and have found many ways to circumvent them

c) address to justice and redress for victims of the Sterling Income Trust collapse

To date my wife and myself have received no help or justice for having our hard earned money misappropriated. We have written several letters to James Shipton of ASIC, The Prime Minister, the Treasurer and the leader of the opposition. We have **never** received **any** response from any of them. If a government appointed body such as ASIC fails in its regulations, then the government **must** take full responsibility for its failure not just ignore victims of such scams and sweep things under the carpet. I feel it is reasonable that full compensation of The Sterling scheme is warranted. The people involved are all elderly. Some are infirmed. I am 75 and my wife is 69. I would not get a job anywhere because of my age and even if we could afford the deposit to a property, we would not get a mortgage again because of our age. I firmly believe that all victims of this scheme are in the same dire situation. As we are on a pension, it would be almost impossible to pay rent as rentals stand today. My fervent wish is that we retrieved the full \$210,000 in compensation. At Least this would give us some semblance of security in our twilight years.

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

As stated previously, the seminar emphasised a **trust** not an investment. We viewed it as merely being able to see out our remaining years without having to pay rent directly and having some money over for holidays and such. This is what we believed our money would buy. We always paid the power bills at our place, whereas the landlord paid the rates etc. At no time did we ever think this was an investment as we were always told we could take the money from the SIT but we would then have to move afterwards. We were told that we could leave the money to our children. The simple fact is we know very little about investment and have never made an investment.

e) why the scheme collapsed and where the money went

I believe the scheme collapsed because part of this scam was for the directors to greatly overestimate the amount of interest the so called SIT would generate. As far as I am aware, the directors also bought properties and no money was being generated from these. I feel this constitutes gross misconduct from the directors. As far as where the money went, one

can only assume that it somehow found its way into the pockets of the investors as they don't seem to have suffered in any shape or form from the terrible situation. I don't know this for certain but if not the money seems to have disappeared without a trace. As far as we were aware we were assured several times that our money was in a **trust** and therefore safe.

f) any related matters

As stated, we have written several letters to federal parliamentarians such as: the Prime Minister and the treasurer among others. We have **never** received any response. By any standard, this is reprehensible. It seems that once elected these people forget they are paid by the people from taxpayers' money, albeit with a few exceptions. The schemes targeting elderly Australians are becoming increasingly more common and the government has a moral obligation to protect the victims of these schemes. Regulation must be much more stringent as victims of these schemes are not safe under present legislation. It is far too easy for these people to get away with this arguably criminal activity.

Kind regards,

Michael Hellen