

Our Submission to the Senate Inquiry

“Effects of the GFC on the Australian Banking Sector”

Economics References Committee

P.O. Box 6110

Parliament House

Canberra ACT 2600

23/05/2012

Dear Senators,

Before you read this letter, my family & I would like to Thankyou for taking the time to read about our harrowing & disconcerting experience with Commonwealth/*Bankwest*

This is our story - my name is David Crisp & my wife of 46 years is Margaret. I am 67 years of age and I am writing to you because we have had our whole life savings taken by the banking systems of the '*Commonwealth/Bankwest*.

My wife & I have been in business since the age of 21. We have been happily married for 46 years and we have raised 4 wonderful sons. One son works for an airline; the other three have their own businesses & have also graced us with 13 Grandchildren who we cannot help financially anymore, due to our dilemma of being robbed of it all.

In the year 2002, we purchased a Waterfront Property consisting of 45 acres at Lake Conjola N.S.W. We gained a development consent to build a 5 Star Resort consisting of 72 Bungalows, a Wedding Chapel, 2 Swimming Pools, Tennis & Crocket Courts 2 Storey Restaurant 1 acre for a Children's Playground 270 metres of boat storage sheds plus many other incorporating facilities. During 2002 to 2005, we gained all the necessary & mandatory approvals. Surveys, design plans & council fees totalled about \$700K.

In 2006, we were very excited as we started the development by firstly clearing the property & building a Power Sub-station, 0.5km long Inland Waterway, 2.5 kms of Sandstone Roads, 2 kms of Sewer Pipes, 1 km of 100mm Water Pressure Piping, 35m long Storage Building, 20 Houses that were almost to lock up stage, Footings for an additional 50 Houses, a Manager's Residence, Reception Rooms to the lock up stage, the ground floor of the Restaurant & a Indoor Pool all costing up to \$6.5m.To

this stage it was funded by our family & private lenders. Now to private lenders we owed a total of \$2.3M by 1st.Mortgage on the property .

To be able to open the Complex, we had to complete Stage1 of the project. We outgrew the family& private funders therefore had to go to the banking system.

We submitted applications to a few banks. '*Bankwest*' was the first to accept our proposal for funding that we required.with a submitted as at valuation of \$6.4M to Bankwest with Q.S Report & a Completion valuations. However, after the approval *Bankwest*' had their valuation to our surprise theirs came in substantially less at \$5.25M. At this stage it really didn't matter because we could still go further ahead with the project towards Stage 1 to open the Resort therefore monies would be gained.

In January 2007 '*Bankwest*' advanced us \$2.35M which enabled us to pay out our private lenders & \$500K to progress further towards the completion of Stage 1. As we uplifted it's value, the bank would fund further at an agreed ratio of 50%L.V.R.

We had a full Q.S report of costing to build the total project at \$15M and valuations of the completed project would come in at \$22M which had been submitted to '*Bankwest*' at the time of loan approval . Both valuations were from Australian wide approved companies, (please see attached for your viewing).

The property at this stage now had council approval to subdivide 20 of the holiday houses and land to be sold individually at \$240K-\$280K each, which would yield a cash-flow of approximately \$5+M. At this time we had 2 houses pre-sold with contracts drawn up by our Solicitor's as the Bank would not let us exchange until we had at least 5 pre-sold. Then without any warning the original figure of 5 that was relayed to us became 10.

In 2007 the Bankwest was being taken over by Commonwealth bank. It was stated,now it would be a lot easier as there had been hesitation by Bankwest for further funding because of the pending bank takeover, Commonwealth being a larger lender things might be easier..

My wife at this time received a family inheritance of about \$200k which she injected into the project enabling us to uplift the value even further for the banks next valuation. A large proportion of the works, were underground & could not be appreciated unless you looked at the Q.S. report which stated that Stage 1 was 75% completed, and by their

quoting, we had already spent over \$6M on construction plus the purchase of the land.

In late 2008, the Commonwealth/Bankwest sent us to a company for an evaluation of our project whereby we were charged a whopping \$80K. When we arrived at this company while waiting to be interviewed, I started to read some of their literature, I was shocked to find that this Company were "Liquidators". I immediately started asking questions and they assured me that they were working in the capacity of Advisors to the *Commonwealth /Bankwest*'. The bank added the sum of \$80K to our loan account, it took approximately two months for their report, of which we never saw but heard through the back door that our project was classed as a "white elephant"!

We requested to have another meeting with these advisors and we armed ourselves with an advisor from a worldwide Real Estate/Hotel Chain. This executive had a wealth of knowledge relating to these matters. In conclusion to this meeting the Bank Advisor made terrible & misleading statements and slammed our project. The advisor we hired at a cost of \$8K shot holes in all of their (the Banks) comments. It was becoming quite embarrassing for the bank & their advisors as our advisor knew a lot more about Resorts and these type of projects.

In early 2009, My Wife & I had a meeting with a High Official of the *Commonwealth Bank*' who said he would see what he could do for us. The project came to a complete standstill while the Bank rolled over our loan month by month whilst waited to hear what the verdict was going to be. So in February 2009, *Commonwealth/Bankwest*' was to get an uplifted valuation of the property to see how we could move forward. To our total astonishment, the valuation came in an absolutely ridiculous low value of \$4.45M. The same company previously had valued our project for the bank 3 years earlier for total \$5.25M and we had spent another \$300+K. The same company in 2006 valued it for land tax purposes the unimproved value was \$1.25M.

The Q.S report quotes in 2009, stated we had spent approximately \$6m on the project up to the stage it was at. By that valuation estimates, this equated to a minimum only of approximate \$7.2M. Consequently now, due to their low valuation of \$4.45M, we owed the bank \$2.5M plus, 2 years of interest and the loan was above 50% L.V.R so they pulled the pin on our project.

We were absolutely devastated. I tried everything I could to persuade the Bank to revalue but this was to fall on deaf ears. I had failed my family and now we would loose everything. The '*Commonwealth Bank*'

via '*Bankwest*' told us that we had better find more finance from elsewhere as their decision was final. Because of the global crisis, we frantically tried all over the world for money and we finally found a lender in the USA via a broker in Australia. The Broker in USA gave us a provisional approval of \$8M to complete the whole project but they wanted an up front fee of \$80k before they could go any further. Sadly the bank would not facilitate us with this money. As a family, we had poured every spare dollar we could find and sold all of our real estate in Sydney to keep it alive. It was useless and no one would listen to our desperate plight.

In August 2009 the Bank made a demand on us for \$3M for monies owed as now our facility had expired stating that they could go no further with us and therefore appointed their receiver. Strangely enough though, the same company that was a so called advisor in 2008 was now appointed as a Receiver for the '*Commonwealth Bank*' –

“ What a strange coincidence!”

I then had to sit around and watch whilst the property was marketed by Agents & sold at auction in October 2010 for only \$1,350,000. I had to watch in amazement to see our families' blood, sweat, tears & lifetime of finances go & be sold for such a ridiculous price. You know what?, I couldn't do anything about it. I just broke down & cried. You see the land value in 2006 was almost the same price as the total sale price and an extra cost of over \$6+M was spent developing it. We could not believe it and still don't – how could this happen, how could our lifelong dream & family security be sold for such an insult?

We found out that the company that bought it also had been contacted the night before the auction stating that if anyone could come up with about \$1.4M at auction, they could possibly buy it. To add insult to injury, we were contacted the night before the auction and given the same option to buy the project back.

The company that purchased our property had taken nearly 12 months to settle as they were having a hard time trying to get finance. In that period of time, the receiver had spoken to me on several occasions stating that if I could come up with \$1.35M, I could buy it back because the said purchaser was having problems. How ludicrous was this - I was declared Bankrupt so therefore I couldn't do anything.

We have facts & figures to substantiate our contempt & complaints towards these banks. The estimated real value of our beautiful Resort at the time of sale was more than \$10M but was sold for a mere \$1.35M.

I was absolutely distraught to a point that I didn't care anymore, my wife was having anxiety attacks and our marriage was taking its toll. Deep down, because of my faith, I knew that I had to pull myself together. My Family means the world to me and they needed me. After a few months of feeling sorry for myself, I snapped out of it & had to take every day as it came. I decided to fully research the events that unjustifiably happened to us and lo & behold I have since found that the '*Commonwealth Bank*' has destroyed other innocent peoples' lives as they have ours by strategically under-valuing properties & then selling them off at absurd low prices.

In conclusion, we have full documentations & valuations of our project to corroborate this letter to you. We would really appreciate your time to read through our claims and follow this up for us. We are willing to meet with you at any time that suits your convenience on this matter as soon as possible. I have been an Australian Taxpayer all my life, worked very hard to live a comfortable life & provide for my growing family but now I have to rely on the Pension and live from day to day. I really believe that I, and my family have been unjustly treated by the '*Commonwealth Banking System*', therefore your assistance would be greatly received and appreciated – please help me to regain what is rightly mine.

Kind Regards,

David & Margaret Crisp, & Families