Committee Secretary,
Parliamentary Joint Committee on Corporations and Financial Services,
P.O. Box 6100
Parliament House
Canberra. ACT. 2600
14th July 2015

IMPAIRMENT OF LOANS

Dear Sir/Madam

Thank you for the opportunity to make a submission to this committee.

This inquiry is so very closely related to the inquiry at present into the Scrutiny of financial advice and many of that inquiries members are on both committees. Many of that inquiries submissions are very relevant to this one including my own submission, one from BFCSA which must be read and completely understood by all on the panel, and another from who as you all would be aware has bought banking scandals, forgery and mortgage fraud into the spotlight to the extent that these issues can no longer be swept under the carpet by regulators and government. He and Banking and Finance Consumer Support Association (BFCSA) have shown how ASIC has been so reluctant to tackle the actual perpetrators of these crimes, the big four banks and in fact all in the lending institution in general, although some squeaks recently has forced ASIC to appear that they are doing something, but unfortunately in the area of NO and LOW Doc Mortgage Fraud they are in absolute complete denial. This is an area this committee can force this cancerous systemic problem into the open once and for all. I will quote some of what has observed and written about in his submission and I consider the system that banks have used in mortgage loan fraud and debt actually mirror the system with poor financial advice to which is undeniably related to Impairment Of Loans. These loans are designed to implode between 4-7 years. This fraudulent scam was used by all in the lending institution, bank originated and engineered and started at the exact same time suggesting a definite cartel behaviour was in place with ASIC refusing to entertain the idea.

There is a two pronged system of attack on consumers/ borrowers that the lending industry has used. We all now know what is happening with bank employed advisers and the havoc they have applied to their clients but the other and likely to be far bigger in damage to borrowers and the country is the deliberate use of bank lending officers who have trained brokers (mostly unwitting to the damage they were going to inflict) to sell mortgage loans to borrowers using equity in their family homes. All lenders (bank and non- bank) must use the same system for the scam to work otherwise it would be doomed to fail and would also become exposed. This greed would rake in mega profits for the financial service providers so ‘one in all in’ was a must. In addition to the original loan, an additional loan (buffer loan) is given that they tell you to use for property expenses such as rates and body corporate expenses etc... Buffer loans are also a tool to mask unaffordability, thus making it appear that borrowers can afford repayments for just a few years until these monies eventually run out. It's then if the borrower cannot refinance there is an impairment of loan. This would rake in unbelievable profits for the industry and we know now that a huge portion of these profits are made up with toxic, fraudulent riddled mortgages. ASIC has been repeatedly warned what was occurring since the early 2000's but has deliberately chosen to ignore the fraud to protect their buddies from the same gene pool in the banks and EDRs', and in doing so, has left consumers open to predatory and fraudulent lending with nowhere to turn once the fraud is discovered.

In a nutshell and simply put is, at seminars such as "creating wealth in retirement" or similar, bank trained brokers are used to "sell" mortgages to anyone, if they had a pulse and equity in their home they were prime targets and they were not refused a loan whether they had the capacity or not to afford repayments. Asset Rich Income Poor (ARIP's) were a main 'target' but not essential. Minor details for the loan application forms (LAF's) are taken e.g. name, address, DOB, drivers licence etc., and with the excuse that the rest we will fill out later, we have all your details back at the office. No copies of the LAF are ever given out to unsuspecting borrowers. By the time borrowers realise that the strategies are not working out the way they were told, after requesting and eventually if lucky, receiving only partial copies of their LAF's, it is discovered that all financials and employment status are completely bogus and have been fraudulently added after signatures obtained and without the borrowers knowledge or consent. Because of the fraudulently added information the loan is quickly given. Deliberately, the Financial Service Providers never check with the borrower if all the information is correct as if they did they would be forced to reject the loan, and they were not in the business of rejecting anything, a deliberate tactic. If this happened to one person you could say bad luck, but when it happens to many thousands of borrowers a systemic issue is in place.
has exposed the system and ASIC's protection of service calculators in the financial advice game and there is a serviceability calculator in play with the no-low doc mortgage scam as well. This document has outrageous fanciful financials and is also used to justify to themselves the granting of loans and this form must ride with the LAF's for loan to be approved. On this form is clear and bold instructions that it is not to be shown to borrower which is another clear attempt to deceive and it is also a document not one lender will pass onto the borrower even under the Privacy Act. The two EDR's FOS and CIO will not demand this document be given to borrowers even under the Privacy Act. Some lenders say commercially sensitive even after many years later, some say they do have one or they are lost, whatever their excuses they are a major tool built to deceive and fraudulently ruin people's lives. Commercially sensitive is a poor excuse and would only be so for a matter of no more than a couple of months, definitely not years later, nobody would care.

Recently I sent a letter to ASIC informing them of amongst other things the failure of both FOS and CIO to follow and adhere to The Australian Banking Ombudsman's ruling in both bulletins 32 and 36 in connection to agency and although these rulings or directives were made in 2002, they are still current to this day and have not been rescinded. He has made these directives because it is very clear when reading them that he was extremely concerned at what was occurring back then and into the future re fraudulently manipulating loan application forms by the banks/brokers. Some of the directives mentioned among many are: - 1. A bank will be liable as principal for misleading and deceptive conduct of a broker who is involved in the marketing, application for or establishment of a loan or other financial service. 2. Including an apparent refusal by banks in some cases to have direct contact with the borrower. 3. In other words, it may mean that there will be no holding out, but the bank will nevertheless be liable because the broker is actually the agent of the bank at the relevant time.

ASIC, FOS and CIO (COSL) are ignoring what should be still the current ruling or directive with ASIC not even responding when asked on this point (instead they sent pages of what they have done recently and completely irrelevant). The law has been breached, FOS's response in writing was "well we don't see it that way" and CIO's response in writing was "Well that was 5 years old when you entered into loan". This would represent a flagrant disregard of the Ombudsman's ruling. Responses like these show a complete disregard for the law, leaving aggrieved consumers with no honourable place to go as all their funds have been taken by the banks thus ASIC allows the banks to continue violating the law by allowing this procedure to continue. This is proof that banking lobbyists and staff have infiltrated ASIC, FOS and CIO by influencing favourable decision making. This practice is another major reason which leads to Impairment of loans. Banking representatives, staff and directors of ASIC, FOS and CIO along with bank seconded lawyers swap jobs between each other therefore enjoying a very cosy arrangement and ensuring their arrangements stay in-house. Consumers or borrowers in No-Low Doc mortgage loans with undeniable proof of blatant fraud are being let down by the regulator, FOS and CIO with completely biased decisions favouring the lending institutions while directives which become law from the then banking ombudsman are being completely ignored preferring to make their own laws to suit themselves and their outcomes. This whole system the way it is, is corrupt to the core and is in serious need of dismantling and a new consumer credit bureau set up in its place and also with a dedicated fraud squad. It should be staffed by people completely removed from the lending industry, ASIC, FOS and CIO as their culture and mind set and decision making is not to an acceptable standard. These three groups have been shown possibly thousands upon thousands of fraudulent laf's and undeniable proof of fraud and systemic issues yet they still refuse to make the right decisions preferring to make statements such as "if you wish get a lawyer", a shocking statement to make when they know full well that the borrower has been fleeced of all finances. These statistics never see the light of day at Government level and BFCSA has proved that there is definitely deception by the three organisations when reporting to inquiries, excuses like 'one or two cases but no systemic issues'!!!! Statements like this were made to an inquiry recently and recorded on Hansard, when we know of many many hundreds of members of BFCSA had written and informed them of fraud on their laf's. Fraud through deception is not good for the country or on the welfare system when once these people were originally willing to finance their own retirement and are now on benefits.

I would now like to quote just some major points   wrote in his submission no 136 to the Inquiry into Scrutiny of Financial Advice, mainly to aid the members on this panel who are not involved with it :-

Missing from the equation is the Corporate Regulator ASIC whose job it is to catch and punish these crooks. This is the biggest scandal of all. The fact that the bank disasters can occur at all is due to ineffective regulation. ASIC's specific multiple failures merely provide further 'on the ground' evidence of their incapacity. ASIC actually submitted one of the press releases on NAB to NAB for vetting and amendment. This is indeed a sign of favouritism and very likely <u>corruption</u>.

The big players in the industry have been largely left to their own devices and these systemic problems are the result.

The cosy relationship with the big players may have contributed to this but there is a deeper problem within ASIC, the lethargy and complacency that pervades the organization. This even allows ASIC to greet each unfolding disaster with seemingly serene detachment and the incredible attitude that “It’s nothing to do with us, it’s the industry that is at fault, we’re just the regulator.

The flawed business model, which puts product sales above the clients best interests, is all but identical, the corrupt and abusive management is identical, the weak and ineffectual compliance systems are identical, the fraud, forged signatures and appalling advice given to clients is identical.

tells a story of , it says, she told me she hadn’t been eating or sleeping for months. She had no money, she had been drawing down on her credit cards to survive but was up to her limit, she was wracked with guilt and was worried how she would provide. didn’t even have the cash flow to support the strategy and was living on credit cards.

The planner had already advised a further $20,000 draw down to clear her credit cards but this was just kicking the can down the road. The planner went to her home to recommend a further $25,000 loan draw down to “solve” her cash flow problems.

This advice is of course madness but there is a sinister side to this as well, was targeted for the predatory lending because she was “Asset Rich”. Ultimately the bank would get its money back by selling her home. For appearance sake, the longer this occurs after the initial loan draw down the better for all those involved in facilitating the disaster, hence the desire to kick the can down the road.

This is the worst form of predatory lending where the ‘mark’ is set up with an unaffordable loan to facilitate product flogging. The process continues where the ‘mark’ gets deeper in debt, falls behind, gets hit with penalties and default interest rates (Generating super profits for the bank) until the bank sells their home at the point where the bank recoups all their funds and the ‘mark’ is left with nothing.

The problem that I hear time and time again is that inexpert victims simply cannot take on a large bank, can’t even articulate the arguments without expert help and are easily duped.

Failures are not confined to financial planning but product provision, liquidators and MORTGAGE FRAUD.

Nobody should underestimate the degree of human suffering that has been wrought by the welter of financial fraud in this country, the impact on quality of life, stress related illness, depression, suicides. These people deserve justice to.

As stated earlier the strategy used in financial advice actually mirrors exactly the methods used in no-low doc mortgage loan fraud and to put bluntly but is fact, banking personnel, ASIC, FOS and CIO (COSL) are all of the same gene pool and cannot be trusted.

How many, or more to the point, who are going to be the politicians with the back bone to stand up and say enough is enough and demand banking lobbyists in Canberra to return to their ivory towers, and demand party politics, party heads to call for a ROYAL COMMISSION with the widest terms of reference into the banking and financial sector as a matter of urgency. Banks and the lending institutions have abused their power in the race for unbelievable profits and unfortunately their culture has infiltrated and infected the likes of ASIC, FOS and CIO to the detriment of borrowers and consumers. They were warned in the early 2000's what was occurring and to this day they have had their heads in the sand and have failed to take action to stamp out this practice and to put burrowers who have been effected in this cruel manner back into a position they would have been in had they not been duped. The rubbing out of a few odd brokers here and there is not acceptable, I suppose they believe it looks like they are doing something but this cancer driven scheme is bank engineered and driven, brokers were simply trained by the banks on how to fill out the laf's to get approval quickly. ASIC should start looking at the people at the top of the tree within the banking system, but no doubt that would mean upsetting their lunch buddies, no more free dinners or the cancellation of some sort of club membership. ASIC has proven that they sit down with the banks, most likely in Indian pal wal fashion smoking the peace pipe while working on strategies to deceive government and consumers. The conflict of interest between this group of bankers, regulators and EDR's, ensures that they will not protect consumers/borrowers when a systemic issue arises, the only way is to force them to and clear the stench from the air that we all breathe.

I should give you my very brief experience with no-low doc mortgage fraud so that you can get a handle on the severity of this issue when our original intention was to try and fund our own retirement, now that is but a dream.

On realising that something was wrong with the strategy my wife and I were told with a loan mortgage that was arranged in 2009, by chance we discovered Banking Finance Consumer Support Association and was advised to contact the lender and ask for full copies of our loan application forms (laf's). advised me to sit down with a stiff drink and be amazed at what you will find. On eventually receiving partial copies we were stunned at what information was on these laf's and was obviously done after our signatures were obtained and without our knowledge. The only correct information that was apparent was our names, address, DOB, drivers licence etc. (minor details). Major inaccuracies were, we were both down as current employer self, self- employed, motel managers and had been for nearly 9 years, earning $50,000 each per annum($100,000 between us). We also apparently had $300,000 equity in a business!. On 3 laf's there is 78 pieces of incorrect information or fraud. Our true circumstance was myself unemployed (poor health) and my wife casual receptionist 2 days a week earning under $8,000 p.a.. We had both been in this situation for the previous 4 years (since 2005). We both realise now we should never have been granted loans as we both never had the capacity to repay, we were preyed upon as "asset rich". I was 55 years of age and incapable of working any more (disability) at the time and meant that I would have to have lasted till the age of 85. Greed and the use of fraud in manipulating loan application forms has ruined our lives and no person should ever have to suffer this circumstance of losing everything you have worked a lifetime for, when before meeting these people we owned our home and owed nothing to nobody. Loans of $822,000 on an income of under $8,000 is hardly responsible lending or prudent lending and the Financial Ombudsman after 4 years justified the bank, ignored every bit of evidence supplied, and there was certainly plenty of that, but in not so many words inferred there may have been fraud and you could get a lawyer. This is the kind of insipid responses people get when going through a corrupt system hell bent on protecting their paymaster. At present we are barely managing repayments with only the help of disability and the carers pension and I feel once we do slip into arrears their reputation suggests they will wind us up. My wife and I know exactly how feels, after sleepless nights and days where to eat you feel like vomiting, you realise that a group of crooked bankers have ruined your lives.

If any other company or organisation tried this on there would be hell to play and people would end up in jail, so why are bank CEO's and lending officers allowed off the hook and to walk free with mega millions of dollars in departing fees, most of which are ill gotten gains from fleeced clients. This practice has been just plain criminal and politicians from all sides must put politics aside and correct this injustice. Banks will continue to donate, it's still in their interest to pay blood money.

I realise some members know of from BFCSA but for the ones who don't, this committee really should invite her to speak as her passion has been to expose this criminal behaviour for over the last one and a half decades and has found the missing links that put banks fair and square as the designer of criminal behaviour. She is a criminologist and has joined all the dots to this scandal and in addition has every members proof of bad banking behaviour and fraud. If this inquiry would like any more information from myself including copies of my toxic fraudulent laf's', I am only too willing to supply.

The end result is, if you ever wanted to know why there are many Impairment of Loans there are Four main reasons why, 1. Banks and NON Bank Lenders, 2. ASIC, 3. Financial Ombudsman, 4. Credit Investment Ombudsman (COSL).

Thanking you for the chance to provide a submission.

Yours faithfully,